



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Economy and Fair Work Committee

Wednesday 29 May 2024

Session 6



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Pàrlamaid na h-Alba

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ECONOMY AND FAIR WORK COMMITTEE

17th Meeting 2024, Session 6

CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

DEPUTY CONVENER

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

COMMITTEE MEMBERS

*Maggie Chapman (North East Scotland) (Green)

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

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Colin Smyth (South Scotland) (Lab)

*Kevin Stewart (Aberdeen Central) (SNP)

Evelyn Tweed (Stirling) (SNP)

*Brian Whittle (South Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Bob Doris (Glasgow Maryhill and Springburn) (SNP) (Committee Substitute)

Kate Forbes (Deputy First Minister and Cabinet Secretary for Economy and Gaelic)

Aidan Grisewood (Scottish Government)

Robert McGhee (Scottish Government)

Frances Pacitti (Scottish Government)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 29 May 2024

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Claire Baker): Good morning, and welcome to the 17th meeting in 2024 of the Economy and Fair Work Committee. I have received apologies from Evelyn Tweed. Bob Doris is here as a substitute.

Our first item of business is a decision on whether to take items 9 and 10 in private, although members will note that a change has been made to the agenda. Are members content to take those items in private?

Members indicated agreement.

The Convener: Following a request that I received yesterday from Tom Arthur, the Minister for Employment and Investment, I have agreed to defer consideration of the five tied pubs draft regulations and orders that were originally listed on today's agenda until next week, so items 3 to 8 will now be taken at next week's meeting.

Scottish Government Priorities

09:00

The Convener: Our next item of business is an evidence session with the Cabinet Secretary for Economy and Gaelic. This is the committee's first opportunity to hear from the cabinet secretary in her new role. I welcome Kate Forbes, the Deputy First Minister and Cabinet Secretary for Economy and Gaelic, who is joined by Scottish Government officials. Aidan Grisewood is director of jobs and wellbeing, Robert McGhee is deputy director of the digital connectivity division and Frances Pacitti is director for business and better regulation.

I invite the cabinet secretary to make an opening statement.

The Deputy First Minister and Cabinet Secretary for Economy and Gaelic (Kate Forbes): Thank you, and good morning. I will make some very brief remarks, because this is my first opportunity to give evidence to the committee; I imagine that it will not be the last. I look forward to on-going engagement with the committee and, indeed, with members across Parliament.

When I look at the Government's four objectives, I see in each one of them the importance of a growing and thriving economy. To that end, the work that we are all interested in, from the committee's perspective and from my perspective as cabinet secretary for economy, is absolutely essential to delivering all the objectives. Whether we are talking about tackling child poverty, which clearly requires us to focus on employability and on ensuring that there are secure, well-paid jobs; reaching net zero and the importance to that of investing in decarbonisation and attracting private finance to do that; or ensuring that we have thriving public services, ultimately, we need to have a thriving economy that raises the revenue that we can then reinvest.

With the Scottish Government under the new leadership, as it were, of John Swinney, we have a sharp focus on what needs to happen with the economy, and it is clear that we require to work in partnership with trade unions, with businesses and with every sector in order to achieve that.

On coming back to the economy role after being away from it for about two years, it has been interesting to see where progress has been made. I am taken aback by the extent of the progress that has been made in relation to, for example, the implementation of the national strategy for economic transformation. I believe that one of the last announcements that I made before going on maternity leave was about the £42 million investment in the Techscaler programme. Last week, as one of my first events, I went to visit a

number of businesses that have benefited from that investment in entrepreneurship and innovation.

The second thing that I have seen is the growth in our green industries. Our approach to offshore wind is a great example of what we want to achieve. We have committed up to £500 million of investment, and we are seeing the consequences of that in jobs, particularly in some of the areas that are most in need of investment and jobs. You will all be well aware of the £350 million investment in Sumitomo, which is one of the biggest-ever inward investments in the Highlands. That remarkable and transformational investment in the Highlands and Islands will create approximately 330 jobs.

That is where progress is to be made. I look forward to answering the committee's questions on other areas that are of interest.

The Convener: Thank you, cabinet secretary.

You referred to the national strategy for economic transformation, which you launched when you were the Cabinet Secretary for Finance and the Economy some two years ago. We were told to expect a refresh of the strategy, which was to be produced before the summer. Are you able to give us an indication of timescales for the refresh? Do you believe that the strategy needs to be refreshed? In what areas do you think that changes need to be made?

Kate Forbes: Anything that was due for publication in the next six weeks will, unfortunately, probably be delayed beyond then because, as a result of purdah, the Government is no longer permitted to publish any strategies. Whether that is a concern or otherwise, that will be a challenge. We might come on to, for example, the green industrial strategy and the energy strategy, which will probably also be affected.

To be clear, having an NSET refresh does not mean rewriting it or adding to it, because I still stand by what was published. It is a 10-year strategy. However, there is an opportunity to consider what we have delivered already, what else we can still deliver, and what perhaps needs to be further accelerated.

My own objectives for my role mean that I am keen to accelerate work in four areas, all of which are contained within NSET. Those are attracting private investment in the green industries; ensuring that we have the right infrastructure in place—for example, for housing; focusing on employability, particularly for those who are furthest from the job market; and looking at how we can make business as straightforward as possible.

All those areas are contained within NSET. I propose that we publish something that is consistent with the strategy that was published two years ago, but that looks at how our economy has changed and where we might need greater focus in the document. However, it is a 10-year strategy, and it should be treated as a long-term strategy.

The Convener: In a recent speech, the First Minister said that

“We must search to remove obstacles”

to economic growth. What do you think he was referring to when he talked about obstacles? We have observed that “Wellbeing Economy” has been removed from the cabinet secretary's job title, and I do not think that the First Minister referred to wellbeing in his recent statement to Parliament. What should the committee understand to be the change in focus?

Kate Forbes: Wellbeing is still very much a focus, and that is not because I get emotional about it. However, if you read out my job title at the beginning of the meeting and included everything that used to be in it, that would form an opening statement in itself. There was an opportunity to have very clear job titles, particularly as there are many different areas in my brief.

On obstacles, I have asked the team to look at examples of good practice and to try to replicate those across every experience that businesses or workers have with any form of government or public body. For example, two investments were made the week before last, in Sumitomo and Haventus. I am not sure about the extent to which this is appreciated, but I am very struck by the fact that those businesses can go anywhere in the world. They can choose any jurisdiction to invest in in a global economy. So why invest in Scotland? They can speak for themselves, but the feedback that we got was that they found a receptive public sector, a willingness to work with them, and an ease in getting answers and going through processes. I would like to see that replicated in every experience that external investors have when they choose where to invest and, indeed, when Scottish businesses are trying to grow and develop.

I know that the new deal for business group has reconvened the regulatory review group, which is chaired by Russel Griggs. That is looking at how every portfolio of Government—from public health to the environment to education—interacts with the economy and businesses' experiences, basically. That is my mission. You asked about what making the economy grow and removing hurdles means. My point is that we should make the positive experiences consistent right across every experience that a business or an inward investor has.

The Convener: Murdo Fraser was going to ask a question about the new deal for business, but I first want to ask about the refresh. Notwithstanding your comments about purdah—I recognise the limitations there—there was intended to be a progress report, which would give metrics on performance. One of the roles of the committee is to scrutinise, and it has been difficult to scrutinise the strategy, because there is a lack of data and information coming out. It is difficult for us to see what is working, what is successful, where progress is being made, and where future policy should be focused. Is it anticipated that that will be part of the refresh?

Kate Forbes: I can ask Aidan Grisewood to contribute on that. We currently report on progress annually. That gives a sense of how things compare to some of the benchmarks in the national strategy. Do you want to speak more about that, Aidan?

Aidan Grisewood (Scottish Government): Yes. That is still due to take place. The annual report was published in June last year, and we still hope to publish this year's report in June this year, although we need to be thoughtful about how that fits in with the purdah regime: it would have to be low key. We will work through that, but that is still the plan for publishing that report. It will cover the metrics that were set out for the success of each of the national strategy programmes and how we have been performing against them. It will also set out where we have got to in terms of delivery under each programme, including individual actions.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning, cabinet secretary. I want to ask a couple of questions about the new deal for business, which you referred to.

Since you were appointed, and, indeed, since Mr Swinney was appointed as First Minister, the language has been about prioritising economic growth. This time last year, when the previous First Minister was appointed and the new deal for business was established, that new deal was very much welcomed by the business community. However, it is fair to say that there has been disappointment at the lack of delivery from it.

I am interested to know what your plans are. Will you continue with the new deal for business? What is your assessment of the output from it so far?

Kate Forbes: The First Minister has been crystal clear that what the economy needs is not more strategies but action, and that is what we are about. One of the frustrations of purdah is that we were due to publish a programme for government, which would have contained some real substantive policies, and it would have outlined the

implementation of policy that businesses and the economy are looking for. Clearly, I cannot pre-empt that, nor can we undermine the purdah rules.

For me, if the new deal for business is to mean anything, it is that it presently exists; it is not a distant objective. We have a new relationship now, and we will evidence that by what we do.

That goes back to what I said to the convener about NSET. I do not want officials' time or my time to be consumed with writing things; I want that time to be consumed with delivery. The new deal for business, from my reading and my understanding at the time, albeit at a distance, was warmly welcomed by business. Indeed, businesses contributed extensively to it, and they were very enthused by the outcome from it—and that means that we do not need to rewrite anything. We have an understanding from them about what they need to see.

I have already referenced the regulatory review group. That is key because, often, businesses want to see us working as a Government as a whole and not in silos, with stuff happening outside and beyond the economy space that has a big impact on them.

That is my analysis of the new deal for business. That is where I want to go and what I want to achieve by getting on with doing stuff. I have been heartened by the response from various business organisations in the past few weeks to what they have heard from the First Minister and me.

09:15

Murdo Fraser: We might be in danger of agreeing, because you have effectively said that, although there has been a lot of discussion, businesses want to see some delivery. Can I press you a bit more on that point? Business concerns—which the committee hears all the time—are around rates relief and the income tax differential; regulation issues, such as the deposit return scheme and the regulation of short-term lets; issues around the visitor levy, which we discussed yesterday in Parliament; restrictions on wood-burning stoves, which I know the Government is revisiting and you have an interest in; issues around infrastructure, such as the A9; and questions around the ferries. The question that people want to hear answered is: what will change?

Kate Forbes: It would be easier to answer that question if we were not in purdah. I will not keep revisiting that, but in the past few weeks there was a lot of momentum regarding what we would be able to publish in the coming weeks. That will now have to wait.

What will change is that there will be a real sense of action in the economy space. That is how businesses operate. When they make investments, for example, they need to get a deal over the line and need to feel that there is a receptive environment for the work that they will do. However, they also need to know that there are expectations about how they treat their workers and how consistent and coherent the regulatory framework is. I want to enable economic momentum by creating a stable regulatory environment that is coherent and consistent, as well as ensuring that we operate in a no-surprises world.

You and I know that our public finances are extremely challenging—I do not think that we can emphasise that too much at the moment. They are extremely difficult. At the end of the year, we will have to take budget decisions that enable economic prosperity and growth, as well as investing in the public services that, frankly, voters tell us are a priority, such as the national health service, education and the other forms of infrastructure that you have just referenced.

As the Scottish Government is dealing with an 8 per cent plus cut to capital, I am even more interested in how we attract private investment in our great opportunities around the green industries, so that we can create the jobs. Ultimately, that is what will drive economic growth and allow us to reinvest public revenue.

Murdo Fraser: As you have referenced finance, let me ask you about tax. The committee has heard a lot from businesses about the impact of income tax differentials. In today's *Herald*, Stuart Patrick from Glasgow Chamber of Commerce referenced the "Scottish weighting"—again, that is something that we have heard about—whereby businesses in Scotland now have to pay a premium to try to attract higher earners here because of the tax differential.

When we went to Glasgow Prestwick airport last month, Ryanair told us that it was looking to expand its operations at Prestwick but the barrier was that it could not persuade air mechanics to move from other parts of the UK to Scotland. With their earnings level—they earn a basic of £77,000—the tax differential was actively preventing that from happening. That is a barrier to economic growth. You are on the record as saying that you are concerned about continually increasing taxes. Do you recognise that differential tax is currently holding back the expansion of the economy?

Kate Forbes: In the past few weeks, the First Minister has said—I reiterate it this morning—that you cannot continually raise tax. He has been clear about that and I have no hesitation in endorsing that position.

Secondly, we also need to be led by evidence. Having held the finance brief before, I am very conscious of the need to be led by evidence, because there is an important role for feedback, consultation and personal experience. I take the examples that you have shared very seriously. You have referenced individuals whom I know and engage with.

The evidence from His Majesty's Revenue and Customs, which could never be accused of being anything other than an independent and respected statistics-based organisation, is quite fascinating. It has published the fact that, on average, more than 4,000 more people are coming to the country than are leaving it. Therefore, we need to look at tax in the round, and we also need to look at what else attracts people to move to, live in and work in Scotland. It has to be evidence led. Four or five years ago, we said that the Council of Economic Advisers would be constantly reviewing what the behavioural change might be, and we now have HMRC publishing these figures.

The third point—you will think that it is obvious why I am saying this—is that, when it comes to tax, the Scottish Government has very limited means of raising additional revenue because of the way in which tax has been devolved. There are non-domestic rates, which contribute enormously to public revenue, but income tax is the primary one. The levers around income tax, as you will know, are extremely limited. When setting a budget, the Scottish Government has very few levers available for changing tax or raising revenue. That is why my role and the committee's role have never been more important, because economic prosperity and economic growth are absolutely essential if the Government is to be able to continually reinvest in our public services. Clearly, 14 years of quite challenging finances being given to the Scottish Government do not help either.

Murdo Fraser: We could debate the HMRC figures all morning, I am sure. You will recognise that they pre-date the most recent increases in income tax. We need to see what the impact of those will be, which will come through in the figures, in due course.

Kate Forbes: Although I accept the date point, in every single one of the Government's budgets, when it has done anything on tax, the accusation has been the same. The HMRC information covers the period in which Opposition MSPs have been saying that the behavioural change will be enormous, but HMRC is saying that that has not actually played out in the detail.

Murdo Fraser: The figures also show that we have lost 1,000 of the highest earners in the same period, which has a major impact.

I will ask you one more question. You have talked a lot about things changing. I appreciate that you are in a purdah period, but when will we see changes? What is the timeframe for things to be different?

Kate Forbes: Things are already different. Things are already different in the nature of our engagement—

Murdo Fraser: With respect, it is not about the nature of the engagement. Again, there is a criticism from the business community, which says, “Yes, there is an open door, we have lots of good conversations, but we have the conversation and nothing changes”. It wants to see things actually change.

Kate Forbes: On informing Parliament of how the First Minister’s priorities will be delivered through policy, I would love to be in a position to spell that out before summer. There would be no greater joy or pleasure for me than to do that. It feels extremely frustrating, but I will not argue with the advice that we have been given that an election is an election and that we are in a purdah period.

It is certainly to our frustration that we cannot spell those things out in the parliamentary space, but I hope that we will be able to do so as soon as possible afterwards, because the work is there. The work of Government has not stopped, and that momentum will continue. In terms of spelling out what a refreshed programme looks like and being crystal clear on what the policies are, roll on the beginning of July.

The Convener: I will stick with NSET and bring in Colin Smyth, and then Colin Beattie.

Colin Smyth (South Scotland) (Lab): I may have to wait until the beginning of July to get my answer to my question. In your opening comments, you reminded us that you were the finance secretary when NSET was launched with a key aim of addressing our weak productivity compared with that of international competitors. The Audit Scotland report of a couple of months ago said:

“Scotland’s productivity has remained ranked 16 out of 38 comparator economies over the last decade.”

Why has there been no progress on what was a key Scottish Government target to improve relative productivity?

Kate Forbes: It is worth reflecting on some of the positives, too, because Scotland’s productivity gap has closed at a faster rate over the past few years than that of the rest of the UK, and that is because of the investment that we have seen—

Colin Smyth: A key aim was to improve productivity compared with international competitors—

Kate Forbes: To continue that work.

Colin Smyth: That was a key aim of your strategy, so why has that not happened?

Kate Forbes: Absolutely. We are two years in. You have to understand what drives productivity growth. A lot of it is in the realm of business and public sector reinvestment. We have just come through two years of quite stubborn inflation, with costs of living and high energy prices particularly affecting business. By all accounts, it has been an extremely challenging time for business, and our public finances have been extremely constrained, but the aims in NSET still stand, and the work that we are doing to enable business to invest continues.

The first announcement that I made last week—perhaps this goes back to Murdo Fraser’s question about what is different—was £5 million for new and growing businesses to invest. Technology, systems and people will drive our productivity.

Colin Smyth: So there is not only a productivity gap but a delivery gap from the Government. We have not made a lot of progress.

Your comment earlier that we have too many strategies and plans was right. There are around 60 plans and strategies relating to the economy, and quite a few were published on your watch. We need fewer strategies and more action, which you just said, but that is what you said when you launched NSET in the first place. You said that there would be

“a ruthless focus on delivery”.

Why has there not been that ruthless focus on delivery? Why are you talking now about the fact that we need more action and a lot fewer strategies?

Kate Forbes: I have obviously not been around for the past two years, but on the progress that has been made, I absolutely refute the notion that there is a delivery gap. Scotland’s productivity has grown at an average annual rate of 1 per cent, compared with the UK average of 0.4 per cent. You cannot dispute those figures—they are from the Office for National Statistics.

NSET is our north star. It is clear about how we improve our economic factors according to the international average. That remains our focus, and I think that there is a lot to celebrate in the Scottish economy. I do not propose to do much more writing; I propose to do as much delivery and implementation as possible.

Colin Smyth: I have a final question on NSET. You say that it is clear, but one of Audit Scotland's criticisms was that

"it is not clear how directorates are working together to agree funding priorities"

and that the level of investment needed to deliver NSET is unknown. It also said:

"There is a gap in collective political leadership".

You were obviously the finance secretary at the time of its publication. How do you respond to the criticism that there is a lack of understanding about the level of investment that is needed to deliver NSET? What is the budget to deliver NSET?

09:30

Kate Forbes: I would be really concerned if we reduced the NSET to just one budget line—

Colin Smyth: What is the budget line across all departments?

Kate Forbes: —as though NSET should not be embedded right across Government. It should be. There is no part of Government that does not have a relationship with the economy.

If this is our ultimate master plan for what we want to do with the economy, then it would deeply concern me if you reduced it to a budget line. What would that mean, for example, for technological innovations in the NHS? Are they not linked with exciting economic opportunities? What would it mean for the transport budget, when investment in transport systems has a clear impact on productivity, which is one of NSET's aims? You cannot tackle child poverty without investing in employability, which is also one of NSET's aims. Therefore, it would be extremely short-sighted—and I would be very disappointed—if NSET became about trading blows over what the budget is. It is actually about whether we are achieving our aims throughout the entirety of what Government can do.

Colin Smyth: What is the level of investment that is needed to achieve those aims across those many Government departments? What level of investment is needed to deliver them?

Kate Forbes: The Government's overall budget is usually about £50 billion, give or take—

Colin Smyth: What is the level of investment that is needed to deliver NSET, though?

Kate Forbes: —and I have just said that I would like NSET to be embedded right across the board. I can talk to you about the economy budget, but, by choice, I am not going to give you a figure for the NSET budget. It is utterly irrational to reduce the Government's overall plan to just one budget

line, as if you have to then ignore employability, investment in technology and all the other things that are happening in the economy. The Opposition frequently suggests that there is not a cross-Government approach to the economy, yet your question is directly asking me to create more silos and more separation between different parts of the Government.

Colin Smyth: It is doing the opposite. It is asking what the budget is across all Government departments. What do you say to Audit Scotland criticising the Government on the lack of clarity on what investment is needed across all departments? It makes the point that departments are working in silos—that is its criticism. When Audit Scotland says that there is a lack of clarity on the level of investment that is needed to deliver NSET, is it wrong?

Kate Forbes: I always engage constructively with Audit Scotland reports. I find them very useful in terms of highlighting where more progress needs to be made—that includes the relevant report. My problem is with your question and not with the Audit Scotland report.

Colin Smyth: It says:

"The Scottish Government has not determined how much investment is needed to deliver the NSET. This creates a risk to financial management and public accountability."

Is Audit Scotland wrong when it says that?

Kate Forbes: As I said, Audit Scotland often shines a light on different areas in which we need to make more progress. However, I disagree fundamentally with your proposition that you should reduce NSET to a budget line.

Colin Smyth: I am just quoting Audit Scotland. The report says:

"With the current financial challenges, an understanding of cost and affordability will help the Scottish Government to prioritise spending decisions and is critical for transparency, scrutiny and accountability."

Audit Scotland is the one calling for more clarity on the level of investment needed. I am just asking whether you think that it is wrong when it says that?

Kate Forbes: I have already said that I have a lot of respect for Audit Scotland and the work that it does. The approach that we take in every budget is to prioritise the Government's aims and objectives using the limited funds that we have. Out of the overall budget of £50 billion to £55 billion, give or take, we do our level best to invest in the NHS and so on. It is incredibly and quite remarkably short-sighted of Colin Smyth to ask for a specific budget line, as though the technological work that is going on in our NHS has nothing to do with the economy.

Colin Smyth: It is a matter of record that I have asked for clarity on the level of investment across all Government departments and not for one line. However, I think that it is clear, as Audit Scotland has highlighted, that the Government does not know how much investment is needed to deliver the NSET, so I will leave it at that.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Good morning, cabinet secretary. I would like to pick up on a point that you raised earlier during the discussion on income tax, which is one of the few tax-raising levers that the Scottish Government has under its control. I want a point to be clarified. I presume that much of the focus on income tax would go away if we had control over, for example, national insurance, corporate tax and VAT. There would be more levers to consider and income tax would be less of a focus, because there would be a broad spectrum of taxes that could be manipulated. Would that be correct?

Kate Forbes: Absolutely. You look at tax as a toolbox, and you never look at just one tool. When it comes to income tax, we are not only without a toolbox; we only have parts of a few tools, because we do not have control over any of the allowances, incentives, gift aid or other aspects. We can control only rates and bands, and that is quite a blunt instrument. Most tax experts would confirm that.

Income tax interacts closely with other taxes such as national insurance and so on. The Government has always been clear that we need a stable, effective and coherent toolbox of taxes in order to make decisions about the economy. It is unfortunate that the UK Government, in its current form and in its potential future form, does not seem to be interested in resolving that.

Colin Beattie: Thank you for clarifying that. In the budget for 2024-25, the enterprise agencies and the Scottish National Investment Bank got quite challenging budget settlements on the back of the pressure on the Scottish Government's budget, which has been reduced. What impact will that have on the services that they provide? Will they have to prioritise which of their activities will be scaled back and which they will focus on?

Kate Forbes: There is probably no part of the public sector that has not felt the consequences of a really challenging budget settlement that has been eroded by stubbornly high inflation and affected by the cost of living. It comes from a block grant from which it is really difficult to deliver everything.

One of the steers that I gave our enterprise agencies two years ago, and which I am absolutely delighted to see them delivering, was for there to be greater clarity on and prioritisation

of where they can add value. That is what they are doing.

We are nothing short of delighted with the engagement that Sumitomo has had with Highlands and Islands Enterprise. HIE knows exactly what it is about, although I am sure that it would be easier if it had a larger budget settlement, but it is absolutely clear on what it is doing. It is able to draw in investment through targeted interventions and building relationships.

The same goes for Scottish Enterprise, which I met last week. It has done a lot of work on being clear about what it is trying to achieve and where it can add value. My ask of any public body is to make sure that it knows what it is trying to do and that it does it well.

Colin Beattie: However, the fact that the agencies have had a budget decrease will restrict their activities. By all means, they should prioritise, but I would have hoped that they would have prioritised exactly what they were doing, even before the decrease. That is bound to have some impact on the different areas that they are working in. How do they deal with that? It is all right to say that they should prioritise, but how do they do that?

Kate Forbes: They have been doing it in a number of different ways. I am not going to shy away from the fact that our budget position is extremely challenging; I will continue to come back to that theme.

The agencies can prioritise in a number of ways. The first, which I have already talked about, is being clear about what they are trying to achieve. They cannot do everything. The Government wants to work with them according to the objectives that have been set out in NSET. That is the blueprint, and it is clear about prioritising entrepreneurship and innovation, and attracting inward investment, particularly into the green industries. That is clear and it is happening.

The second part is about working better together. Various parts of the public sector are interested in economic prosperity and growth. There are excellent examples of Highlands and Islands Enterprise and Scottish Enterprise working together, or of them working closely with local authorities, particularly on planning and consenting. They also work closely with the Scottish Government.

We need a more joined-up approach. During the past few years, I have often heard that there is not enough working together in the public sector, or that there is not enough prioritisation. That has changed. People express frustration at having to jump through lots of hoops, but the feedback that I am getting is that things are much simpler and more straightforward.

Although I do not shy away from the budget challenges, I commend the work that has emerged from NSET and from the need to work more closely with other organisations.

Colin Beattie: I mentioned SNIB a few minutes ago. I am interested in looking at its funding, much of which came in the form of financial transactions. Currently, the Scottish Government does not anticipate receiving any further financial transactions from the UK Government. Do you expect that more will be available in the future? If not, how do you intend to meet the pledge to capitalise the bank with £2 billion over 10 years?

Kate Forbes: This year's budget has shown that, even with a difficult budget settlement, we have absolutely prioritised the Scottish National Investment Bank because we know the work that it has been doing in the economy.

There were £174 million of financial transactions in this year's budget, as well as £2.8 million of resource. The cut to financial transactions has been more than 60 per cent. Ultimately, those must be repaid, because they are not a form of straightforward grant funding from the UK Government. The two areas that benefited most from financial transactions were housing and the Scottish National Investment Bank. We have done our level best to protect those areas, but both of them have had challenging settlements.

The Scottish National Investment Bank is on a journey. It always aimed to become self-resourcing and is still on that journey. The bank is going through Financial Conduct Authority processes, which gives an opportunity to attract other private investment. Lastly, if and when that is needed, the bank will also receive additional investment from the Scottish Government for particular shared objectives, such as the ScotWind process.

Colin Beattie: Do you have an example of Scottish Government support going through SNIB?

Kate Forbes: That has been through the ScotWind supply chain. My understanding from the finance secretary is that that will be confirmed in the autumn budget revision.

Colin Beattie: My concern is about where the funding will come from as financial transactions vanish. Budgets are extremely tight and I cannot imagine that they will be any easier next year. How do we keep the momentum going with SNIB? How do we keep the bank's good work properly funded so that it can deliver?

Kate Forbes: We are committed to that, but when our budget is determined by another Government deciding how much money to give us, and in what form, there is a ceiling to the

assurances that we can give. We can give an assurance that the bank is a priority, that we are really proud of it, that it has an important role to play and that we will do our level best to protect it. Ultimately, however, the funding comes from a budget that is determined by another Government.

There are examples of the Scottish National Investment Bank joining forces with others. For example, an investment of £100 million in the regeneration of Ardersier port was announced a couple of weeks ago. That was done in collaboration, with the bank and the UK Government each providing £50 million to create that £100 million package. Those opportunities for collaboration are also important.

09:45

Colin Beattie: To come back to my fixation on financial transactions, how certain are we that financial transactions will go away in the future—in other words, that they are finished?

Kate Forbes: In answering that, I go back to my experience in my previous job. They have really fluctuated. The UK Government became really interested in financial transactions in 2016 or 2017, when there was a rapid increase in use of them as a means of funding. There were various reasons for that. The UK Government was using financial transactions as a means of funding its own house building initiatives. I am very conscious that you are sitting next to the former housing minister, who will probably be able to speak more knowledgeably about housing budgets. The UK Government has severely cut the house building that it is doing, and that has had an impact on the consequential financial transactions that have been given to the Scottish Government.

This is crystal ball territory. I can neither tell you what will happen in the next few weeks, nor can I tell you how keen the next UK Government will be on financial transactions, or whether it will be keen on them at all. We find ourselves in the remarkable position of trying to budget for policy areas that rely on long-term certainty without having any long-term certainty of our own.

The Convener: In the absence of such security, was it short-sighted to base the establishment of the Scottish National Investment Bank on financial transactions, and to make the commitment to provide £2 billion over 10 years?

Kate Forbes: No—not at all. We have made a commitment to capitalise the bank, and we will capitalise the bank. In a sense, how we manage our budget in such a way that we continue to capitalise the bank is our problem. It is simply the case that that would be a lot easier to do if we knew what budget was coming to us.

However, it was definitely not short-sighted to establish the Scottish National Investment Bank using financial transactions. That is an obvious funding stream for our national investment bank. It makes sense to use financial transactions. It is a form of funding that a bank in its position, whereby it lends and then makes returns, really needs. It would probably have been quite short-sighted of us not to have used financial transactions in that way. That would have been a huge wasted opportunity.

The Convener: But, given the uncertainty about financial transactions in the future, does that not mean that there is a question mark over—

Kate Forbes: We come back to the fact that the Scottish Government has no certainty over any part of our budget. That has created some of the challenges. I do not know of any part of the public sector that would not like to have a multiyear budget settlement. The Scottish Government would love that—it would bite off the UK Government's hand to have a multiyear budget settlement. I do not know when the last time—

The Convener: We will not get into the area of multiyear budgets, which is one that the committee argues about quite a lot. We will move on to questions from Gordon MacDonald.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning, cabinet secretary. I want to ask about tourism, which is obviously very important for the Scottish economy. The closure of the remaining 25 information centres has been announced recently. The previous round of closures was in 2017, when 39 information centres closed because of a 58 per cent drop in footfall over the previous 10 years. Can you update the committee on the reasons for the closure of the remaining information centres? What impact do you think that will have on the tourism sector?

Kate Forbes: With regard to the decisions that VisitScotland has taken, I can provide you with the specific detail on footfall, but I am afraid that I do not have it with me. Visitors are approaching tourism in a completely different way—there has been a total change in behaviour. Although the tourism market has pretty much recovered and the figures that we saw in 2019 have been exceeded, people are choosing to engage in different ways. They are far more likely to use those alternative methods than they are to go into a tourist information centre.

Interestingly, I have seen examples—in my own constituency, no less—of communities stepping into that role and making a huge success of it. Drumnadrochit took over the visitor information centre a couple of years ago, and it has never been busier. The community is able to raise money from that and to reinvest it in the

community. Opportunities can be looked at, but I am happy to supply the committee with the specific figures that you want on the VisitScotland decision.

Gordon MacDonald: Thanks very much. My understanding is that VisitScotland has offered to transfer the ownership of the remaining 25 centres to local communities, if there is an interest. It says that its focus will now be on video production quality, partnering with more content creators and encouraging more user-generated content. Do you agree with that strategy, and how do you expect it to impact on visitor numbers?

Kate Forbes: I will continue to engage with VisitScotland on its strategy, but I think that it has a very important role to play beyond just marketing.

Over the years, I have been very involved with campaigns on information that needs to be shared with visitors—often, before they arrive. For example, on account of a number of road fatalities, I have been very involved in a “Keep left” campaign, trying to remind drivers who might not be familiar with doing so to drive on the left. My first point is that VisitScotland has a hugely important role to play in that regard.

Secondly, how does VisitScotland ensure that areas in tourism hotspots—where there is quite serious congestion in a few different locations—are not overwhelmed? There are hundreds, if not thousands, of acres that visitors could go to instead.

Thirdly, before visitors come, there is a need to be prepared, with accommodation, transport and so on.

VisitScotland should work with content, whether that is user-generated or its own, but it needs to go beyond just marketing.

Gordon MacDonald: I am also interested in asking about Prestwick airport. Obviously, the committee has an interest in that. Some members visited it recently and went round the industrial estate as well as the airport. We understand that a bid is currently being considered. Can you say anything about that bid and what the timeline for consideration is?

Kate Forbes: I ask Fran Pacitti to come in on the specifics of any sale process, if that is okay.

Frances Pacitti (Scottish Government): It remains the Government's intention to return Prestwick airport to the private sector at the appropriate opportunity. There is an active bid but, unfortunately, I am unable to disclose the detail or the timing of that, because it is a live commercial negotiation.

Gordon MacDonald: Putting that to one side, why do we want to return the airport to the private sector? Surely, if we have an airport that is generating a profit, we could use that profitability to support the public finances rather than putting it in the hands of private investors in the form of dividends.

Kate Forbes: The principle is sound. Prestwick is operating profitably. The accounts—the most recent were published in November—prove that. However, ministers' objective has always been to return the airport to private ownership when the circumstances are right. In addition, the Government has very clear aspirations for it to continue to be part of the local and national economy, because it is a strategic asset. Bids need to be reviewed on that basis as well as on a purely financial basis.

The Government does not run airports in the way that it does other strategic assets that we have acquired for a purpose. When we have achieved our purpose of protecting them and, as in this case, returning them to profitability, the Government should look to find a commercial airport operator that can run them, which will allow the Government to continue to focus on its objectives. However, that will not be to the disadvantage of our aim of ensuring that the airport continues to be part of the local economy.

Gordon MacDonald: In Edinburgh, we have a publicly owned bus company that is strategically important to the city and has been giving profits to it for the best part of 40 years, since the Transport Act 1985.

You said that the Government is not in the process of running airports, but it has 11 regional airports. Through Highlands and Islands Airports Limited, the Government has the experience to run an airport. I therefore still do not understand why you would hand Prestwick back, unless you are going to tell me that it needs substantial investment and we are not in a position to supply the necessary finance.

Kate Forbes: We continue to review these things, but it would still be the Government's preference to return the airport to private ownership. We do operate airports through HIAL, and I know that they are essential to my region. There is a reason why the Government does that, and I think that it does it really well. I do not think that Prestwick fits into that HIAL model; its model is completely different, and therefore, our preference would still be to return it to private ownership.

I do not know whether Fran Pacitti wishes to add anything about the Government's reasons for doing so.

Frances Pacitti: I think that you have covered the issue well, cabinet secretary.

We can think of these assets as having two hats on. From one perspective, Prestwick airport is, self-evidently, a transport asset; however, it is also a regional commercial asset, and that is where the Government's greater interest lies. We want to ensure that we maximise the airport's commercial and economic potential instead of thinking of it as a narrow transport asset that provides essential core connectivity, as Highlands and Islands Airports Limited does. Prestwick airport is, self-evidently, a piece of transport infrastructure, but, on balance, the greater priority is to realise the asset's broader regional economic benefits.

Kate Forbes: A last point that is worth making is that the fact that it continues to be of interest to bidders illustrates its value. We should have high ambitions for what Prestwick airport can do in the local economy.

Gordon MacDonald: Okay. I will leave it at that.

Brian Whittle (South Scotland) (Con): Good morning to the cabinet secretary and the panel.

I could probably talk about Prestwick airport for the whole time, given that it is in my area. The cabinet secretary is right that it is a real strategic element and hugely important to local economy, although some aspects of its profitability worry me.

However, I want to ask about the aspect that worries me most. At least two interested parties have indicated the desire to purchase the airport. Do you have any concern about the fact that the former chairman Forsyth Black is fronting a bid, and, indeed, put the bid forward while he was still the chair? I asked cabinet secretary Màiri McAllan the same question when I found out. I worry that there is a conflict of interests in that respect, given that the former chair would have been aware of all the other bids that had come forward. Indeed, I know that there were a lot of ambitious bids to develop the airport. Given that two interested parties are already involved, is there a conflict of interests there?

Kate Forbes: Obviously I want to be careful in answering this question, as I am very constrained in relation to the details that I can share. We want to ensure that the process is fair and appropriate and that all parties have confidence in it.

I will ask Fran Pacitti to come in again, as some of this pre-dates my tenure. I am aware of the details on paper, but Fran can perhaps talk about how things were handled, because the matter was handled in a way that sought to protect the process.

10:00

Frances Pacitti: I am going to quickly come up against the limit of my own knowledge of the detailed discussions that took place, but I am aware that the question was raised previously, and I will reiterate the response that was provided then. We received an expression of interest from the former chairman, and it was mutually agreed at that point that he should step back from that role, precisely to ensure a fair and independent assessment of the bid that was coming forward.

Brian Whittle: You have kind of thrown him under the bus again there. He put forward a bid while he was still the chair, and that worries me. I just wanted to raise the issue so that you are aware of it, cabinet secretary.

Moving on from Prestwick airport and our visit there, I want to discuss the development of the labour market. We very much agree, cabinet secretary, that there is a huge amount of potential in the green economy in Scotland. In its thinking about how to develop a consistent labour market, how is the Scottish Government viewing our educational environment—from school right through into colleges and universities, together with upskilling and reskilling? How is the Scottish Government putting in place that piece of the jigsaw to ensure that we have the labour force required to fulfil our potential?

Kate Forbes: It is absolutely essential. I will start with a positive, and then talk about where we need to go further.

The positive is that, when inward investors make choices about where to invest—to create 300-plus jobs in the Highlands, for example—or when a business chooses where to locate in order to grow, skills and talent are pretty much up there as one of that business's number 1 considerations, and we already have a lot of the skills and talent that are needed.

However, the economy is changing at such a pace, and we need to keep up with it. I have always been very interested in the teaching of computing science in our schools. When it comes to the tech industry, what we find is that it is always looking for young people. I believe that Mark Logan, our chief entrepreneur, is coming before the committee today to speak specifically about computing science, and he might have more to say about the progress that is being made in and around that. Exciting progress has been made in embedding computing science and, of course, closing the gender gap. If we could get as many girls as boys studying computing science, that in itself would be transformational, and that will require us to work with a lot of the brilliant individuals and organisations that are currently working in our schools to make computing science

of interest and which are helping young people carry that interest through school.

I think that that covers some of the work that is being done. We could speak more broadly about wider skills, particularly in engineering and green industry. There is a balance to be struck in that respect; we want opportunities for our young people who are coming through, but we also have a big problem with depopulation, particularly in our coastal and rural areas. It is also a question of how we attract people with the skills into the country.

Last week, I visited the National Robotarium at Heriot-Watt University and met representatives of five tech businesses working in decarbonisation and in waste and recycling. They are all international citizens who have chosen to locate in Scotland, and each one of them said that the reason for doing so was access to skills.

Brian Whittle: Thank you for that.

The other thing that we very much agree on is employability and child poverty. One of our big levers lies in developing opportunities for our youngsters as they come through, but what we are hearing is that the imparting of information on potential careers is still not happening in schools, and that young people are still not aware of the fantastic real careers that are available.

On top of that, you will be aware of XLCC coming into Scotland, with the potential creation of 900 jobs, and we have just heard about half a billion pounds'-worth of potential green hydrogen plants. Quite rightly, one of the things that you are looking at is skills, but we are cutting apprenticeships in further education establishments to the point where, in my region, the Ayrshire colleges are suggesting that they will not be able to deliver on the requirements for companies such as those that I have mentioned that are coming into Scotland. Surely, cutting apprenticeships is a backward step, is it not? We need more apprenticeships, not fewer.

Kate Forbes: Absolutely. Apprenticeships are key, as is working with the higher and further education sectors, and I am keen to work with the Cabinet Secretary for Education and Skills on the matter. After this conversation, I might feed back to her and look at how we might be able to work more closely together on ensuring that investment goes into the apprenticeships and the jobs that are in high demand right now.

Much of this comes back to how much pressure has been placed on our public finances. We need to maximise the funding that is available to the most important areas that we as a Government want to invest in, particularly education and jobs, but we need to balance that against the various demands and interests that we have already heard

about in this committee, such as tax cuts, investment in particular sectors and industries and investment in infrastructure.

This is why I must emphasise how uncomfortable I am with reducing our economic activity to only one budget line. You have just outlined a critical economic driver—that is, the jobs that are created by apprenticeships and which come out of our higher and further education institutions. That aspect falls into the education space, but we cannot disagree that it is also of profound significance to our economic efforts. I will therefore take your question away and share it with the education secretary.

Brian Whittle: I will widen it even further, cabinet secretary, just to make your job more complicated. Our poor health record is one of the biggest drags on our economy; indeed, it is the predominant cause of economic inactivity. How are you working with the health secretary on that matter? You have mentioned tech many times, but I have heard from our health boards that the tech that they have is old school and needs to be modernised.

What I am trying to say is that there is a connection between all those things. My philosophy is that poor health is the biggest drag on our economy and education is one of the solutions, so how do we square that circle?

Kate Forbes: A lot of work is already going on with the health sector. The new deal for business group had a recommendation about working with businesses to improve health, which was about how employers could support healthier and more flexible living and working spaces to try to retain staff and attract workers who might be far removed from the labour market. It recommended creating a single point of access through the healthy working lives initiative for employers and workers to access that advice. That is an example of the health and economy portfolios coming together to deliver a service.

I believe that work is due to be given to the health secretary imminently that will contain recommendations on how we work collaboratively to improve health and get people back to work. This is, therefore, a live subject, and I would be quite interested in whether the Economy and Fair Work Committee could do some work that would feed into what the Government is doing.

Brian Whittle: I appreciate that, cabinet secretary, but as others have indicated, we are talking about outcomes here. Health outcomes in Scotland are stubbornly poor, and my concern is that our educational environment is not producing the outcomes that we want it to, either. I will leave it there, though, convener.

The Convener: Thank you. We will now move on to just transition issues. Maggie Chapman will ask the first questions on the topic, followed by Kevin Stewart.

Maggie Chapman (North East Scotland) (Green): Good morning. I am interested in talking about the green industrial strategy and the just transition, but first I have a question about Glasgow Prestwick Airport Ltd. When we visited the airport, we heard that some employees there are still not receiving the real living wage. Given that the business is owned by the Scottish Government, do you think that that is appropriate? What steps will you take to remedy the situation?

Kate Forbes: I will explore the detail of that issue, but I expect a fair wage to be paid and I think, when it comes to workers across the Scottish economy, that a fair wage is the real living wage.

Maggie Chapman: Thank you for that. Moving on to the green industrial strategy and the just transition, I hear what you say about the restrictions on what you can say during the purdah period. However, already this morning, you have talked about cross-Government working and the need for a strong economy to support our ambitions—you talked about ambitions in relation to health, education and apprenticeships in response to Brian Whittle's questions. Do you see the green industrial strategy as being an overarching economic approach, or as being more to do with specific and narrowly focused—not in a bad way—objectives and aims?

Kate Forbes: I always prefer clear and deliverable objectives to a document that simply outlines a view of the world. The green industrial strategy must be entirely understood in relation to the objective of reaching net zero, and we cannot reach net zero without an economy that gets to net zero and without businesses that are investing in what is required in order to get to net zero. I like to think of our net zero ambitions as creating opportunity, not just challenges. The approach is not just about stopping things; it is also about creating new things that can be done.

The work on net zero will be shared between me and Màiri McAllan, who retains the net zero brief. It will inevitably involve policy areas such as planning consents and how we can accelerate the work that is required. If businesses would be entangled in process for two years, we are unlikely to see the transition from oil and gas jobs to green industry jobs, because those businesses can go elsewhere or might just give up.

We will have specific aims, but our approach must be full of ambition to get to net zero.

Maggie Chapman: In your opening remarks, you mentioned the strength and potential of

Scotland's wind energy economy. One of the concerns around that is whether we can connect up the necessary supply chains in Scotland. The business objectives and the pressures on businesses are important in that regard. However, you have not talked about how the economy supports communities and how we can ensure that the private investment that comes in to do the important and valuable work does not just suck the benefits out of local communities. How can we strike a balance in that regard? What is your role in that? How can the green industrial strategy ensure that we support vibrant local economies as well as maximising investment and generating the profits that we need in order to support public services?

10:15

Kate Forbes: That is the question of our day—it is probably the most critically important question for us all to be trying to answer, because we have seen how that can be done badly. I represent the Highlands, which has for decades been subject to boom and bust activity that has left no legacy. What is interesting is that the area is now starting to boom again. Kishorn, for example, is remote, rural and struggling with depopulation, but it is levelling up—to quote a phrase—because it is at the forefront of decommissioning. That is hugely exciting, but Kishorn was, equally, at the forefront of activity during the oil and gas boom. We cannot allow it to go through another bust cycle again; there has to be a consistent legacy. That requires us to focus on communities and the supply chain.

Communities need work. They also have to have a stake in the economic activity in their area, and they need to see the benefits of it. I am worried about situations developing in which industrialisation is going on and communities are on the periphery with no stake, no engagement and no recognition. That cannot be allowed to happen.

At the moment, I am engaged in work in my constituency around the legacy on housing. I know that this is going back into history. People are still living in the houses that were built in connection with hydro power development in the 1950s and 1960s. We know how challenging the housing issue is, so any economic activity that comes into a community needs to leave a legacy of good housing.

There must also be a legacy in education, which involves work in the schools, and, to be blunt, there needs to be a legacy related to the cost of living because, if all of this energy-related work is going on around people who pay horrendously high energy bills, there is something morally wrong that none of us should tolerate.

Your next question will concern how we can ensure that those legacies exist, but I will stop talking just now and let you come in.

Maggie Chapman: My next question was actually going to be about making the energy transition fair for everybody. As you say, we have not done that sort of thing well in the past, with the result that inequalities have widened and perpetuated in our economy and our society.

As well as the issue of macro-energy, if I can call it that—I mean the big stuff around renewables—we desperately need a focus on and investment in things such as retrofitting houses, because we cannot build new houses for all the people who are currently living in shoddy homes. Action in that regard is as urgent as action on renewables and so on, and must take place concurrently. How do you see the supply chain and people's skill sets working in that regard?

That links to what you said about communities, because one of the things that came out strongly in the inquiry that the committee held on the just transition for the north-east and Moray is that communities do not trust that the things that you mention will happen. I think that that is because they do not see material benefits in their own lives—for example, they do not see their homes being retrofitted or local transport links improving so that they can get to local jobs that might be available. That direct translation of economic activity into people's lives is utterly missing at the moment. How will all the work around the just transition and the green industrial strategy deliver in that regard?

Kate Forbes: There has to be evidence. I know that we disagree about the green freeport in Cromarty, but it is a good example of what we are talking about, so I hope that you will permit me to talk about it. It has a target of achieving several billion pounds in investment, which translates to thousands of jobs. Therefore, I believe that there should be an expectation that thousands of houses will be built in that area. I believe that that is the evidence that communities want in relation to housing.

Retrofit is one of the ways to go, but we must also add to supply. Our approach is not just about retrofitting old and cold homes; it is also about building more homes—that is the evidence base that people will see. We can talk about how the approach is succeeding, but communities will only believe it when they see bricks and mortar, and when they see the creation of secure and well-paid employment.

Maggie Chapman: Can I ask one final question?

The Convener: If it is brief.

Maggie Chapman: It goes back to the questions around enterprise support and innovation and that link. One of the challenges—Kevin Stewart probably knows some examples of this, as well—is that engineers who are working in renewables need financial support to develop their prototypes and ideas, but they only get it for a limited time and some such things take a few years to develop. Is there a body of work that has been done, or is there work that could be done, on ensuring that we support the innovative people who want to be part of delivery of the outcomes that you were talking about? Is there a way to think more creatively about how we can allow those people to focus on their innovations and be able to live at the same time?

Kate Forbes: That is what I see our entrepreneurship and innovation work trying to do. It takes a very devolved approach in working with and supporting, for example, incubators and accelerators. I hope that I am understanding your question correctly. It is interesting, when you meet some such businesses—I call them businesses, but they really are pioneers and innovators—

Maggie Chapman: It is sometimes one or two people.

Kate Forbes: They are remarkable and they come from lots of different backgrounds. Some are academics, some are not. They will talk, in a good way, about the patchwork of support that they have received—for example, in relation to facilities or a venue where they can be located, and getting access to research and data. There is a patchwork of support. Funding is also key: the £5 million that I announced last week is explicitly for things such as those that you talked about.

If the committee has not been to the National Robotarium, you should go. It is looking at a business that could, overnight, massively cut the amount of landfill waste using artificial intelligence robotics in a sector that has a very high turnover of workers, for obvious reasons. If it was operating in every local authority, we would see landfill fall off a cliff—although not literally.

Maggie Chapman: I might follow up on a couple of those issues later.

Kevin Stewart (Aberdeen Central) (SNP): Good morning, cabinet secretary. You said earlier that we are part of a global economy and that people can invest in any jurisdiction. You also said that skills and talent are vital in order to attract investment. I think that we have skills and talent in abundance in our energy industry. There is a huge number of folk in oil and gas who have the skills and talent to help us to make good in the renewables revolution.

However, in this past week, on Monday, Aberdeen & Grampian Chamber of Commerce

published its “Energy Transition 39th Survey”, and it said that confidence in the United Kingdom has plunged to a record low. I recognise that we are in a purdah period, so the Scottish Government cannot move forward with the green industrial strategy and the energy strategy, and that a huge amount of policy decision making in this area is reserved. How do we ensure that we rebuild that confidence so that the just transition moves jobs from oil and gas, as required, into renewables without losing the skills and talent? How do we persuade the UK Government to think logically and work with us to ensure that that happens?

Kate Forbes: The report that you mentioned generated headlines that referenced “apocalyptic” conditions for the industry. That is not the just transition that we believe in. We stand squarely behind the industry as it seeks to transition.

On our policy objectives, we will not do anything that risks 100,000 jobs, as others propose to do. We just will not do it. We have long talked of the just transition. There are two words in that phrase. First, it must be just: it must support people and workers and it cannot leave people behind. Also, it is a transition. We have never proposed to turn the taps off or to apply other policies that threaten the existence of an industry that is key to the north-east.

Your question was about how we can rebuild confidence. We can do so in a number of ways. First, we can do it by ensuring that there is clarity in our objectives, aims and policies. That means working with the industry and walking with it as it invests in green industry. However, that is a process: it is about looking at planning and consenting.

As you know, the most important levers are not within our control. We have never disagreed that there should be a proportionate windfall tax, but when it poses a risk to 100,000 jobs, that is a problem. Those levers are obviously with the UK Government, but we want to work constructively, stand for Scottish industry and jobs and make it clear when policies threaten those jobs.

Kevin Stewart: On Friday, I had an energy day—although every day is probably an energy day for a north-east MSP—when I met a renewables company in the morning and folk from the oil and gas sector in the afternoon. You stated that 100,000 jobs are at risk if Labour sticks to its plans when it gets into Government.

The Convener: That is not an appropriate question for this morning. As the cabinet secretary said, we are in a purdah period, so I would appreciate it if members would focus their questions on the Scottish Government.

Kevin Stewart: I get that, but I am trying to set context.

That 100,000 number is not one that politicians have come up with: independent experts said that 100,000 jobs would be at risk. One of the key things that was said to me on Friday is that politicians do not listen. How do we ensure that the Scottish Government and, I hope, their UK counterparts start to listen to the experts so that we can get the just transition absolutely right, retain skills and talent and attract the inward investment that we need in our jurisdiction?

Kate Forbes: First, that means meeting the industry in order to listen and understand—not embracing empty ideological positions that do not resonate with the industry.

Secondly, we need to understand how key the industry is to the Scottish economy. The First Minister said—I will repeat this—that our focus has to be not only on meeting the country's security needs and reducing emissions in line with our climate change targets, but on delivering affordable energy supplies. We cannot do that by jeopardising 100,000 of the oil and gas workforce, as independent experts suggest, or by turning the taps off. We have never proposed that.

Listening means meeting the industry, understanding it and being clear about what our objectives are and are not.

Thirdly, as you have said, there can be no transition without the wealth of resources, funding, talent and skills that the north-east and the oil and gas industry have right now. To threaten that industry and turn the taps off overnight, or to apply policies that jeopardise the future of the industry, risks our transition.

10:30

Kevin Stewart: I have a final question.

The Convener: You can ask it if it is brief.

Kevin Stewart: It is.

You have talked about consents, cabinet secretary. Consenting—not just through devolved regulation or legislation, but through UK-wide legislation—has been a frustration for a number of players in the sector. How do we get better at consenting? How do we go about listening to people's views on the barriers that they feel that there are, and how do we make the change—

The Convener: I remind Kevin Stewart that I am the convener and I asked for a brief question. There are a number of questions in there. Can you just cut to the chase and let the cabinet secretary answer?

Kevin Stewart: How do we get better at that? How do we ensure that the UK Government listens and becomes better at that as well?

Kate Forbes: I have three answers. First, it is about working together across public organisations. Do you know what made the difference in some of the most recent investments? Organisations were able to engage with all the relevant individuals and officials in one room—they knew where to go and they did not have to scramble around to figure out who to speak to.

Secondly, organisations knew exactly what was expected of them. What we needed from them was clear and shared with them up front. It is not about deregulation; it is about being really clear on what people want.

Thirdly, when major and significant consenting is required, we need to look at accelerated processes—the Cabinet Secretary for Net Zero and Energy will set that out—so that it is not necessary for every consenting process to be lengthy.

It is then about making those three points consistent across the country.

Bob Doris (Glasgow Maryhill and Springburn) (SNP): You mentioned Professor Logan, who is the chief entrepreneurial adviser to the Scottish Government. I believe that it was you who appointed him, in July 2022, for a two-year post. I understand that he is leading on the start-up nation agenda. There was a £1.3 million fund for pre-start-up pathways and a £1.6 million fund for ecosystems in October last year, which I think impacted 62 businesses in total. You also recently announced £5 million of support for start-up businesses. I just wanted to put that on the record.

How do we evaluate, in a respectful manner, how successful the chief entrepreneurial adviser has been, not as an individual, but as a position for Government?

Kate Forbes: A lot of that investment has indeed gone into supporting businesses, but it has also gone into the infrastructure that is required. It goes back to Mark Logan's central thesis in his report in relation to a start-up nation, which said that, ultimately, if you want to create more highly successful businesses—if you want more unicorns—and to be seen as the place to locate as a tech start-up, you massively need to increase the pipeline of business and the number of businesses that are starting, because not all of them will be successful. We do not necessarily want all of them to be successful, because what is symptomatic of successful countries and economies in that regard is a high tolerance of risk.

A lot of that investment has gone into creating the structure—a long-term incubation space and the provision of the required mentors and education. That is the first of its kind in Europe and

it is hugely exciting. You can see the international connections that have been forged as a result of what is going on. However, the ultimate test will be in 10 years' time. In 10 years, if one of the occupants of my job—it will not be me—is celebrating and commending the success of the Scottish technology industry and the entrepreneurship that goes on in Scotland, it will be a success.

From my perspective, the short-term objectives are whether the chief entrepreneur is in place and whether the policies are actually happening and being implemented. They have been implemented—it is one of the most successful parts of the NSET programme. The Techscaler programme is up and running and the businesses are there, pioneering, being innovative and doing really exciting things. The chief entrepreneur is a critical part of that, because it is not just about creating space; it is about creating relationships.

The value of the chief entrepreneur being in a Government role is that he can work across portfolios. Last week, we had an important meeting with the Cabinet Secretary for Health and Social Care and a lot of different businesses around technology and progress in the national health service. We know what some of the biggest drivers of health inequalities are, so where can technology such as artificial intelligence, wearable devices and other innovations reduce health inequalities? The chief entrepreneur is a key part of that, because he can speak to the economy space and the health space.

Bob Doris: To try to paraphrase your answer, you are almost saying that we should give the chief entrepreneur a bit of breathing space to do what he is doing, because the success will be seen in the medium to long term. You mentioned 10 years, and I note that you also said that you would not be in your post in 10 years' time.

However, how do we evaluate in the short term? Sometimes, short-term evaluations and targets can be a bit artificial, and we move on to the next thing rather than sticking with something for the long term. How do we do short-term evaluation in a meaningful way, so that the committee can scrutinise it? Are you indicating that the Government is thinking that that two-year post could be a four, six or 10-year post? I am conscious that the two-year appointment will lapse this summer.

Kate Forbes: Let us talk about short-term measures of success. Perhaps Aidan Grisewood will answer that.

Aidan Grisewood: Yes. Obviously, it is a key NSET programme, and one of the key aspects of the culture of delivery around the NSET is ensuring that we have in place good monitoring

arrangements and evaluations. An evaluation plan is being developed across the whole national strategy, and, with this being one of the key investments, it has its own evaluation.

Data is being developed, and that is broken down quite a lot into types of businesses—for example, that is happening with the equality indices, to bring out who is accessing the programme. We can perhaps provide a more detailed update to the committee on the specifics of the evaluation of the Techscaler programme. There are also the longer-term performance metrics that we are trying to change, many of which will take a while to change. Entrepreneurial activity across the country as a whole does not happen overnight, for example, but that is clearly the north star for where we want to get to.

Bob Doris: I want to check something. I know that the position of chief entrepreneur is an individual appointment—they are a human being—so you would not announce something to this committee but, more generally, I am not sure that you have actually said whether the office is a long-term endeavour. You have been silent on that so far, cabinet secretary.

Kate Forbes: My view is that it should be a long-term endeavour. If you start playing around with a process and a structure that is working, you jeopardise the medium to long-term aims and objectives.

Bob Doris: I have another question, although I am happy not to ask it, convener. I am not sure what the timescale is.

The Convener: If the cabinet secretary has time, you can ask it, but I note that it is quite an open question regarding a piece of work that we are considering doing.

Kate Forbes: Okay.

The Convener: I would not expect the cabinet secretary to give a full answer—perhaps just an initial response, if you want to.

Bob Doris: It is about the city region and growth deals that are now in place across the whole of Scotland. A few years ago, that was never the intention; it was only certain areas of Scotland that were to get additional attention, but now it is the case that, if an area does not have a growth deal or a city region deal, something is going wrong, and such deals cover the whole country.

How are we ensuring that the scale of investment that is required is boosting economic performance in the way that we would like? How are we ensuring that the investment is strategic? Are the deals delivering against ambitions? That is a very general question, which is just to give the committee a starting position in case we do some work on that area in the future.

The Convener: I understand that a Scottish city region and growth deal delivery board was established between the UK and Scottish Governments, but I do not think that there have been minutes, and we are not sure how progress on that is developing. Perhaps that would cover the question.

Kate Forbes: We could certainly supply the committee with useful material as you embark on any such work. It would be a really interesting piece of work to do.

When the city and region growth deals were established, they were established on the basis of what local partners, the UK Government and the Scottish Government all thought were the priorities and strategic interventions that would add value. Clearly, if you are spending money on transport, say, that needs to add value over and above what might be the normal expectation from our transport organisations. It should have been strategic, and I certainly know in my area where those strategic interventions have been made.

It would be a very timely piece of work for the committee to engage in.

The Convener: We will soon have our work programme discussions, during which we will consider that.

I thank the cabinet secretary and her officials for their evidence. That concludes the public part of the meeting.

10:41

Meeting continued in private until 11:15.

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The deadline for corrections to this edition is:

Friday 28 June 2024

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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