



The Scottish Parliament
Pàrlamaid na h-Alba

Economy and Fair Work Committee

Neil Gray MSP
Cabinet Secretary for
Wellbeing Economy, Fair
Work and Energy

The Scottish Parliament
Edinburgh
EH99 1SP

Sent by email only

Economyandfairwork.committee@parliament.scot

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Dear Neil

Economy and Fair Work Committee pre-budget 2024-25 views

In advance of the budget for 2024-25, please find the Economy and Fair Work Committee's views on spending priorities for the coming financial year.

In last year's pre-budget letter, the Committee urged the Scottish Government to focus spending for 2023-24 on:

- Working with the Scottish Tourism Recovery Group (STERG) to identify the best business support required for this sector.
- Protecting VisitScotland's international promotional spend.
- Prioritising funding to incentivise workplace learning for the engineering and manufacturing sectors in particular.
- Using enterprise funding to support sectors with buoyant export potential to expand.
- Revisiting the employability spend decisions for this year and next.

The Committee also asked the Scottish Government to disaggregate monies for women's business support, to provide the spend profile for the £50m budget for the Women's Business Centre and provide an update on delivery of this commitment.

In his [response of 21 December 2022](#), the then Deputy First Minister:

- Pledged to continue to work with the STERG and highlighted the general support available to businesses through non-domestic rates policy.
- Did not pledge to protect VisitScotland's spend, noting the challenging fiscal context for the budget, but highlighted that VisitScotland would continue to deliver marketing activity through innovative means to make the best use of available resources.
- Highlighted the James Withers independent review of the skills landscape and forthcoming updated Climate Emergency Skills Action Plan.
- Acknowledged the removal of £53m additional employability funding but stated it had been necessary to balance the budget. The cash terms increase of £6.5 million to employability funding for 2023-34.
- Advised that decisions on 'long term funding for women's enterprise support would not be taken until after the Ana Stewart review reported.

When the Medium-Term Financial Strategy was published, the Deputy First Minister told Parliament that certain areas of spend would be "deprioritised" with the detail to follow. The Committee awaits this detail but continues to emphasise three areas of expenditure to be maintained: **support for business, support for women's enterprise and skills development.**

The Committee's pre-budget input is presented under those headings.

Support for Business

The Committee acknowledges the establishment of the new deal for business group. Last year, during the Town Centres and Retail inquiry, the Committee was told that Scottish businesses are much less likely to trade online compared to the rest of UK business. The Scottish Government has a £100m commitment to help businesses improve their digital skills, capacity and capability. DigitalBoost grants were well-received but significantly oversubscribed. The Scottish Government has not continued with the DigitalBoost Grant Programme.

In February, the Scottish Government advised around £38 million of the £100m had been spent and that, at the appropriate time, the Committee would be advised how the remainder of this funding would be allocated. **The Committee requests an update on allocations since February, the criteria for allocations and, given the demand, asks the Scottish Government to set out what budgetary provision will be made in 2024-25 to deliver digital support to businesses.**

Following a report by the Fraser of Allander Institute (FAI), the Scottish Government established a short-term working group to consider the collection and availability of data on the operation of the Small Business Bonus Scheme

(SBBS). The group concluded that collecting more data would place an unwelcome additional burden on business. **The Committee acknowledges the reforms to the SBBS announced in last year's budget. As a consequence, the then deputy First Minister said he expected around half of properties in the retail, hospitality and leisure sectors in Scotland would pay no rates in 2023-24. The Scottish Government is asked to confirm what proportion of the properties in those sectors are not paying rates this year. More widely, the Scottish Government is asked to set out how its reforms to the SBBS have impacted Scotland's businesses. The Committee also asks the Scottish Government to what extent the concerns in the FAI report about the availability of data have been addressed and what further steps will be taken to assess the effectiveness of the Scheme.**

Earlier this month, the Committee was told that the enterprise agencies' resource budgets are under particular pressure and, over the next couple of years, Scottish Enterprise's resource income will no longer cover its fixed costs. The Committee recognises the greater flexibility within Scottish Enterprise's capital budget due to capital income and assets that can be realised. However, Scottish Enterprise noted that financial transactions funding, used for most early-stage investment work, is uncertain and if financial transactions funding is not available, early stage investment work would not be able to be absorbed into the current capital budget.

There is clearly a need to identify areas where resource spend can be trimmed. The Committee welcomes the Scottish Government's commitment to consider where our public bodies could take a more collaborative approach to service delivery. Scottish Enterprise has said there have been "early conversations across the enterprise agencies to identify potential opportunities for greater interagency collaboration on shared approaches to common functions". It referenced collaboration through back-office and information technology systems shared with Skills Development Scotland. **The Committee asks how next year's budget will support progress in the area of shared costs between public bodies.**

The Committee heard from HIE (Highlands and Islands Enterprise) about collaboration with other parts of government to provide a joined-up one-door approach to support for businesses. Scottish Enterprise said there is a strong and close working relationship with the Scottish National Investment Bank (SNIB) with a "joint pipeline" that they are working on together. **Nevertheless, when looking at how support for business is delivered, the range of different funds available and now the presence of SNIB, there is the potential for confusion and overlap. The Committee asks what action the Scottish Government is taking to address this.**

The Committee notes that SNIB does not expect to be self-sufficient until 2025-26. Scottish Government resource funding will be required until then. Although not directly related to next year's budget, the Committee highlights the importance of SNIB balancing its investments with the financial return. **As required in the 2020 Act, Scottish Ministers must set a target rate of**

return for SNIB. **The Committee asks when the target rate of return will be set.**

Support for Women's Enterprise

Successive reviews, including the Scottish Technology Ecosystem Review led by Mark Logan, have highlighted the considerable gendering and lack of diversity that exists across Scotland's economy; a missed opportunity to take advantage of the best prospects for growth and entrepreneurial activity. Last year, the Committee asked the Scottish Government to disaggregate monies for women's business support, to provide the spend profile for the £50m budget for the Women's Business Centre and provide an update on delivery of this commitment.

The response was that decisions would not be taken until after the Ana Stewart review reported. The review reported in February and the Scottish Government responded in June. **The Committee asks the Scottish Government to now set out how the £50m budget for the Women's Business Centre is being allocated.**

Skills Development

James Withers recently concluded his review into the future of the skills landscape in Scotland. The Scottish Government's response is awaited. One of the recommendations is for enterprise agencies to take on responsibility for supporting businesses with skills and workforce planning. This will require enterprise agencies to broaden their approach and is likely to require additional resource. **The Scottish Government is asked to set out how next year's budget will support the necessary changes to the skills development and delivery landscape.**

In the Scottish Government's response to last year's pre-budget letter, reference was made to the forthcoming updated Climate Emergency Skills Action Plan expected in the Spring. The Plan is still awaited. At the start of this year, the Committee was told that the biggest challenge facing the renewables sector is attracting and developing talent and that investment in the long-term pipeline of skills development was needed. **The Scottish Government is asked to confirm when the updated Climate Emergency Skills Action Plan will be brought forward and how next year's budget will support the development of the required skills pipeline.**

The Scottish Government receives a share of Apprenticeship Levy monies from the UK Government. The Scottish Government subsumes these monies in its general skills budget. **The Scottish Government is asked what Scotland's share of the annual apprenticeship levy monies was in the last financial year, and the detail of how this funding was distributed within the skills budget.**

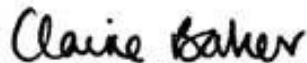
The Scottish Government uses Apprenticeship Levy funds for the Flexible Workforce Development Fund (FWDF). It is understood that SMEs can

access up to £5,000 to upskill their staff through the FWDF, accessed through local colleges, the Open University or independent training providers. Findings of an independent evaluation of the FWDF were published earlier this year. **The Committee notes that in response, the Scottish Government said it had ensured, from this year, that all training strands of the FWDF would be open to all employers and that other recommendations were under review. The Committee would be grateful for an update on the other recommendations and this work.**

Earlier this year, the Committee undertook initial work on the disability employment gap. One issue to emerge was that funding for many employability projects was seen to be “in a state of flux”. For some charity and third sector delivery partners, funding decision delays and problems due to a lack of multi-year funding, were challenging and limiting their capacity to delivery. **The Scottish Government is asked whether any such issues persisted into this financial year and how confident it is that next year’s budget will provide greater certainty and stability for charity and third sector delivery partners.**

I look forward to receiving your response, alongside publication of the budget. The Committee will invite you to give evidence on the budget early in the New Year.

Kind regards

A handwritten signature in black ink that reads "Claire Baker". The signature is written in a cursive, slightly slanted style.

**Claire Baker MSP
Convener**