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Economy, Jobs and Fair Work Committee

Report on the Draft Budget 2017-18



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Economy, Jobs and Fair Work Committee

Remit: To consider and report on matters falling within the responsibility of the Cabinet Secretary for Economy, Jobs and Fair Work.


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The Committee reports to the Finance Committee as follows—

Introduction

Background

1. The Economy, Jobs and Fair Work Committee ("the Committee") considers Scottish Government spending that falls within its remit. However, late publication of the Draft Budget 2017-18 severely restricted the time available for scrutiny this year.

2. To fulfil our scrutiny role effectively there must be sufficient time to hear, question and assess evidence. That was not the case this year. We are though aware that the Finance Committee is examining the matter and we remain hopeful that circumstances better suited to full and effective scrutiny will be put in place by the time of next year's budget process.

3. Undertaking three sessions of pre-budget scrutiny, the Committee took evidence from Highlands and Islands Enterprise ("HIE"), Scottish Enterprise ("SE"), and a panel of energy efficiency/fuel poverty experts. A final evidence session took place shortly after the budget's publication, with Keith Brown, the Cabinet Secretary for Economy, Jobs and Fair Work ("the Cabinet Secretary") and officials from the Scottish Government.

Approach

4. The Committee used the limited time available to focus our scrutiny on spending on enterprise and energy efficiency/fuel poverty. The report is structured accordingly.

5. It was also decided, in light of earlier evidence taken on fair work and the intention to carry out a future inquiry into pay inequality, to take a gender perspective in future. Furthermore, given the emphasis placed in the Scottish Economic Strategy on the "4 i-s" (investment, innovation, inclusive growth and internationalisation), the Committee wanted to pay particular attention to the enterprise agencies' spending on investment in terms of measuring success, value for money and plans for the coming years.

Briefings

6. The Scottish Parliament Information Centre ("SPICe") produced a detailed briefing and infographic on the Draft Budget plus a briefing on Economic Development and Business Support earlier this year.

7. Audit Scotland published Supporting Scotland's economic growth, a review of the economic development agencies, in July 2016, providing evidence to the Committee on 25 October; and the Scottish Government conducted an Enterprise

and Skills Review over the summer, reporting on phase 1 in October 2016, the conclusion of phase 2 expected in March/April 2017.

8. SPICe also published briefings earlier this year on fuel poverty (based on 2014 fuel poverty figures) and domestic energy efficiency programmes.

Enterprise agencies

Scottish Enterprise

Introduction

Scottish Enterprise – Draft Budget (2017-18)

	2016-17 £m	2017-18 £m	Change %
Scottish Enterprise (resource)	166.5	137.9	-17.2%
Scottish Enterprise (capital)	41.9	21.9	-47.7%
Scottish Enterprise (non-cash)	25.3	10.6	-58.0%
Scottish Enterprise (financial transaction)	21.5	-	-100.0%
SE TOTAL	**255.2**	**170.4**	**-33.2%**

9. The Draft Budget Level 4 figures, included above, show a significant reduction in Scottish Enterprise's initial Grant-in-Aid allocation compared to last year's Draft Budget figure of £255 million. We note the Cabinet Secretary's explanation that this is not the only source of SE funding. Even taking into account the £17 million savings that had to be found from the 2016-17 baseline figure – so, in reality the reduction in resource allocation is closer to 7.5% – total Scottish Government draft budget allocation has reduced by 28% over the year.

10. In the explanatory notes accompanying the Level 4 figures, the Scottish Government stated—

> "Funding for SE through the draft budget has changed to better reflect the level of SE's planned activities relative to their funding and income streams identified in 2017-18. Specifically this reduction is negated by SE reclamation of funding from the European Commission for expenditure associated with delivery of the SME Holding Fund."

11. In earlier correspondence with SPICe, just after the Draft Budget was presented to Parliament, the Scottish Government stated—

> "SE's budget allocation includes a prudent adjustment of their costs associated with depreciation and based on their needs from previous years. SE also has access to extensive European capital funding in 2017-18 to mitigate a reduction and also have a sizeable projected income

> [totalling £117.5 million this year – see paragraph 73 of this report]. SE has an excellent track record in being able to deliver efficiencies in past years and we remain confident in their ability to continue to deliver on our priorities."

12. SE's current business plan (see page 7 of that document) provides a full breakdown of its income streams, including property-related and European funding, this financial year.

Comparison of draft budget allocations since 2009-10

13. Comparing Draft Budget initial allocations over the years shows the extent of initial grant-in-aid reductions to SE since 2009-10. The Scottish Government prefers comparison between draft budgets, rather than comparison between draft budget and previous outturns. This is because substantial transfers often take place within financial years (documented in spring and autumn revisions).

14. Comparing the initial SE draft budget allocation in 2009-10 with the initial allocation for 2017-18 shows a reduction from £291.7 million in 2009-10 to £170.4 million in 2017-18. This represents a 'cash terms' reduction of 41%, or 48% in 'real terms' (i.e. factoring in inflation) over the period.

Funding for innovation and investment hubs

15. The issue of increased Scottish Development International ("SDI") presence across Europe was raised during our recent inquiry into the possible impact of leaving the EU. Draft Budget Level 4 figures show an increase in the 'Business Liaison & Networking' budget line, which the Scottish Government said is to—

> "Establish Innovation and Investment Hubs in London, Brussels, Berlin and Dublin. The Hubs will bring together the Scottish Government and its agencies, with public and private partners, to support trade, investment and innovation and strengthen relations with governmental and institutional stakeholders".

16. Also—

> "Support to ministers' ambitions to support expansion of Scottish trade and investment activity and the costs of large expansion of the number of SDI staff based in Europe [and] Funding to support business networks and engagement activity".

17. This budget line is more than doubled over the year to £6 million. On a wider point, it should be noted that SDI is the international arm of SE, HIE and the Scottish Government, though its budget and governance are most closely aligned with SE.

Budget

18. Lena Wilson, SE's Chief Executive, said the agency's budget had fluctuated since 2008, falling by 16% over that period in real terms.[1] Speaking to the Committee before publication of this year's Draft Budget, she said they were "going as far as we can" with efficiencies but could "always invest more in helping companies to internationalise", having already grown their "international footprint" by a third.[2]

19. Asked about the priority of internationalisation and what it would mean for new funding for SDI, Dr Wilson replied she expected "100% additional funding" for "new resources in new markets".[3]

20. Addressing the scenario of a 5% increase or decrease in SE's overall budget, she said rather than take a "salami-slicing approach" that they would protect those areas likely to produce the best results—

> … we have done what we ask every business in Scotland to do: we have achieved more. There have to be limits to that.[4]

Brexit

21. The UK's decision to leave the EU may have created uncertainty in the business community but Dr Wilson was clear about the agency's purpose—

> … regardless of where we are in the current global turmoil, we are paid to find opportunity and must do so in any circumstances.[5]

22. SE sought the views of 500 companies every quarter and businesses either did not know what Brexit would mean for them or thought that the effect would be negative.[6] Companies were encouraged to seek the advantages of the current value of the pound but the gains were "short term".[7] Dr Wilson said we needed "to focus on the opportunity but be realistic about the cost".[8]

23. There would be sectoral differences, she suggested, with larger corporations affected less, given their multi-market presence, whereas financial services had some concerns about the future of passporting, and hospitality and textiles were more reliant on the free movement of people for their labour force—

> There is a lot of uncertainty, which is the enemy of confidence. A lack of confidence is the enemy of investment, and that is why we are seeing hesitancy and slowing down, even for companies that might have some cash in the bank.[9]

Core purpose

24. SE's focus was "transformative growth"—

> There are lots of things that people would like Scottish Enterprise to do and there are lots of things that we could do, but our job is to do the things that give the greatest return to the economy.[10]

25. Contrasting SE with HIE, Dr Wilson explained how her organisation does not have "a specific community development remit" but she was "very willing to push the envelope".[11] SE contributes to every community planning partnership in their area and was involved with the various city deals.[12]

26. Dr Wilson spoke of "the strength in the national approach".[13] Her colleague Iain Scott said 50% of SE's operational budget was "pan-Scotland", including SDI, the Scottish Investment Bank and the Scottish Manufacturing Advisory Service ("SMAS").[14]

27. She told the Committee—

> … there is no secret sauce in Scottish Enterprise. I will give away all our knowledge and expertise – the taxpayers owns it – to anybody who wants to understand and work with us.[15]

28. Questioned about the enterprise and skills review and the Scottish Government's plan for an overall strategic board, she welcomed any moves "to co-ordinate better" and "declutter the landscape".[16]

29. In written evidence to the Committee, referencing Audit Scotland's comments on "the complexity of all the bodies and initiatives involved", FSB Scotland suggested the delivery of business support had "become inefficient, and ultimately, less effective"; and called for "a moratorium on any new publicly funded business-facing websites".[17]

Risk

30. While not "cavalier" with public money, Dr Wilson described SE's job as "inherently risky", with £19 million of write-offs next to £30 million of gains. She said they "should only do stuff that would not happen without us",[18] citing wave technology as an example, and—

> We are in the risk business – economic development is not a dead cert.[19]

Productivity

31. Describing productivity as "a blend of many things, including innovation and investment", Dr Wilson said—

> We know that companies that export are likely to be more productive because they are competing against best in class.[20]

32. Questioned on the national performance target for productivity of reaching the top quartile of OECD countries by 2017, she said it would require a 200% hike in "innovation levels".[21] SE was working with companies on productivity via SMAS and had launched "productivity plans" for food and drink, tourism and construction – high employment sectors which have "significantly lagged behind".[22]

33. She stressed that innovation was as much about the workforce and how companies deal with their staff as it was their handling of products and services[23]—

> We are training all our account managers and talking to all our companies … because treating employees better – fair work – tends to be more productive.[24]

Women in Enterprise

34. Dr Wilson said companies that were account managed performed better than those that were not when it came to employment of women, graduates and young people.[25] She highlighted a new leadership programme targeted at women in such companies.[26] Emphasising the importance of quality of work as well as the quantity of jobs created, she said SE were working with all their account managed companies—

> We want to have discussions around gender and equality, because that helps growth. It is not a question of either/or. It all helps growth.[27]

35. Asked how more female graduates can be encouraged to set up their own businesses, Dr Wilson explained that – though not a specific part of their remit (being more in SDS's field) – SE staff spoke in schools and ran "lean in" events; she herself was looking at taking part in "a reverse mentoring programme"; a 10-point action plan had been agreed with Women's Enterprise Scotland ("WES"), covering communication, marketing and role models; and more could be done through Mentoring Scotland (where a mere 15% of mentors were women)—

> Even if we are not delivering, we can bring a lot of influence ... I am willing to see what else we can do.[28]

36. WES, in their written evidence, relayed how: the increase in self-employment was greater among women than men; women-led businesses made up only 3% of businesses in receipt of "growth support"; the need for "a more gender sensitive" policy approach; an absence of women-specific growth support, and what was on offer represented "a hierarchy of business advice". The collection of "gender disaggregated data" was said to be "crucial" in measuring economic impact of the gender pay gap and the call was for "policy in action" for women in enterprise.[29]

Exports

37. SE's support for companies that were exporting rose from 1,300 in 2011-12 to the current total of 2,600. The percentage for account managed companies that export was 70%, with the goal of 80% in 2017.[30]

38. Asked about the budget for exporting, Dr Wilson described "a very blended approach" to their support for account managed companies. She said SDI had received "a lot more money" because of our reliance on "too few exporters". She cautioned against pushing businesses into export markets too early and said it was about "the right product for the right market, the right leadership team and the right financial resources" and that would require time but—

> We are throwing everything at it … [31]

39. Pressed on the target of increasing exports by 50% by 2017, she declared herself a fan of "a big hairy target" and argued in favour of an ambitious approach.[32]

40. The Global Scots initiative, credited with bringing circa £30 million of "additional business" for Scottish companies,[33] was described by Dr Wilson as "a real jewel"—

> The people are unpaid and I always say that our job is to exploit them ruthlessly for their value to Scotland.[34]

Inward investment

41. For seven years Scotland has been the top region other than London for securing direct foreign investment, but she counselled against complacency—

> When a country consistently punches above its weight, there will come a year when it does not.[35]

42. On the topic of foreign ownership, Dr Wilson said investors came here due to our natural and human resources, and our universities. They were "a massive contributor" to exports, the supply chain and "high value jobs", including those in R&D. These companies continued to invest rather than "take flight" and—

> They become intrinsically Scottish companies – a company that is here in Scotland is a Scottish company.[36]

Added value

43. SE had contributed to the creation of 55,000 new jobs over the last four years, said Dr Wilson, and—

> For every pound that we have invested, we generate about £9 back.[37]

44. An evidence-based approach was used to decide where investment went and where it did not. Gross value added ("GVA") was fundamental.[38] She highlighted "a world class economics research and evaluation team" working with companies and universities—

> Our job is to find disproportionate growth in the world and match it to a Scottish asset – and then exploit the heck out of it.[39]

Highlands and Islands Enterprise

Introduction

Highlands and Islands Enterprise – Draft Budget (2017-18)

	2016-17 £m	2017-18 £m	Change %
Highlands and Islands Enterprise (resource)	30.0	29.5	-1.7%
Highlands and Islands Enterprise (capital)	26.2	26.2	0.0%
Highlands and Islands Enterprise (non-cash)	11.2	11.0	0.0%
Other	0.3	0.3	0.0%
HIE TOTAL	**67.5**	**67.0**	**-0.7%**

45. HIE's initial grant-in-aid allocation reduces by 0.7% over the year, a considerably smaller reduction than SE's budget reduction.

46. The Draft Budget document also provides a more up-to-date spending figure of £74.5 million for 2016-17. This figure includes in-year budget transfers, for example the £10 million transferred to HIE for Wave Energy Scotland (as documented in the Autumn Budget Revision). It is possible that in-year transfers will be made to HIE's budget during 2017-18.

47. Comparing initial Draft Budget allocations over recent years, we can see a significant reduction since 2009-10, when HIE's initial grant-in-aid allocation was £73.1 million (2009-10 Draft Budget, p. 35). This amounts to an 8% 'cash terms', or 18% 'real terms', reduction in initial allocation between 2009-10 and 2017-18.

Unique remit

48. HIE's "unique remit" was underscored by Charlotte Wright, Interim Chief Executive, the integration of social and economic development drawing international attention.[40] On their books were more than 400 companies and 50 social enterprises, as well as 50 communities and 115 community organisations.[41]

49. She told the Committee—

> In a fragile community, a business growing from three to four or five employees is as significant as one elsewhere that is growing from 20 to 30 ....[42]

50. The larger companies included Johnson and Johnson, BASF, CS Wing and Capgemini, an important factor in identifying which sectors and enterprises to support being—

> … place-based distinctiveness that makes the most of our assets, gives us a competitive advantage and contributes to Scotland's economy.[43]

The digital economy

51. The agency was particularly focused on the digital economy, viewing its investment of £146 million in fibre broadband as a means to "transform the fortunes of some of our most peripheral communities".[44]

52. Forbes Duthie, HIE's Director of Finance and Corporate Services, described digital connectivity as of "primary importance" in reaching remote and rural areas.[45] He explained how the budget "flexes" or "slips and slides" with such projects.[46] They were on target for 86% coverage but it would take "another £150 million" to reach 95%—

> As I always tend to say, technology eliminates distance.[47]

53. Asked about likely future investment, he said a figure of £400 million had been rumoured, relating to the Scottish Government's commitment to reach 100% coverage. HIE's role in getting from 86% to full coverage was still to be determined.[48] On the question of whether the percentage targets related to people being connected rather than merely availability of broadband in their area, Ms Wright confirmed the former.[49] The Committee remains unclear as to whether this relates to availability or people actually being connected.

54. To address the skills gap, HIE was working with universities, colleges and SDS, as well as businesses themselves, to overcome a problem "not unique to the Highlands and Islands" but—

> It is a challenge in the 21st Century to ensure that all our businesses can operate digitally, which would mean that anybody could work from remote and rural areas of the Highlands and Islands and link and sell to the world.[50]

Budget

55. Responding to Audit Scotland's observation that the enterprise agencies had seen their budgets reduced since 2008-09 but with "little change in the Scottish

Government's expectations",[51] Ms Wright said ambition was the watchword. Their job was to maximise the value of "every penny" spent, and in anticipation of their allocation—

> I think that we would find a settlement that is at least the same as this year's to be a good outcome.[52]

56. Mr Duthie said grant-in-aid had been "a bit volatile" over the last decade but they felt "able to flex the budget" to some degree when it came to local priorities. Ring-fenced projects, like broadband and wave energy, were "a much bigger element" of the Scottish Government's funding, important to the Highlands and Scotland more widely.[53] Asked specifically about the levels of HIE's budget for investment since 2015-16, he accepted there had been reductions between initial plans and outturns or final forecasts.[54]

57. Audit Scotland had also highlighted issues around awareness of what support was on offer, potential for overlap and scope for simplification. Ms Wright said HIE had "pushed back" on some of those findings and underlined that "expenditure is clear … in all our operational documents". However, she recognised they could "articulate more clearly" how to navigate the system of supports on offer—

> It is important to us that businesses and communities understand well what we do, why we do it and how we do it.[55]

Risk

58. Referring to Audit Scotland's view of HIE's positive approach to risk, Ms Wright stressed the importance of clarity at the onset of any project and putting in place mitigation—

> I would not say that we are risk averse, we are certainly risk aware.[56]

59. She gave some examples, including the broadband project and challenge of ensuring best value from the commercial provider, and Lochboisdale, where the community had initially asked for £2 million to support a £4 million development but—

> … we said no, and suggested a £10 million development, which we would support with £5 million. That was about pushing the risk and ambition.[57]

Brexit

60. Ms Wright reported concerns from businesses in the region about the impact of leaving the EU, especially those in tourism and food and drink, sectors whose workforces were "highly reliant" on EU nationals.[58] HIE were working to ensure businesses had strategies in place for retaining and developing their employees. She said the agency was also thinking longer-term about the opportunities offered by markets outside Europe.[59]

Fair work

61. Speaking about quality of employment, Ms Wright said ensuring there were jobs was the priority but—

> … it is also really important for us to influence – where we can – what employers do on wage rates.[60]

62. HIE were working with WES to support women in businesses and to promote equality.[61] Responding to a question about gender impact analysis, she said all their support programmes included an equality assessment, a recent example being "innovate your business", and all account managers were trained accordingly.[62]

Productivity

63. Ms Wright told the Committee—

> The reality is that productivity in the Highlands and Islands lags behind Scotland, which lags behind the UK, so that is definitely a challenge for us.[63]

64. Some of the explanation was "structural" she said, relating to the size of the business base, and despite a small number of large companies, like BASF and Lifescan, other sectors tended to be "at the lower level" for wages, meaning less of a contribution to productivity.[64]

65. HIE were using SMAS to increase efficiency and target productivity, particularly in those sectors with higher skill and pay levels. CS Wind UK was given as an example of a business where efficiencies had been identified and changes made.[65] She spoke of the "underemployment challenge" and ensuring that people were both productive and making the most of their skills "not only for productivity but for the wellbeing and effectiveness of our communities and businesses".[66]

Exports

66. Ms Wright spoke of HIE's "growth trajectory" with 401 account managed businesses (455 if social enterprises were included), of which 57% were already exporting and another 20% embarking on "the export journey".[67] She believed "increasing both the volume and the value" was important, as was broadening the base of companies taking that journey.[68]

Innovation

67. Referring to a health and wellbeing pilot that had derived from the Scotland Can Do Forum on Innovation, bringing companies together with the NHS and universities, Ms Wright said developments in "the digital health space" were "a key focus".[69]

68. HIE worked closely with the University of the Highlands and Islands ("UHI") on several fronts (including aquaculture[70] and a new school of heath in Inverness[71]), with Glasgow School of Art (opening a campus in Moray) and with Heriot-Watt (on marine and tidal devices in Orkney).[72] Regarding the latter, a campus is being developed in Stromness, with R&D, piloting and deployment brought together, along with the test facilities at the European Marine Energy Centre ("EMEC"), creating "a real living laboratory out in the sea"—

> EMEC is the world's only grid-connected tidal test station and it is something that we have a great opportunity to grow.[73]

Scottish Government position

Women in Enterprise

69. The Cabinet Secretary talked about "fostering the entrepreneurial culture"[74] in which we all achieve our full potential, including initiatives directed at women—

> If we do not have proper and full inclusion of the majority of the population, who happen to be women, we will not achieve maximum growth.[75]

70. On the subject of the enterprise review and the creation of an overarching board for all the enterprise agencies—

> It is hard to see how the strategic board could be other than seized of the idea that we have to improve what we in relation to women and direct support to women, including women in enterprise.[76]

71. He spoke of his positive experience of an event organised by WES at Glencorse barracks,[77] and highlighted new money in the innovation and enterprise budgets—

> It is worth saying that we are doubling the budget for entrepreneurial activity among women.[78] (See paragraph 95)

SE's budget allocation

72. Questioned on the reduction in SE's budget by 28% or 33%, depending on the analysis, the Cabinet Secretary detailed £17.3 million of "embedded" savings (a sum asked of SE in each of the last three years), a "£20 million cut" in capital, and a "£10 million cut" for "depreciation". He highlighted "other sources of capital that will replace much of those cuts. For example, it should be possible for Scottish Enterprise to access up to £20 million of the £40 million small and medium-sized enterprises holding fund, which in turn could leverage around £250 million".[79] Drawing attention to measures supportive of enterprise but not directly coming through SE, he listed city deals, the Fife and West Lothian task forces, innovation, the manufacturing centre for excellence, the reduction in business rates and the increase of £2.1 million in SDI's funding[80]—

> It is, I understand, a complicated picture. Money is moving around, and a straightforward cut is not how I would represent it ... I think that you will still see a cut, however, to direct grant in aid to Scottish Enterprise. [81]

73. Mary McAllan, Director for Economic Development, explained how SE had access to grant-in-aid from the Scottish Government and "a substantial amount of income" in its own right, totalling £117.5 million this year and which had been "taken into account in this budget".[82]

74. Asked whether SE's budget would increase this year if all the "moving parts" were taken into account, the Cabinet Secretary said the amount to be "drawn down" was not yet known, however—

> There would be an increase only if those other things that are not going through Scottish Enterprise's budget are taken into account.[83]

75. Identifying "the most relevant figure" as the £11 million cut in grant-in-aid, he flagged up the funding for the city deals, innovation and SDI. He said "we cannot spend the same money twice"; "we have to live within our means"; and that money "not going through Scottish Enterprise's coffers" was "more than made up for"[84] by the funding of other enterprise-related activities—

> There is no question that we have a very strong commitment to enterprise in Scotland. That is not entirely reducible to what happens through Scottish Enterprise.[85]

76. Also—

> We tend to back what we think will have the biggest impact and what we have described is what we believe will have the biggest impact.[86]

77. During the course of the discussion, the Cabinet Secretary initially referred to "a real-terms cut of about 5.8%" across the Scottish Government budget for the year.[87] Subsequently he clarified this as "a cumulative figure since 2010-11".[88]

Productivity, accountability and Brexit

78. He praised those "fantastically innovative companies", often "spun out" from collaborations with universities, but more growth was wanted—

> We have a higher number of companies in Scotland than ever before, but the issue is the extent to which we can, in the current jargon, scale them up.[89]

79. On the subject of alignment of national performance framework indicators, covering areas such as GDP growth, exports and R&D, he was looking for "increased accountability", less of "a cluttered landscape", and "a sharper focus on things such as trade".[90] He said—

> We have seen an increase of around 4.4% in productivity since 2007. By contrast, UK productivity has flat-lined in that period, although the UK still has higher productivity rates than Scotland does. Most of our competitors in the European Union have higher productivity rates than we do. We want to see productivity increase.[91]

80. The Cabinet Secretary suggested one of the ways of achieving that was to promote trade. The aim was "initially focusing on an increase across the EU" which he saw as "particularly important at the time of Brexit" but also "keeping an eye" on India, China and the rest of the world.[92] The Board of Trade idea was seen as one that could bring "a lot of expertise".[93]

81. Though the Scottish Government "cannot strike a trade deal", it could "do a great deal of trade promotion underneath that" and he had spoken with the UK Secretary of State for International Trade about working more closely. An extra £400,000 had been allocated to the Scottish Chambers of Commerce for such work in the EU and beyond.[94] Stressing the importance of Germany and the USA to Scotland, he said there was potential for "much more activity" there, but that the BRIC countries (Brazil, Russia, India and China) were "very important too"—

> We have to pick and choose where we can go, but we are not restricting ourselves to the EU.[95]

82. Regarding the balance between trade and inward investment, he said there was "no textbook" answer. The latter was "absolutely vital" because of the "new knowledge of how best to internationalise" as well as the money it injected—

> Sometimes the investment comes from countries such as Germany that are more productive and competitive than we are, and we can learn important lessons from that.[96]

83. Describing "the substantial success" in direct foreign investment for 2014-15 (as cited by Ernst and Young),[97] "a record number of people employed", growth in the number of businesses and "a resilient economy that is still growing although … not to the extent that we might like", he said—

> We can point to those things as endorsing the fact that people want to live, work, invest and learn in Scotland.[98]

Future of the enterprise agencies

84. On the future of HIE and SE beyond phase 2 of the enterprise review, the Cabinet Secretary described the strategic board's purpose as "the alignment" of their activities and—

> … they will remain as agencies enshrined in law and they will both have their own chief executives … there will be no change in their status ... [99]

85. Furthermore—

> … SE has been extremely successful in what it has done. We want to build on that success ... [100]

Data

86. Addressing the issue of the accuracy of data when it came to exports, the Cabinet Secretary said—

> I entirely agree that we should be looking to improve the quality of the data that we have ... [101]

87. He had instructed the Chief Economist and the Chief Statistician to examine how we could "improve our data … across the piece", in relation to the labour market as well as exports. This was one of the phase 2 work streams of the enterprise review. Ms McAllan added that "an extra £360,000" had been put in the budget to "help with some of the work".[102]

Recommendations and conclusions

88. In a post-Brexit landscape where there are concerns over economic certainty, the Committee is concerned whether a 28% cut to Scottish Enterprise's grant-in-aid budget (or 33.2% depending how figures are broken down) is prudent in the interests of promoting economic growth.

89. We note the Cabinet Secretary's explanation, including availability of sources of funding other than grant-in-aid plus various investments by the Scottish Government in areas relevant to enterprise but not being channelled through the agency, and also the increase for support for Scottish trade and investment.

90. When the Committee asked about what at the time of questioning was the scenario of a budget cut, Scottish Enterprise's Chief Executive was clear: the agency would protect those areas producing the best results. Dr Wilson said they had done just what they had asked of the businesses they supported, and achieved more. But there had to be limits she said.

91. The Committee notes concerns about whether Scottish Enterprise can continue to meet all the expectations placed upon them. This was the central question asked by Audit Scotland in the Supporting Scotland's Economic Growth report. Since 2009-10 SE have seen their budget reduced by 41%. The Committee was not able to interrogate whether the agency would be able to make up this year's shortfall from other funding. The Committee seeks more detail from the Scottish Government and Scottish Enterprise itself. The Committee asks the Finance Committee to reflect on

the question of whether SE can continue to meet all the expectations placed upon them.

92. The budget for Highlands and Islands Enterprise was by contrast pretty static this year compared with last, down by 0.7%, while over the last seven years funding has fallen by 8%. The Committee notes the Cabinet Secretary's statement that the status of HIE will not change. The agency has a unique remit in combining social and economic development. The Committee will look at HIE's business plans and the outcomes of phase two of the enterprise and skills review in the spring and return to this issue.

93. It is not as yet clear how broadband coverage for the Highlands and Islands will be funded to get from the 86% target, once that is met, to 100%. Progress is crucial for the success of the digital economy in the region and providing homes and businesses in rural and remote areas with speedier online access. We will bring the issue to the attention of colleagues on the Rural Economy and Connectivity Committee, within whose remit this sits.

94. The increase in funding for support for Scottish international trade and investment in the interests of promoting the internationalisation agenda is welcome. This is something the Committee will likely return to as part of a future piece of work on the performance of Scotland's economy. However, we also heard that support is "blended" and tends to be approached as part of a larger package for account managed companies. On that basis, we seek assurances from the Scottish Government that the benefits of increasing support for Scottish international trade and investment activity will not be undercut by reductions elsewhere.

95. We welcome the Cabinet Secretary's positive comments relating to women in enterprise The Committee welcomes the stated increase in the budget for entrepreneurial activity among women whilst at the same time recognising the need for all enterprise agencies and other stakeholders to work together to ensure best practice is shared to increase innovation among the general population. The Committee will be undertaking work on this area in 2017 and asks for clarification around evidence from the Cabinet Secretary that the budget for entrepreneurial activity among women will be doubled.

96. We welcome too his comments on improving the quality of data particularly for exports but also more widely in his remit. The Committee will be undertaking work on this in the coming months.

97. We appreciate that the timing of the budget is not always a matter wholly within the gift of the Scottish Government. However, we fully share the long-term frustrations of the Finance Committee and others on this front and expect nothing less than clearly defined arrangements better suited to effective parliamentary scrutiny to be in place in time for the next budget.

98. Furthermore, given the in-year budget revisions for the enterprise agencies that take place in spring and autumn, the Committee intends to reposition its approach. Rather than limit its attention to the often hurried process based around the autumn/winter publication of the Scottish Government's overall Draft Budget, we shall pursue more meaningful scrutiny by looking more closely at the spending plans of Scottish Enterprise and Highlands and Islands Enterprise as they become clearer during the year. Information gleaned in this way could then be used to feed into an evidence session with the Cabinet Secretary once the Draft Budget is published.

Fuel poverty

Introduction

Fuel poverty draft budget

	2016-17 £m	**2017-18 £m**	**Change %**
Fuel Poverty/Energy Efficiency	79.3	84.1	+6.1%
Fuel Poverty/Energy Efficiency Financial Transactions	24.0	30.0	+25.0%
Total Fuel Poverty	**103.3**	**114.1**	**10.5%**

99. Comparing draft budgets over the year shows a 10.5% increase in the overall fuel poverty budget line in 'cash terms', or an 8.8% increase in 'real terms' (i.e. factoring in anticipated inflation).

100. The Scottish Government plans to spend £114.1 million on fuel poverty measures in 2017-18. However, as in previous years, it is possible more money could be transferred to this area over the course of 2017-18, which would be documented in future autumn and spring budget revisions.

101. Looking at the current financial year, for example, a press release from 3 November confirmed that the Scottish Government was "spending £113 million this year (2016-17) alone tackling fuel poverty directly", a £10 million in-year addition to the £103.3 million detailed in the 2016-17 Draft Budget.

102. The above table shows an increase of 6.1% in the Home Energy Efficiency Programmes ("HEEPS") element of the fuel poverty budget. The accompanying notes to the Level 4 figures state it has been increased—

> "to enable greater activity in tackling fuel poverty in light of sustained calls from stakeholders and to enable further roll-out of pilot activity to develop Scotland's Energy Efficiency Programme."

103. There is an increase in the loans element of the budget ('financial transactions) by 25% over the year. The explanatory note states this has been increased—

> "to help tackle fuel poverty, provide loan offering to able-to-pay households and meet the Energy Efficiency Standard for Social Housing by offering [an] expanded loan programme to registered social landlords."

Eradication of fuel poverty

104. The Housing (Scotland) Act 2001 called for the eradication of fuel poverty by November 2016 "so far as reasonably practicable". The latest figures, set out in the Scottish House Condition Survey: 2015, showed 748,000 households (30.7%) as fuel poor in 2015 and, of these, 203,000 (8.3%) living in extreme fuel poverty.

105. Professor Sigsworth, former chair of the Scottish Fuel Poverty Strategic Working Group ("the Group") said—

> … the targets that were set in 2001 have not been met. In fact, things were twice as bad in November this year as they were 15 years earlier.[103]

106. The Group's recent report set out a new framework to address the problem and sought "an increase in momentum" rather than "a hiatus". The central programme for energy efficiency should be increased but "will not by itself eradicate fuel poverty". It must be complemented by "community-based actions" delivered collaboratively by primary healthcare, social care, local authorities and others.[104] He told the Committee that budgets should be "increased over time" and "commitments" would be required from "other areas that influence fuel poverty"—

> We also want programmes to focus in the short-term on the most disadvantaged people.[105]

107. The Scottish Government was looking at a number of policy areas: energy efficiency programmes, the climate change plan, the energy strategy and the fairer Scotland action plan. He said the budget process should "recognise the links".[106]

Spend

108. Norman Kerr of Energy Action Scotland ("EAS"), also a member of the Group, said the money being mooted "falls far short" of the sums the EAS and the Existing Homes Alliance ("EHA") had outlined. The "sole focus" on energy efficiency was "a trap" he said and the new approach must include "behaviour change, advice and social care". The figures produced by EAS and EHA had "never been challenged"—

> That leads me to believe either that our figures are grossly unrepresentative or that the Government takes the view that they are too big and scary ... [107]

109. EHA took the view that the budget should aim to "raise our housing stock to band C" on the energy performance certificate ("EPC") scale. Elizabeth Leighton of EHA, another member of the Group, said this was recommended in Professor Sigsworth's report and also by the National Institute for Health and Care Excellence as the best way to improve the health of people living in cold and damp conditions—

> Achieving that ambition will be a big cost – we estimate that a 10-year programme would cost £10 billion.[108]

110. She said enough public money should be put in to that programme "to lever in private finance". Describing this year as "transitional", given the launch of SEEP in 2018, Ms Leighton called for a £190 million budget, which she suggested could be brought up to £250 million with cash from the Energy Company Obligation ("ECO").[109] Mr Kerr said—

> We know from the past 15 years' experience that the budgets have not been enough … I do not expect any more than £125 million when the budget is announced … it needs to be double that ... [110]

Targets

111. Asked about the merits of setting another target and what it should be, Mr Kerr favoured 100% as "the ideal"—

> How can we measure progress if we do not have a target?[111]

112. Di Alexander, chair of the Scottish Rural Fuel Poverty Task Force, agreed targets were necessary despite the "flat-lining"[112] of the statistics, but the "key one" must be affordable warmth. He wanted to see progress measured so that the Parliament could see whether policies were working and "proceed meaningfully".[113]

113. It is worth noting that in a plenary debate on 16 November 2016, the Cabinet Secretary for Communities, Social Security and Equalities, Angela Constance, stated that "at its heart" the forthcoming Warm Homes Bill "must have statutory targets to end fuel poverty".[114]

Affordable warmth

114. Mr Kerr said it would require "a ludicrous amount of income" to heat houses rated F and G on the EPC bandings but these were the conditions faced by vulnerable households—

> The Scottish Parliament has the ability to sort that out and to ensure that those homes do not contribute to fuel poverty.[115]

115. There were opportunities to do so via promoting competition in rural areas, supporting the growth of alternative models of energy supply like Our Power or Hebrides Energy, and other measures, such as combined heat and power, which could be pursued through the proposed Warm Homes Bill.[116]

116. Ms Leighton wished to "sweat our assets",[117] identifying opportunities in other parts of the budget. Suggesting we look at how winter fuel, health and disability payments could be better aligned, she identified—

> ... the opportunity to review the broader set of social security benefits and look at them through a fuel poverty lens.[118]

117. On the question of the drivers of fuel poverty – income, price, energy efficiency and how energy is used – and what could be achieved in terms of devolved/reserved powers, Mr Alexander wished to focus on affordable warmth—

> … if we can help people to achieve lower bills, we can put more money back in their pockets.[119]

Leadership

118. The reality for many households struggling with energy bills was that they would self-disconnect.[120] He favoured the "energy carer approach" by which professionals and "trusted support" advised people how to make "great savings" on their bills. The Competition and Markets Authority ("CMA") found most people using electricity for heating, often the case in off-gas areas, do not switch, particularly so in the north of Scotland. Mr Alexander thought leadership from the Scottish Government could make a difference.[121]

119. Ms Leighton welcomed energy efficiency being a National Infrastructure Priority, an opportunity to create jobs "all over Scotland" and to provide what Professor Sigsworth called "a kickback" into local economies in particular. In the words of Ms Leighton—

> … we could flex our muscles a bit, be more ambitious and not abdicate our responsibilities to address those other two drivers of fuel poverty [income and price].[122]

120. She commended the Scottish Government for "the very positive move" of its post-Brexit stimulus, putting £20 million into energy efficiency, half being for domestic stock. EHA believed that 8,000 jobs plus could be generated by a programme of sufficient scale—

> … this would be a piece of infrastructure for the whole of Scotland, not just the part of it that gets the new hospital, the new bridge or the new road.[123]

121. Recalling visits to the Borders to sites of low-energy housing built locally, Professor Sigsworth said energy bills had been cut from £1,200-£2,000 a year to just £100 (for heating, hot water and lighting)—

> When we talk about putting more money into people's pockets, that is an income effect as far as I am concerned.[124]

122. While we do not control international energy prices or the work of the Office of Gas and Electricity Markets (Ofgem), a lot could be done, including community support, "local casework", alternative energy supplies, and remedies highlighted by the CMA on certain tariffs and metering—

> We already have good programmes in Scotland – we just need to do more ...[125]

A holistic approach

123. On the approach taken in other countries, Ms Leighton said Denmark had followed a "steady energy strategy" involving planning, investment and housing standards since the 1970s.[126] She also mentioned Germany and its "cultural attitude" of valuing energy efficiency in the home.[127] Professor Sigsworth pointed to the Scandinavian experience, focused on "disadvantaged families" and "finding solutions"—

> The fact is that fuel poverty is not recognised in Scandinavian countries – it is not part of society.[128]

124. Emphasising the benefits of the local approach, Ms Leighton said people drift in and out of fuel poverty, so policies must be "future-proofed" and interventions made on a preventative basis as well as for people already facing problems. She cited the "cancer journey service" run by Macmillan, drawing on the NHS, energy advice and local authorities for "a holistic needs assessment". Professor Sigsworth spoke of those moving from benefits into work and said the aim was "to stop people crossing that line [into fuel poverty]".[129] The importance of involving the NHS was also flagged up by both Professor Sigsworth and Mr Kerr. The former referenced the links to "excess winter deaths" and the latter spoke of the health service making people well only to send them back to "exactly the same home environment" that had made them ill to start with.[130]

Definition

125. Definition-wise, Mr Alexander said the current one[131] "works pretty well" but—

> The key thing for me is that any new definition should be about affordable warmth rather than fuel poverty ...[132]

126. He explained "problems" with the indicators and assumptions underlying the figures. The latest figures, for example, show rural fuel poverty to have reduced by

15% in a single year but – despite a short-term drop in domestic oil prices, and given what the Task Force had seen and heard – that was "just not credible". The definition, the small size of the sample and the underlying assumptions had to be taken into account—

> … although one might say there has been a dramatic drop in rural fuel poverty, there ain't been … [133]

127. It was a view endorsed by Professor Sigsworth, who described the current definition as "very imprecise", focusing as it did on income and prices but ignoring "other aspects of vulnerability"—

> All of the conclusions in the Scottish House Conditions Survey are based on a statistical analysis that is distinct from reality.[134]

128. He told the Committee—

> I want the definition to be easy to understand and measure. I want how we resource the solution to recognise that affordable energy use is a basic need for healthy living and participation in society. And I want the income criteria that we are considering baking into the definition to encompass the costs of meeting basic needs.[135]

129. Mr Kerr suggested the use of "proxies" would probably continue, the statistics were "reasonably valid" with "some anomalies", but we should "be very careful" about the measurement tools. They matter to how we "understand our housing stock and its social impact".[136] He counselled against focusing on affordable warmth only, pointing out that 40% of energy bills covered things like lighting and appliances. We should be talking about "energy use in the home". The definition could not cover heating and hot water costs alone because—

> … we cannot ask people to sit in the dark and not put the radio on.[137]

130. Warning of "unintended consequences" of definitions, he said the Hills definition[138] removed four million pensioners from the fuel poverty statistics for England "overnight".[139]

The identification mechanism

131. The Group had looked at the matter of why those "in the deepest despair" often do not access the schemes available to them. Professor Sigsworth said the Warmer Homes Scotland Programme was now "much better" at identifying people in need of support, but those "in deepest deprivation" were often reluctant to self-refer. He advised moving "the identification mechanism" down to the community level.[140] Ms Leighton said "a holistic approach" should be based on the needs of the individual rather than taking an "I'm here to deliver a fuel poverty intervention to you" approach.[141]

132. Concerning the winter fuel payment, coming our way under new devolved powers, the Group had not come to any firm conclusion, but £180 million represented "a substantial amount". While not wanting anyone put at risk of becoming fuel poor, Ms Leighton wondered if it was time for a different approach—

> Can we make better use of that funding? Is it going to the right people? Can we target it more effectively …[142]

133. Mr Kerr pointed out that a lot of energy efficiency programmes were "driven" by carbon saving, something we had become "caught up in". Scotland had "gone a long way to decarbonising its grid". The cheaper fixes – cavity wall insulation, loft insulation, replacement boilers – were one thing but—

> We have tried to spread the jam … when what we should be doing is much more deep retrofit … and not just boiler replacement.[143]

134. The days of using ECO for the delivery of "low-hanging fruit energy efficiency measures" should be done with said Mr Alexander—

> Without a shadow of doubt, the ECO should now be targeting vulnerable households and affordable energy use.[144]

Awareness

135. On the issue of switching, Mr Alexander drew attention to the recommendation of his Task Force that a "non-transactional price comparison website" be set up. He felt a body like Citizens Advice Scotland ("CAS") could fulfil that role "independently and properly".[145]

136. Mr Alexander suggested that it may be unrealistic to expect pensioners to go online and switch—

> Speaking as a pensioner myself, I only did that recently and I am meant to be up to speed on such issues.[146]

137. The treatment of those energy customers on pre-payment meters had been criticised by the CMA, and Mr Alexander agreed they faced "a wretched deal".[147] Awareness was the key and for some people it was about changing supplier while for others it was method of payment. Mr Kerr said the Scottish Government supported the Home Energy Scotland programme and CAS but must "continue to put the message out" and support "trusted intermediaries" at community level—

> The question is how we get people to feel that they are empowered to make decisions about the energy that they use and to understand that they can save a lot of money.[148]

Scottish Government position

138. The Cabinet Secretary told the Committee—

> Fuel poverty is an issue that every Government has wrestled with.[149]

139. He held "about £20 million" of the overall budget for tackling fuel poverty while "about £114 million" was with the Cabinet Secretary for Communities, Social Security and Equalities, Angela Constance. Chris Stark, Director of Energy and Climate Change, said there were a number of initiatives being undertaken "that do not involve spending money", including a recent energy company summit, encouraging "better switching" and helping to set up Our Power. The Cabinet Secretary flagged up the forthcoming Warm Homes Bill, consultation on which would commence in 2017.[150]

140. Of the recent fall in the numbers of those living in fuel poverty, he said "just over half" could be attributed to a drop in fuel prices, "about a third" to energy efficiency and "an element" to household incomes.[151]

141. As to what action was being taken to address higher rates of fuel poverty found in rural areas, Mr Stark spoke of schemes "tailored to the islands" and wider work involving HIE and other partners, but "nothing in the budget that specifically addresses that issue".[152]

142. Addressing the difference between the figure of £190 million a year sought by the EHA and what was committed in his budget – EHA's total over the course of the parliamentary session being five times more, the Cabinet Secretary said—

> I believe that it is a transformational figure. The figure that we have committed to is £0.5 billion, and the amount that we expend on energy efficiency this year is proportionate to that £0.5 billion.[153]

143. Mr Stark said the £140 million of measures committed to this year was "an uplift on the previous year". He also mentioned ECO, the winter fuel payment, the Scottish Energy Efficiency Programme ("SEEP") being developed for 2018, and "wider policy measures" through regulation but not public spend.[154] He explained that "in broad terms" the domestic side of fuel poverty was covered by Ms Constance, the non-domestic by Mr Brown, but "increasingly" it was the latter's budget being used to develop SEEP, which will cover "all types of building".[155]

144. Asked about the wider benefits of investing in energy efficiency, for example on people's health and by dint of that on NHS spending, and working with other government departments to target spending, the Cabinet Secretary said—

> I will be happy to come back to the Committee on whether we can do further work in that regard.[156]

Recommendations and conclusions

145. The reports of the Scottish Fuel Poverty Strategic Working Group and the Rural Fuel Poverty Task Force are currently with the Scottish Government and the Committee is hopeful the recommendations made by Professor Sigsworth and Di Alexander will be heeded. In the words of the former, it is momentum and not hiatus that we now need.

146. Failure to meet the statutory target of eradicating fuel poverty by November 2016 "so far as reasonably practicable" is an entirely predictable outcome for anyone familiar with the evidence given by the Scottish Fuel Poverty Forum, Energy Action Scotland, WWF Scotland and Existing Homes Alliance Scotland to the Economy, Energy and Tourism Committee during the last parliamentary session. It is no less disappointing for that.

147. Certainly fuel poverty is something every administration has wrestled with, but now is the opportunity to pin the problem down by rethinking, refashioning and refreshing our approach. Having heard from the experts, the Committee encourages the Scottish Government to examine forthcoming policy initiatives through "a fuel poverty lens": the energy strategy, climate change plan, fairer Scotland action plan, newly devolved welfare powers, the Energy Companies Obligation and Scotland's Energy Efficiency Programme. Better collaboration across the sectors must be a priority, other budgets better aligned, and greater emphasis given to affordable warmth.

148. More immediately, support should be targeted at the most disadvantaged households, often the least likely to self-refer, and carried out at the local level by knowledgeable and trusted people. What was described as an "energy carer" approach. The preventative spend agenda – reflecting the findings of the Christie Commission[157] – ought to underpin every national policy, community action and individual intervention. The Scottish Fuel Poverty Strategic Working Group and the Rural Fuel Poverty Task Force were consistent in that message. The Committee has sought more information from the Cabinet Secretary and we urge the Scottish Government to bear in mind the wider benefits that investment in energy efficiency can bring, for example in benefits for the NHS, in turn reducing the amount of money spent on health conditions related to cold and damp housing and wider poverty issues. The Committee is of the view that in order to assess the impact of preventative spending, further comparative analysis should be undertaken with other departments in order to identify where expenditure can best be targeted.

149. Energy Action Scotland said the past 15 years show that the levels of spending on ending fuel poverty have not been enough. They reminded the Committee that the scale of the problem has never been fully assessed. A

robust and up-to-date cost analysis was recommended by the Economy, Energy and Tourism Committee in 2014 and again in 2015. We repeat that call here.

150. The Committee acknowledges that there are schemes tailored to the islands and other rural areas, but there was no specific budget line set out to address rural fuel poverty. We ask the Scottish Government to elaborate on the reasons for this, and recommend they look again at designating specific resources towards rural areas in the future.

151. Our predecessor Committee also found, when they reported on energy security in 2015, that customers engaging least with the energy market were generally the most vulnerable. The Committee recommends that the Scottish Government examine what more can be done to empower consumers to make better informed decisions on their energy supply.

152. Professor Sigsworth told us that the concept of fuel poverty is not recognised in Scandinavian countries – that it is not part of their society. Whatever the details of future targets, policies or strategies, that should be our aim.

[1] Economy, Jobs and Fair Work Committee, Official Report, 6 December *2016,* Col 26.
[2] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Cols 36-37.
[3] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 44.
[4] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 37.
[5] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 26.
[6] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 37.
[7] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 38.
[8] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 38.
[9] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 37.
[10] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 27.
[11] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 35.
[12] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 35.
[13] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 40.
[14] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Cols 40-41.
[15] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 46.
[16] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 32.
[17] Written submission from FSB.
[18] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 29-30.
[19] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 29.
[20] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 45.
[21] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 45.
[22] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Cols 45-46.
[23] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 26.
[24] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 45.
[25] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 31.
[26] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 27.
[27] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 28.
[28] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Cols 33-34.
[29] Written submission from WES.
[30] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 26.
[31] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 43.

[32] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 44.
[33] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 33.
[34] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 33.
[35] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 45.
[36] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 47.
[37] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 50.
[38] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 52.
[39] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 51.
[40] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 2.
[41] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 3-4.
[42] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 3.
[43] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 3.
[44] Written submission from HIE.
[45] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 8.
[46] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 10.
[47] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 8.
[48] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 9.
[49] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 17.
[50] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 13.
[51] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 11.
[52] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 12.
[53] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 8.
[54] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 10.
[55] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 11.
[56] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 5.
[57] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 6.
[58] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 13.
[59] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 19.
[60] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 15.
[61] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 15.
[62] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 23.
[63] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 22.
[64] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 22.
[65] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 22.
[66] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 23.
[67] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 21.
[68] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 22.
[69] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 12.
[70] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 12.
[71] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 5.
[72] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 5.
[73] Economy, Jobs and Fair Work Committee, Official Report, 6 December 2016, Col 13.
[74] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 2.
[75] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 12.
[76] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Cols 12-13.
[77] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 12.
[78] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 13.
[79] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 4.
[80] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 5-6.
[81] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 5.
[82] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 5.
[83] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 5.
[84] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 15.
[85] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 16.
[86] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 12.
[87] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 5.
[88] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 25.
[89] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 16.

[90] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Cols 6-7.
[91] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 7.
[92] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 7.
[93] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 8.
[94] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 9.
[95] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 9.
[96] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 17.
[97] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 23.
[98] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 22.
[99] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col10.
[100] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 12.
[101] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 21.
[102] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Cols 20-21.
[103] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Cols 3-4.
[104] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 4.
[105] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 4.
[106] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 4.
[107] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 5.
[108] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 3.
[109] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 3.
[110] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 5.
[111] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Cols 6-7.
[112] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 2.
[113] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 7.
[114] Chamber debate, 16 November 2017, Col 63.
[115] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 6.
[116] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Cols 6-7.
[117] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 5.
[118] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 8.
[119] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 7.
[120] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 7.
[121] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 8.
[122] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 9.
[123] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 19.
[124] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 10.
[125] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 10.
[126] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 10.
[127] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 11.
[128] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 11.
[129] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 12.
[130] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 17.
[131] A household is considered 'fuel poor' if it is required to spend more than 10% of its income on all household fuel use. 'Extreme fuel poverty' indicates that a household would have to spend more than 20% of its income to maintain a satisfactory heating regime.
[132] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 12.
[133] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Cols 12-13.
[134] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 12.
[135] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Cols 13-14.
[136] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 14.
[137] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 14.
[138] That a person is to be regarded as living "in fuel poverty" if he is a member of a household living on a lower income in a home which cannot be kept warm at reasonable cost.
[139] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 14.
[140] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 16.
[141] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 28.
[142] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 16.
[143] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 22.
[144] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 30.

[145] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 20.
[146] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 15.
[147] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 23.
[148] Economy, Jobs and Fair Work Committee, Official Report, 13 December 2016, Col 24.
[149] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 24.
[150] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 24.
[151] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Cols 23-24.
[152] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 25.
[153] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 26.
[154] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 26.
[155] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 26.
[156] Economy, Jobs and Fair Work Committee, Official Report, 20 December 2016, Col 28.
[157] The Commission on the Future Delivery of Public Services, chaired by Campbell Christie, reported in 20011: http://www.gov.scot/Resource/Doc/352649/0118638.pdf.

Annexe A

Extracts from the minutes of the Economy, Jobs and Fair Work Committee and associated written and supplementary evidence.

14th Meeting, Tuesday 06 December 2016

2.Draft Budget Scrutiny 2017-18: The Committee took evidence on the Scottish Government's Draft Budget 2017-18 from—
Charlotte Wright, Interim Chief Executive, and Forbes Duthie, Director of Finance and Corporate Services, Highlands and Islands Enterprise;
Dr Lena Wilson, Chief Executive Officer, and Iain Scott, Chief Financial Officer, Scottish Enterprise.

3.Draft Budget Scrutiny 2017-18 (in private): The Committee considered the evidence heard at today's meeting.

Written Evidence

- Highlands and Islands Enterprise
- Scottish Enterprise
  http://www.parliament.scot/S5_HealthandSportCommittee/Inquiries/IJB028_South_Lanarkshire.pdf

15th Meeting, Tuesday 13 December 2016

3.Draft Budget Scrutiny 2017-18: The Committee took evidence on the Scottish Government's Draft Budget 2017-18 from—
Norman Kerr, Director, Energy Action Scotland;
Di Alexander, Chair, Scottish Rural Fuel Poverty Taskforce;
Elizabeth Leighton, Policy advisor and secretariat, Existing Homes Alliance Scotland;
Professor David Sigsworth, Former Chair of the Scottish Fuel Poverty Strategic Working Group.
Jackie Baillie and Gillian Martin declared that they were both Honorary Vice Presidents of Energy Action Scotland.

4.Draft Budget Scrutiny 2017-18 (in private): The Committee considered the evidence heard at today's meeting.

Written Evidence

- Energy Action Scotland
- Existing Homes Alliance Scotland

http://www.parliament.scot/S5_HealthandSportCommittee/Inquiries/IJB028_South_Lanarkshire.pdf

16th Meeting, Tuesday 20 December 2016

3.Draft Budget Scrutiny 2017-18: The Committee took evidence on the Scottish Government's Draft Budget 2017-18 from—

Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work, The Scottish Government;

Chris Stark, Director of Energy and Climate Change, and Mary McAllan, Director for Economic Development, Scottish Government.

4.Draft Budget Scrutiny 2017-18 (in private): The Committee considered the evidence heard at today's meeting.

1st Meeting, 2017 (Session 5) Tuesday 10 January 2017

1. Draft Budget Scrutiny 2017-18 (in private): The Committee considered and agreed a draft report.

List of other Written Evidence

- FSB Submission
- Business for Scotland
- 2020 Climate Group
- Scottish Environment LINK
- Women's Enterprise Scotland
- Scottish Retail Consortium

