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Dear Convener

Economy and Fair Work Committee – follow-up evidence session

Thank you for giving me the opportunity to set out my priorities for the Wellbeing Economy, Fair Work and Energy portfolio to the Economy and Fair Work Committee on 10 May. As I set out in my opening remarks, I am committed to delivering the First Minister's three interlinked missions of growing a fairer and greener economy, seizing the opportunities of net zero and creating better communities; and I look forward to building a fruitful relationship with the Committee as this work progresses.

During our discussion, I undertook to provide Committee members with further information on various issues. Please find this below.

Loan support value for Prestwick Airport

The total value of loan support provided to Prestwick Airport remains £43.4 million. No additional loan funding has been drawn down by Prestwick Airport since 2019. Interest continues to accrue on the loan balance.

An estimate of the recoverable value of the loan will be published in the Scottish Government's 2022-23 annual report and accounts. Further work will be undertaken to obtain an updated valuation of the loan during 2023-24.

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Publication of the Skills Landscape Review

James Withers, Independent Advisor to the Review of the Skills Delivery Landscape, published his final report on Wednesday 7 June. Graeme Dey, the Minister for Higher and Further Education, has provided details of the report to Committee Conveners.

Climate Emergency Skills Action Plan

An update to the Climate Emergency Skills Action Plan (CESAP) will be published by the end of 2023, alongside the Climate Change Plan, and remaining draft Just Transition Plans.

Ministers will consider how recommendations in James Withers' Review of the Skills Delivery Landscape should be incorporated into the CESAP Update to support our collective ambitions for an agile and responsive education and skills system.

Role of the Trade Board

The focus of the Trade Board has not changed and continues to provide support to the Scottish Government in its delivery of 'A Trading Nation', our export growth strategy. It provides the opportunity for business, through engagement from exporters and business representatives in key sectors, to scrutinise the delivery and progress of the strategy.

Members of the Trade Board are appointed on a 2 year basis, and in 2021 the existing terms of appointment of the Board came to an end. Ministers and Scottish Government Officials updated the membership and remit of the board to reflect the strategy's key priority sectors, namely life sciences, energy, tech, food and drink and engineering. This information is published on the [Board's Webpage](#).

Organisations that are carrying out research on export potential in markets in the USA and Canada

Both the USA and Canada remain priority international markets for Scottish exports, as set out within 'A Trading Nation'.

Both countries are large and diverse in terms of current Scottish export activity and future trade potential. Scottish Government officials are currently developing a study of the USA and Canada to better understand export opportunities at a sectoral and state level. This approach is fully aligned to the on-going delivery of A Trading Nation, as well as the National Strategy for Economic Transformation (NSET), in order to support Scotland's future goods and service exports into new markets. The procurement of the study is still underway, therefore we cannot provide confirmation of arrangements to deliver the study at this point but we will look to update the committee at a future meeting.

Target to have 500 employee-owned businesses in Scotland by 2030

I am encouraged by the Committee's clear interest in assisting growth in co-operative businesses and employee owned companies. Business models of this sort need to be represented to a higher degree in Scotland's business base. Assisting growth in these sectors is a key part of our overall adoption of the Community Wealth Building model of economic development. Furthermore, a review of how these business models and Scotland's social enterprises can be helped to grow and thrive will commence after summer recess. This review was committed to in NSET and the 2022-23 Programme for Government. We will use the evidence from our consultation on Community Wealth Building legislation, as referenced by Colin Cook, Director for Economic Development, during our discussions to influence the conduct of the review.

The Scottish Government has set a target for 500 employee owned businesses operating in Scotland by 2030 as we seek to widen the benefits of employee ownership to as many businesses and as many employee-owners as possible. The latest census on employee owned businesses was undertaken in March 2022. At that time there were 146 Scottish-registered employee-owned businesses and worker co-operatives and 49 non-Scottish registered employee-owned businesses.

Co-Operative Development Scotland, funded through Scottish Enterprise, continues to work to raise awareness of the value of co-operative and employee ownership models and provides specialist advice and support to businesses making the transition to employee ownership.

GFG investment liability

The Lochaber Guarantee was provided on 16 December 2016 and the nominal value of the total guaranteed power purchase payments at that point was £586 million. The nominal value of the remaining payments as at 31st March 2023 is £486.4 million and represents the total remaining value of payments over the period of the Guarantee until 2041. GFG Alliance has maintained its payments to bondholders and all Guarantee fees due to SG are up-to-date. The Lochaber guarantee is secured by a comprehensive security package.

A provision of £114 million was assessed in the Scottish Government accounts for 2021-2022, representing a reduction of £47 million on the previous year's accounting provision. The provision does not mean an actual loss will occur but is an estimate of a potential loss based on a technical accounting assessment under IFRS 9 reporting requirements.

The Scottish Government intervened at Lochaber to protect jobs, underpin investment at the site and secure the future of a historic business in Fort William.

Rural and Islands Housing Scheme

Our Rural and Islands Housing Fund, is now a recognised feature of our Affordable Housing Supply Programme, and is continuing to provide communities and organisations, with the opportunity of support to deliver the right homes, in the right places, for their communities. We are making available £30 million during this parliamentary term for this demand-led fund, with £9m already provided to the delivery of affordable homes, and a further £9m allocated. There is a pipeline of projects with feasibility funding, aiming to progress towards a main

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fund application, when they have gained the necessary consents required for house building to commence.

We remain committed to delivering 110,000 affordable homes by 2032 with at least 10% of these in remote, rural and island communities and we will publish a Remote, Rural & Islands Housing action plan to meet the housing needs of, and retain and attract people to, those communities.

We are also making available up to £25 million from our Affordable Housing Supply Programme, over the period 2023-2028, in a demand led initiative for local authorities and registered social landlords to allow suitable existing properties, including empty homes in remote, rural and island areas to be turned into affordable homes for key workers.

The Rural and Islands Housing Scheme is led by Mairi Gougeon, Cabinet Secretary for Rural Affairs, Land Reform and Islands.

Supply Chains

Since Scotland's removal from the European Union, a rebalancing is happening in the economy which is both a challenge and an opportunity. Businesses in Scotland have a chance to embed the opportunity to supply much more locally and sustainably.


I have outlined below some of the work we are progressing to support our supply chains:

- The National Strategy for Economic Transformation sets out a range of actions to strengthen Scotland's position in new markets and industries to maximise growth, generate well-paid jobs and support a just transition to net zero.
- Our manufacturing programme, 'Making Scotland's Future', is designed to support businesses to do that through a series of work streams led by public sector partners. A particular focus of Making Scotland's Future is emerging key markets and working with lead policy officials and key players within those industries to maximise opportunities for manufacturing companies.
- In addition, the Supply Chain Development Programme (SCDP) is a joint programme between the Directorates of Procurement and Economic Development aimed at ensuring maximum economic benefit from Scotland's annual £14 billion public sector procurement. It's a core part of Making Scotland's Future and aims to align economy and innovation policy interventions with public sector spend, using both more strategically to improve the capacity and capability of Scottish manufacturing supply chains.
- The Onshore Wind Strategic Leadership Group is developing a sector deal this year between government and industry. The deal will support supply chain opportunities and materials circularity.
- With regard to our offshore wind potential, we welcome the commitment of developers to invest an average projection of £1.4 bn in Scotland per project, which equates to more than £28bn across the 20 ScotWind offshore wind projects.
- Offshore wind skills development is also a key priority – working with stakeholders we will focus on the opportunities for diversification and skills transfer from our oil and gas sector. This is in line with our commitment to a Just Transition.
- This is the same for our hydrogen sector, where work is ongoing to support companies with the growth and transition into this sector.,

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- We also work closely with the Enterprise Agencies to deliver funding programmes and support hydrogen supply chain development and the growth of a hydrogen economy in Scotland. A coordinated approach is being taken to drive activity across government and public sector delivery partners, with a view to:
 - develop tools to improve visibility of future projects;
 - attract inward investment;
 - assess current supply chain strengths and weaknesses;
 - articulate Scotland's comparative advantages; and
 - address capacity gaps and enhance indigenous capacity.
- The Green Jobs Fund will make £100m of capital investment available to businesses and supply chains across Scotland to help create new green jobs.
- In May 2022 the Scottish Offshore Wind Energy Council (SOWEC) developed a Collaborative Framework Charter which has helped to forge effective partnerships to deliver our supply chain potential.
- This led to the Strategic Investment Model (SIM), which is aimed at enabling a move from project-led to sector level investment that better supports growth in port and supply chain capacity and capability.

I hope you find this information helpful, and I would be happy to respond to any further questions the Committee might have.



NEIL GRAY