



The Scottish Parliament  
Pàrlamaid na h-Alba

## **Economy, Energy and Tourism Committee**

John Swinney MSP  
Cabinet Secretary for Finance, Employment and Sustainable Growth  
The Scottish Government  
Edinburgh

3 June 2014

*Dear Cabinet Secretary,*

### **DRAFT BUDGET 2015-16**

The Economy, Energy and Tourism Committee has agreed its approach to scrutiny of the Scottish Government's draft 2015-16 budget.

[www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/77643.aspx](http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/77643.aspx)

Essentially there are two elements to this. First, its primary focus will be on the NPF national indicator to 'increase exports'. Second, it will pursue issues highlighted in its 2014-15 budget report.

The Committee is today issuing its call for evidence on both elements. At this stage, we are seeking a response from you to 'element two' (the issues from last year's budget report) and questions are attached. Essentially the Committee is seeking updates on specific actions taken by the SG since we reported last year (and your January 2014 response), what improvements these actions have brought, and an update on figures (where appropriate) for both 2014-15 and 2015-16. **The Committee would welcome your response to these questions by 11 July 2014.** Upon receipt, your response will be published and we will then invite key organisations to respond to it (by 5 September).

On 'element one' (the increase exports indicator) we have issued a general call for evidence. We will forward the responses received (again the deadline is 11 July) to you, SE, HIE and SDS seeking your views. That deadline will be 5 September but I shall write to you in July with more details.

The Committee hopes that through this approach it will be in a more informed position when it commences oral evidence sessions in October (it may be helpful if you could pencil in 9.30 am on Wednesday 5 November to give oral evidence). We also hope that through our approach of linking our draft budget scrutiny to the NPF, something I know you have been keen to do, we can better identify the inputs and outputs and whether and how budgets contribute towards these.

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I am happy to discuss any aspect of this approach with you or, should your officials have any questions, our clerks are happy to discuss this approach with them.

The Committee looks forward to hearing from you.

Kind regards,

A handwritten signature in black ink, appearing to read 'Murdo Fraser', written in a cursive style.

Murdo Fraser MSP  
Convener

## ECONOMY

*Specific indicators [paragraphs 25-29]*

1. The Committee invites the Scottish Government to respond to comments on this particular indicator [*increase the number of businesses*] and either to demonstrate that the indicator is a meaningful measure of increased growth potential or consider introducing a more nuanced and detailed set of indicators of entrepreneurial growth. **What recommendations has the Round Table sub group made and what actions has the SG taken as a result?**

*Access to funding for small and medium sized businesses [paragraph 30-46]*

2. The Committee invites the Scottish Government to detail what the budget in 2013-14 for the EDGE fund was and what the total number and value of grants given to date has been. **What are the figures for 2014-15 and 2015-16?**

3. The Committee also requests the Scottish Government provides an update on the outcomes of the RBS review and OFT study and to state what difference these will make to SMEs accessing funding. **Please update the Committee on actions taken by the SG and what improvements these have brought.**

4. The Committee also asks the Scottish Government to provide full details of the current and prospective availability of public and public/private partnership funding for small business and to indicate how it can address concerns of some in the business community relating to the availability and affordability of finance and information about available sources of funding. **Please update the Committee on actions taken by the SG and what improvements these have brought.**

*Women and SME start-ups [paragraphs 59-67]*

5. As a general principle this Committee supports opportunities for all in terms of initiatives to encourage business start-ups. However, the majority of the evidence which we heard related to the participation of women and ethnic minority groups.

6. The Committee recommends that the Scottish Government provides further details of the work which it is taking forward with, for example, Professor Sara Carter and Women in Business and, furthermore, outlines its plans for increasing both the total number of business start-ups and the proportion of these by women. We recommend that the Scottish Governments set out how this goal could be better reflected in the NPF. **Please update the Committee on actions taken by the SG and what improvements these have brought. Further, where does consideration stand with regards inclusion in the NPF?**

*Ethnic minority community and SME start-ups [paragraphs 68-73]*

7. The Committee recommends that the Scottish Government provides further details of its plans for increasing both the total number of business start-ups and the proportion of these by ethnic minority groups. We also recommend that the Scottish Government sets out how this goal could be better reflected in the NPF. **Please update the Committee on actions taken by the SG and what improvements**

these have brought. Further, where does consideration stand with regards inclusion in the NPF?

*Equal access and participation in the policies and programmes within Skills Development Scotland [paragraphs 74-83]*

8. The Committee recommends that the Scottish Government outlines what specific budget and policies it will put in place to address the gender, ethnicity and disability imbalance in the Modern Apprenticeship scheme. **Please update the Committee on actions taken by the SG and what improvements these have brought. In particular, through Scottish Apprenticeship Week 2014?**

9. The Committee requests that the Scottish Government responds to the findings of the research and the submission from the EHRC and further details any actions which it will be taking as a result. **Please update the Committee on actions taken by the SG and what improvements these have brought. In particular, following the report of the Commission for Developing Scotland's Young Workforce.**

*Identification of potential growth SMEs and support [paragraphs 84-107]*

10. The Committee requests that the Scottish Government provides the following information for Business Gateway in 2012-13 and to date in 2013-14: the total (a) public expenditure on the service; (b) number of businesses assisted; (c) number of new starts assisted; and (d) number of new businesses started (i.e. new VAT registrations) in the corresponding period. **What are the figures for 2014-15 and 2015-16?**

*Social enterprises [paragraphs 108-113]*

11. The Committee invites the Scottish Government to indicate how it is developing the opportunities for social enterprises to expand, develop and become involved in entrepreneurial opportunities and what funding has been allocated to assist with this. **What are the figures for 2014-15 and 2015-16?**

*Communication with SMEs over the Modern Apprenticeship scheme [paragraphs 123-125]*

12. The Committee welcomes the commitment from the Cabinet Secretary, and commends the work of the Scottish Employability Forum, to improve the communication from the public sector with all private sector bodies, such as those within the entrepreneurial sector. We invite the Forum to consider whether its efforts can be improved and whether it will meet with bodies such as the Entrepreneurial Exchange and WeDO Scotland to discuss this issue and to report back to the Committee setting out actions from such discussions. **Please update the Committee on actions taken by the SG and what improvements these have brought. In particular, did the Forum meet with WeDO Scotland and the Entrepreneurial Exchange?**

## ENERGY ISSUES

*Fuel poverty, domestic energy efficiency and climate change budget [paragraphs 126-136]*

13. Tackling fuel poverty remains a top priority for the Committee, particularly in light of the increases announced recently by a number of the 'big 6' energy suppliers

at the onset of winter. We recognise that this is a goal shared by the Scottish Government and that action in this area is a joint initiative of the Scottish and UK Governments (for example through the ECO programme), as well as private sector utilities.

14. However, we are concerned at the ability of the Scottish Government to meet its statutory target by 2016 and the suggestion by some of our witnesses that at least £200 million per year from both the public and private sector will be needed in this respect and that there is a lack of clarity that the private sector component of this sum is being spent in Scotland. The Committee invites the Scottish Government to provide further information on the current total level of public and private expenditure and on projected expenditure levels for 2014-15 and 2015-16. **What are the figures for 2014-15 and 2015-16?**

15. The Committee further invites the Scottish Government, alongside the climate change level 4 figures (see 'Provision of draft budget information' below) each year, to provide a detailed breakdown of: the contributions which (a) it and (b) the private sector are making towards the £200 million budget; what programmes, and to what amount, are being funded through the £200 million; and what assessment has been made on the effectiveness of each area of spend. **Will this information be published alongside the draft budget document?**

*Reporting and meeting targets [paragraphs 137-141]*

16. The Committee invites the Scottish Government to publish an annual report, alongside the draft 2015-16 budget document (and each year thereafter) and the climate change mitigation funding figures, on the progress of the fuel poverty programmes. **When will it publish this information?**

*Key factors in tackling fuel poverty [paragraphs 142-146]*

17. The Committee invites the Scottish Government to set out its strategy to better engage people in schemes which will lead to a reduction in fuel poverty and to detail how it will "elicit commitments" for example from energy companies in this regard. **Please update the Committee on actions taken by the SG and what improvements these have brought. In particular, the review by the Scottish Fuel Poverty Forum and the commitments from energy companies.**

*The Energy Assistance Package and Home Insulation Scheme – transfer of resource to tackle the 'bedroom tax' [paragraphs 147-155]*

18. The Committee invites the Scottish Government to confirm that any issues around the processes which it had to go through with the UK Government have been resolved and that it has put in place necessary measures to maximise uptake of the Home Energy Efficiency Programme in the 2014-15 budget year. **Please update the Committee on actions taken by the SG and what improvements these have brought.**

*A National Performance Framework indicator on renewable heat? [paragraphs 156-158]*

19. The Committee recommends that the Scottish Government gives consideration as to how national indicators on both renewable electricity production and heat could be included in the National Performance Framework. **Please update the Committee on actions taken by the SG and what improvements these have**

**brought. Further, where does consideration stand with regards inclusion in the NPF?**

*Investment in renewables [paragraphs 159-172]*

20. The Committee welcomes the Scottish Government's efforts to date in this policy area and seeks further information on its assessment of the market and policy developments which will restore momentum to investment in renewables and on projected investment growth in specific activities and forms of development over the next two years. The Committee seeks the Scottish Government's views on possible alternative measures to support investment in renewables if market conditions lead to an underspend of the budget for renewable energy capital expenditure. **Please update the Committee on actions taken by the SG and what improvements these have brought. Further, where does consideration stand with regards inclusion in the NPF?**

21. The Committee requests that the Scottish Government provides further detail on the projected budget for the Renewable Energy Investment Fund in 2014-15 and 2015-16. The Committee also invites the Scottish Government to detail what projects, and to what amount, have been funded through the Fund since 2012-13. **What are the figures for 2014-15 and 2015-16?**

22. Finally, in light of the Audit Scotland report, the Committee invites the Scottish Government to provide further information on how it will, given the level of funding it is making available in 2013-14, 2014-15 and 2015-16 and market conditions, meet its 2020 renewables target of 100% of demand for electricity from renewable energy as well as its target of 11% renewable heat. **Please update the Committee on actions taken by the SG and what improvements these have brought.**

*District heating [paragraphs 177-182]*

23. The Committee invites the Scottish Government to clarify what funding is being made available in 2014-15 for district heating projects and under what schemes and what funding it has made available as part of its response to the District Heating Action Plan. **What are the figures for 2014-15 and 2015-16?**

24. The Committee invites the Scottish Government, as part of its climate change mitigation measures figures each year, to specify what funding is being allocated specifically for district heating projects, including those measures which it agrees to take forward on the recommendation of the continuing work of the Expert Commission on District Heating. **What are the figures for 2014-15 and 2015-16?**

## OTHER ISSUES

*Asset disposals [paragraphs 212-227]*

25. One option would be for the Scottish Government to increase its grant assistance to both agencies. Consequently, the Committee invites the Scottish Government to confirm whether it plans to make up any shortfall in income for both enterprise agencies through an in-year adjustment or whether it has/will require the agencies to produce contingency plans for expenditure reductions in the event of asset sales not being achieved. **What are the figures for 2014-15 and 2015-16?**

*Provision of draft budget information [paragraphs 228-237]*

26. The Committee recommends that the Finance Committee reviews this issue and invites the Scottish Government to consider whether it will in future make available, alongside the requested level 4 figures, the figures on climate change funding. **Will the SG provide such figures alongside the draft budget document?**

*Budget co-production [paragraphs 238-239]*

27. Whilst we do not necessarily agree with Social Enterprise Scotland and SCVO comments on “co-production” of the draft budget we invite the Scottish Government to ensure that they and other key stakeholders are fully consulted. **What is its response to this?**