

ECONOMY AND FAIR WORK COMMITTEE

**2nd Meeting, 2023 (Session 6), Wednesday
18 January 2023**

Scottish Government Budget 2023/24

Note by the Clerk

Background

1. The Committee will take evidence on the Scottish Government's budget for 2023/24. The budget was [published on 15 December](#).
2. The Stage 1 debate on the Budget Bill is expected to take place at the end of January. If it so wishes, any committee has the option to submit an alternative spending proposal by way of a reasoned amendment to the motion on the general principles of the bill.

Pre-budget scrutiny

3. Prior to the publication of the budget, the Committee undertook pre-budget scrutiny. The purpose of this scrutiny is to provide comment to the Scottish Government at least six weeks prior to publication with the aim of influencing the budget when priorities are set.
4. The committee held three evidence sessions focusing on—
 - [women's contribution to the economy](#);
 - [the impact the current cost crisis is having on the tourism and hospitality industries](#); and
 - [the impact of the cost crisis on industries with relatively high energy usage](#).
5. Following these sessions, the Committee [wrote to the Deputy First Minister and Cabinet Secretary for Covid Recovery](#) on 7 November 2022, outlining its views. This letter is included at **Annexe A**.
6. The Deputy First Minister's [response of 21 December 2022](#) is included at **Annexe B**.

Witnesses

7. Today, the Committee will hear from—

- John Swinney MSP, Deputy First Minister and Cabinet Secretary for Covid Recovery;
- Colin Cook, Director of Economic Development;
- Aidan Grisewood, Interim Director, Economic Strategy; and
- Kathleen Swift, Head of Economic Directorate Finance Unit, Scottish Government.

**Economy and Fair Work Committee Clerks
13 January 2023**

**Letter to the Deputy First Minister and Cabinet Secretary for Covid Recovery
7 November 2022**

Dear John

Economy and Fair Work Committee pre-budget 2023-24 views

In line with the written agreement on budget scrutiny between the Parliament and the Scottish Government, I attach the Economy and Fair Work Committee's suggested priorities in advance of the budget bill 2023-24 being introduced.

The Committee's focus last year was business support needed to recover from the pandemic and encourage investment and employment opportunities. Last year, it was acknowledged that the budget was being brought forward in challenging economic circumstances. This year, circumstances are no less challenging, indeed the Committee heard that for some sectors, the economic outlook is worse.

The Committee's pre-budget recommendations, for the Scottish Government, can be summarised as follows:

- Work with the Scottish Tourism Recovery Group (STERG) to identify the best business support required for this sector specifically including further business rates support, if possible.
- Protect Visit Scotland's international promotional spend as critical to maximise income for the sector in 2023/24.
- Identify and prioritise with skills development budget, policies and funding to incentivise workplace learning for the engineering and manufacturing sectors in particular.
- Use Enterprise funding to support those sectors with a buoyant export potential to expand – with an opportunity to focus on green energy transition support.
- Revisit the employability spend decisions for this year and next and provide robust Equality and Fairer Scotland impact assessments.
- Ensure women's business support disaggregation of spend and provide a profile of the £50m budget for the Women's Business Centre and progress on delivery.

The Committee looks forward to receiving your response at the time of the budget's publication.

Kind regards

Claire Baker MSP
Convener

Economy and Fair Work Committee 2023-2024 pre-budget comments

1. The Committee took evidence during September and October on the impact of the cost crisis on the tourism and hospitality and manufacturing sectors. Cost crisis pressures escalated over the summer and the Committee wanted to hear from sectors most heavily impacted. That evidence, along with evidence on women's contribution to the economy, formed the basis of this pre-budget input. The Committee's views and recommendations are drawn from evidence sessions on 28 September, 5 October and 26 October 2022.

Tourism and Hospitality Sector pressures

2. The impact of rising costs on the tourism sector, against a backdrop of uncertainty and workforce shortage is causing significant concern. In addition to rising business costs, the cost of living crisis is impacting consumer spend and habits. Businesses are struggling. The sector is attempting to manage costs but at a time, according to Scottish Tourism Alliance, that "demand is now definitely, without a question, falling off a cliff and that is the challenge as we go into the winter".
3. The Scottish Tourism Alliance pointed out that more than half of tourism businesses had still not recovered from the pandemic, with 23% in "survival mode". UKHospitality said only a third of hospitality businesses were currently trading at a profit; 1 in 10 pubs would likely close for the winter and 4 out of 10 were expected to reduce their hours significantly. The Scottish Tourism Alliance said:

"From a business point of view, everybody would say we are in a worse place now than we were last year, without question. The impact of the cost rises affecting business, with the uncertainty of how to navigate through the challenges...are causing concern."

4. In the hospitality sector, wage inflation and the rising cost of food and drink were continuing concerns but increased energy costs "dwarfed the problems the businesses were experiencing". The sector is in continued discussions with the UK Government about targeted support. The sector is keen for the UK Government to reduce the rate of VAT. Postponed UK Government spending plans are awaited.
5. In terms of Scottish Government support, the extension of business rates relief and greater investment in tourism promotion are the two immediate asks. Over and above that, the sectors seek support to enable them to make the transformational changes needed to ensure sustainability and competitiveness in a global tourism market. Recognising the challenges currently faced, there were calls for a pause on the introduction of new regulations for initiatives such as the short-term licensing fee, deposit return scheme and the local visitor levy.
6. During the last year, the Committee has repeatedly been told that a key pressure for businesses is non-domestic rates. It was pointed out to the

Committee that businesses in England receive 50 per cent rate relief (with a cap). The Committee heard calls for that to be replicated in Scotland as a minimum and, generally, for the Scottish Government to make more business support available.

Promoting Scotland as a leading destination

7. Scottish Tourism Alliance called for a funding focus on the international tourist market, where it is known demand is still strong, to ensure Scotland is promoted as a leading destination. Linked to this, was the recognition that investment in infrastructure is also vital to support the visitor experience.
8. In our pre-budget letter last year, we acknowledged the importance of tourism to Scotland's economy and called for the Scottish Government to fund Phase 2 of the Scottish Tourism Emergency Recovery Group (STERG) recovery plan. In response, the Scottish Government said it was unable to allocate any further funding to support the STERG proposals but that discussions would continue on how best to support business.
9. **The Committee recognises the exceptional pressures now facing the tourism and hospitality sectors and calls on the Scottish Government to bring forward targeted business support. The Committee is strongly in favour of the sectors being prioritised for business rates support. The Committee asks the Scottish Government to engage with STERG to agree how best to target support.**
10. **The cost crisis has dampened and is expected, next year, to further depress the domestic tourism market. The Committee seeks the Scottish Government's assurance that its 2023-24 budget will protect VisitScotland's international marketing spend to ensure Scotland is vigorously promoted globally as a leading destination. The weak pound presents an opportunity, and the Scottish Government must capitalise on it, to encourage and drive international visitors to Scotland.**

Manufacture sector pressures

11. The Committee was told that support for the construction industry (from the UK Government) on energy costs had "probably not been as good as we would have liked" but there were acknowledged difficulties in how support could be delivered, given contractual and supply chain considerations in the sector.
12. Scotland's textiles industry is primarily an export sector, they are competing with other countries and facing global pressures. It was noted that France's stateowned energy sector can provide businesses with a higher level of subsidy. Businesses there are seeing smaller cost impacts than in Scotland and, further afield, countries in Asia are not experiencing the same cost increases.

13. Scottish Engineering said that prior to the introduction of the price cap, a third of its members were at risk of either having to reduce staff or go out of business. Energy increases were on average 3.6 times and for some, 10 times. The cap has helped bring the energy cost rises down to an average of 2 or 3 times however despite the sector being buoyant and having full order books, energy price rises are pushing a significant number of businesses to the brink. Companies have let contracts based on a worst-case assumption about energy costs but if energy costs are above that level, they are still legally obliged to fulfil the contract but cannot do so without running out of cash.
14. Food and Drink Federation Scotland said that rising energy costs were also a significant factor for its members. The Committee was told that some had faced price increases of “five, six seven times”. After the introduction of the price cap, this had reduced to two or three times but nevertheless still represents a significant increase, particularly when facing the end of a contract.
15. However, the overarching asks were for stability to enable businesses to have some clarity with their cost base to help plan and price accordingly and for a stronger focus on developing skills in Scotland’s workforce and attracting and retaining staff.

Investing in Scotland’s Workforce

16. Investment and support from the Scottish Government to support the tourism and hospitality talent programme had been welcome but the continuing challenge is retention. The Committee heard that some employees could no longer afford to get to their places of work and were leaving the sector for other types of employment. The hospitality apprenticeship remains important but, just as important, is the provision of opportunities and support for older workers, particularly as more people look to supplement existing incomes. Scottish Government investment is sought to continue to invest in and upskill the sector workforce of all ages.
17. Unite Hospitality called for job security to be foremost in budget discussions, paying the real living wage and ensuring the removal of zero-hours contracts. They suggested a scheme, similar to the furlough scheme, may be necessary to protect workers in some sectors from the cost crisis. They call for any public money paid to employers and businesses to be contingent on signing the Scottish Business Pledge.
18. The Scottish Textile Industry Leadership Group emphasised the importance of supporting people in to work and developing skills. The Committee was told about success in the industry to bring in people with autism but that such initiatives require support and investment. It was observed that of the employment support available, some can be constrained by a requirement for at least a year’s commitment. This can be a barrier, particularly for seasonal businesses. More flexibility in the provision of employment support is sought.

19. Scottish Engineering pointed to low numbers of 17-year-olds in particular and said the end of free movement of people was “really significant” although it had, to some extent, masked the fact that the sector had not been “growing our own at the rate we could have done.” The end of free movement has meant that the option to quickly recruit workers and tradespeople from Europe to fill skills gaps has gone.
20. Scottish Engineering told the Committee that its members were “flat out of skills at the moment” with two significant national engineering projects not able to get the skilled workers needed. The Committee was concerned to be told that although Scotland has £12.8 billion of Scottish manufacturing spend committed, it is a challenge for SMEs to invest in skills needed 4 or 5 years down the line without “a direct line of sight to the purchase order that will pay for them” and that if the initiatives being talked about “were all to land today as genuine, off-and-running projects, we just would not have the people to do them.” The sector is looking for 6 focus and investment in workplace learning as, in the view of Scottish Engineering, when comparing levels of work-based learning with other similar nations “we are just not at the races”.
21. The Scottish Government has recently announced an independent review of Scotland’s skills landscape. The Committee welcomes the review but recognises an urgent need to ensure that the best use is made of available resource to meet the challenges and skill requirements of Scotland’s current and future workforce, particularly as Scotland transitions to a greener, less carbon-intensive and more sustainable economy.
- 22. Next year’s Scottish budget must prioritise funding for skills development, focused on the engineering and the wider manufacturing sectors to support and incentivise work-based learning and provide improved apprenticeship support. There is a strong economic need, in Scotland, for a better supply of skills to take advantage of the significant opportunities presented by ScotWind, renewable heat, hydrogen futures and decarbonisation initiatives towards meeting our net zero targets.**
23. Recently, the Scottish Government announced a number of savings, including £53m in employability support, stating it is unable to progress planned additional activity to enhance available support for parents. The Scottish Government’s explanation is that due to “acute labour shortages, historically low unemployment and soaring inflation, we have taken the view that we must prioritise fair wages over spending on employability.”
- 24. Employability spend is targeted at supporting people back into work and can increase labour market by supporting those further from the labour market back into employment. At a time of acute labour shortages, difficulties with staff retention and recognising the benefits of an inclusive workforce and economy, the Committee asks that the Scottish Government look again at the rationale for the £53m cut to employability services. On the basis of available information, the Committee is not assured that the implications have been fully considered. The Committee asks the Scottish Government to provide the Equality and**

Fairer Scotland impact assessment undertaken in advance of this spending cut.

Women's Business Centre

25. The Committee has previously welcomed the Scottish Government's commitment of £50m, during the lifetime of this Parliament, to establish a women's business centre. In our pre-budget letter last year, the Committee called for this work to be prioritised, sought a timeline for establishment and details on how the model would interact with existing agencies and Business Gateway. In response, the Scottish Government advised that preparatory work was underway.
26. In our recent evidence, it was emphasised that although current business support, for example delivered through Business Gateway, was vital and must be retained, it does not necessarily work well for women. Women's Enterprise Scotland 7 (WES) noted that many women were keen to start up in business, but more was needed to maintain that momentum:

"We have 10 years of research and data pointing to the same consistent challenges: access to finance and access to support that understands women and their ideas, supports them to progress their ideas and gives them the confidence to go forward."

- 27. The economic arguments are stronger than ever for securing better value for the public purse from women's contributions and having more successful women in business. The Scottish Government is asked to provide an update on progress towards establishing a Women's Business Centre, including a detailed spending profile of where and how the £50m committed funding will be spent and how much is being budgeted for in the next financial year. The Committee emphasises the importance of establishing a Women's Business Centre.**

Tackling inequalities

28. Analysis by Close the Gap has found that closing the gender gap in employment could potentially be worth £17 billion to the Scottish economy, however the Committee was told again this year that a lack of gender mainstreaming and robust data prevented informed policy decisions being made. Close the Gap pointed out that:

"During times of economic crisis, it is important that we target resources to get the most out of the Scottish Government's spend. However, we do not yet have the data about who is experiencing poverty."

29. It is known that women were disproportionately impacted by Covid and, as a result of the cost crisis, are more likely to experience poverty, including in-work poverty. Consequently, Close Gap are calling for better data and gender analysis to ensure strategies and investment are better targeted. For example, the Committee was told there has been a deterioration in the quality of equality impact assessments and both WES and Close the Gap said public procurement and conditionality were levers that could be put to better use in addressing the undervalued and underpaid roles held by women and gender equity more widely.
- 30. In our pre-budget letter last year, the Committee called on the Scottish Government to ensure gender-disaggregated data on women's business activity and procurement in Scotland is gathered. Given the continuing concerns expressed to the Committee on the availability of data, the Scottish Government is asked to work with Close the Gap to identify what more can be done to remedy this.**

Annexe B

**Letter from the Deputy First Minister and Cabinet Secretary for Covid Recovery
21 December 2022**

Dear Convener,

Economy and Fair Work Committee - pre-Budget 2023-24 views

Thank you for your letter of 7 November 2022 setting out the Economy and Fair Work Committee's suggested priorities in advance of the Scottish Budget 2023-24. Input from parliamentary committees is an essential and valued part of the Budget process and I thank you and the other Committee members for your submission.

The Scottish Government's responses to the Committee's recommendations are provided below in Annex A. I would be pleased to answer any further questions the Committee might have in relation to the Budget and I look forward to our discussion in the evidence session planned for 18 January 2023.

John Swinney

Response to the Economy and Fair Work Committee recommendations

As I said in my statement to the Scottish Parliament on 15 December, the 2023-24 Scottish Budget takes place at a time of enormous challenge and difficulty for people and business due to volatility in the economy and the corrosive effect of inflation. These challenges have been compounded by the United Kingdom Government's approach to Brexit and its decisions in the mini-Budget in September.

In response, the Scottish Budget sets out three main priorities of eradicating child poverty, strengthening public services and moving towards a net zero economy. A stronger, fairer, greener economy benefits everyone living in Scotland and through the delivery of our National Strategy for Economic Transformation (NSET) we can help ensure that Scotland emerges strongly from the current economic crisis as well as shape our longer term future. Our vision is for a wellbeing economy that serves people and the planet first and foremost, for current and future generations – an economy based on the principles of prosperity, equality, sustainability and resilience.

Committee Recommendations – tourism and hospitality

- 1. The Committee recognises the exceptional pressures now facing the tourism and hospitality sectors and calls on the Scottish Government to bring forward targeted business support. The Committee is strongly in favour of the sectors being prioritised for business rates support. The Committee asks the Scottish Government to engage with STERG to agree how best to target business support.**

SG Response

As the Committee will be aware, the economic outlook is extremely challenging. Growth in the UK and Scottish economies has weakened notably since the start of the year amid inflationary pressures. The Scottish Fiscal Commission is expecting the Scottish economy to follow the UK into recession which, although shallow in nature, will last for 18 months. Against this backdrop, I recognise that businesses in the tourism and hospitality sectors continue to face significant challenges, including the ongoing and longer term impact of COVID-19, labour shortages and rising costs.

We will continue to work together with partners to transition from the Scottish Tourism Emergency Response Group (STERG) to a Tourism and Hospitality Industry Leadership Group (ILG), which will help drive recovery and sustainable growth across both sectors in the long term. The ILG, which met for the first time on 23 November, is co-chaired by the Minister for Business, Trade, Tourism and Enterprise, and Marc Crothall, Chief Executive of the Scottish Tourism Alliance. The group will oversee the delivery of Scotland Outlook 2030 and its commitment to four key priorities - passionate people, thriving places, diverse businesses, memorable experience - ensuring it also aligns with the ambitions of NSET as well as regional and sectoral strategies.

The Scottish Budget contains measures to help businesses through action on non-domestic rates. We have listened to businesses and their representative groups and by freezing the poundage we will ensure over 95% of non-domestic properties continue to pay a lower property tax rate than anywhere else in the UK. The freeze in 2023-24 is expected to save ratepayers £308 million in 2023-24, and over £900 million over the course of the current revaluation. The Budget also supports a package of reliefs worth an estimated £744 million. In the context of Covid recovery and the cost-of-living crisis, we are protecting business that will see the biggest rateable value increases at revaluation by providing transitional reliefs which will cap rates increases for the next three years.

Having the lowest poundage in the UK for the fifth year in a row, as well as the transitional reliefs proposed for 2023-24, will benefit properties in the retail, hospitality and leisure sectors, and we expect around half of the properties in those sectors to be eligible for 100% Small Business Bonus Scheme relief in 2023-24.

To help businesses with energy costs, we have provided an additional £300,000 to Business Energy Scotland to expand and improve energy support for small to medium sized businesses, and we have doubled the energy efficiency cashback element of the SME Loan & Cash Back Scheme to £20,000, covering up to 75% of the installation cost, helping many SMEs with their energy efficiency ambitions. In addition, with energy pricing being reserved, we have repeatedly called on the UK Government to clarify how businesses, especially SMEs, will be supported through the energy crisis from April after the Energy Bill Relief Scheme ends. However, businesses continue to face uncertainty as a result of the UK Government's decision to delay the announcement on how it will continue to support businesses with soaring energy costs beyond April 2023. We have also pressed the UK Government for a range of measures to help ease pressures on businesses. This

includes expansion of shortage occupation lists, a VAT reduction on energy bills, and an extension of the Coronavirus Business Interruption Loan Scheme and other loans.

We have engaged with business organisations at both Ministerial and official level to identify regulations causing significant cost concerns and, as announced in the Emergency Budget Review, we have established a Joint Taskforce on Regulation with local government, business and regulatory agencies to consider the differing impacts of regulations and drive long-term improvements in the process of developing and implementing regulation. The Taskforce met for the first time on 14 December and is co-chaired by the Minister for Business, Trade, Tourism and Enterprise along with a senior representative from COSLA.

- 2. The Committee seeks the Scottish Government’s assurance that its 2023-24 budget will protect VisitScotland’s international marketing spend to ensure Scotland is vigorously promoted globally as a leading destination.**

SG Response

As noted above, the Scottish Budget for 2023-24 has been introduced in the context of the most challenging financial situation since devolution. As we navigate through some extremely difficult financial decisions, VisitScotland will continue to show its expertise and creativity in exploring new and innovative marketing models, for example embracing digital technology and exploiting social media and partnerships to foster opportunities in local, national and global economies. The VisitScotland Board will fully consider scenarios that will enable them to successfully carry out their marketing activity in light of the Scottish Budget. VisitScotland has played a key role in establishing ‘Brand Scotland’, which has seen significant progress over the last year in expanding the collaboration and delivering on the commitment to create a single nation brand marque for Scotland. VisitScotland will be a key strategic partner as we look to stimulate renewed opportunities and maximise Scotland’s international impact.

Committee Recommendation – manufacturing and Scotland’s workforce

- 3. Next year’s Scottish budget must prioritise funding for skills development, focused on the engineering and the wider manufacturing sectors to support and incentivise work-based learning and provide improved apprenticeship support. There is a strong economic need, in Scotland, for a better supply of skills to take advantage of the significant opportunities presented by ScotWind, renewable heat, hydrogen futures and decarbonisation initiatives towards meeting our net zero targets.**

SG Response

The National Strategy for Economic Transformation (NSET) sets out the importance of a skilled workforce to business productivity and economic prosperity,

and we are committed to adapting the education and skills system to make it more agile and responsive to our economic needs and net zero ambitions. The next ten years are critical if we are to generate significant economic opportunities from the just transition to net zero. Harnessing these opportunities will require Scotland's workforce to be equipped with the right skills at the right time. This will put new demands on our education and skills system as whole sections of the workforce may need support to transition into new or altered job roles.

As the Committee will be aware, in September James Withers, previously CEO of Scotland Food and Drink, was appointed to lead an independent review of the skills delivery landscape. A call for evidence is currently live, and the review will provide independent advice on the skills functions of our public bodies and will clarify the future functions, remit and status of Skills Development Scotland within the wider skills delivery landscape. The purpose of the review is to make recommendations on how the landscape could be adapted to drive forward the ambitions in NSET.

Our *Making Scotland's Future* manufacturing programme brings together key stakeholders to deliver a more coherent approach to understanding and directing a response to the skills needs of the sector. In addition, the National Manufacturing Institute Scotland and the Michelin Scotland Innovation Parc have both established Skills Academies to transform the manufacturing workforce of today and tomorrow, whilst supporting our ambitions for a just transition to net zero.

The Scottish Budget 2023-24 continues the significant capital support for the Low Carbon Manufacturing Challenge Fund, which was launched in May 2022 and will provide £26 million over its five-year term to support innovative proposals to reduce the carbon footprint of manufacturing. It is designed to build on Scotland's existing expertise, encouraging partnerships to come forward with bids that will encourage the adoption or development of low carbon technologies or processes. Projects can use pure research and development, capital investment or environmental aid to speed up the transition to a low carbon economy in manufacturing. There is a minimum value grant of £150,000 available for eligible costs.

As indicated above, many people will have to upskill or retrain throughout their working lives to respond to changing labour market needs. That is why, in addition to a strong post-school education, research and skills system, which includes targeting to ensure young people are fully equipped to enter work, particularly in key sectors, the development of our apprenticeship and lifetime skills offers will be critical to economic success. Our apprenticeship programme offers a range of frameworks across the engineering and the wider manufacturing sector. Apprenticeships are a key way for employers to invest in their workforce, providing the skills the economy needs now and in the future, and our priority is to ensure that apprenticeships are of high quality and lead to sustainable employment opportunities. We will continue to work closely with Skills Development Scotland, the Scottish Funding Council and the sector to maximise apprenticeship opportunities and ensure that employers wishing to take on an apprentice across the sector are supported and able to do so. In addition, as committed to in NSET, work to develop a lifetime skills offer is well underway, with an initial research and

stakeholder engagement programme nearing completion. In the new year we will seek to develop an offer that makes it simpler for individuals and employers to access existing upskilling and reskilling support.

We have also established an Industry Advisory Group for rest of UK (rUK) Talent Attraction, chaired by the Minister for Business, Trade, Tourism and Enterprise. This group will explore how best to shape a talent attraction programme that can expand Scotland's talent pool at all levels, to give employers the skills pipeline needed to take advantage of opportunities and benefit our economy.

To help realise our ambitions to create a future workforce that can support our transition to a net zero economy, the Climate Emergency Skills Action Plan (CESAP) sets out Scottish Government and delivery partners' programmes and policies to deliver change. It also highlights that growing investment and innovation in the energy sector is expected to result in increased demand for labour and skills, with rising pressure for adapted and new skills at all levels. We will publish an updated CESAP in 2023. This will reflect the draft Energy Strategy and Just Transition Plan and set out next steps for the Green Jobs Workforce Academy, reflecting the need for a central resource for information, advice and access to training towards jobs needed for the transition to net zero. We are continuing to work with partners across the education and skills system and with industry to support the alignment of training provision with the needs of the energy sector. To inform the updated CESAP, we are undertaking research on skills needs for hydrogen, heat in buildings and on Scotland's islands.

While the sector's overall share of Scotland's total employment is set to decline slightly in the next decade, there will be accelerated diversification of traditional oil and gas business into wider energy and other sectors, and significant growth in renewable electricity, hydrogen, heat and transport decarbonisation, and more. Most new roles in the sector will build on existing skillsets from oil and gas, industrial research, manufacturing, and civil engineering. OPITO has been awarded £5 million from the Scottish Government's £500m Just Transition Fund for the North East and Moray for the development and deployment of the industry-led digital offshore energy skills passport to support the transition of skills and jobs across the industry. By aligning safety and training standards and providing a mechanism for workers to easily collate and share their qualifications, the skills passport will remove existing barriers for workers seeking to transition into low carbon industries. The passport will streamline the transfer of skills and address the lack of recognition of cross-sector skills. It will support oil and gas workers who, through their choice or through the natural reduction of jobs, will need to make a move to another part of the energy sector.

Committee Recommendation – employability support

- 4. At a time of acute labour shortages, difficulties with staff retention and recognising the benefits of an inclusive workforce and economy, the Committee asks that the Scottish Government look again at the rationale for the £53m cut to employability services. The Committee asks the Scottish Government to provide the Equality and Fairer**

Scotland impact assessment undertaken in advance of this spending cut.

SG Response

The decision to take £53 million as a saving from employability funding was not taken lightly, but, given the challenging financial situation, we sought to make savings that we considered would have the least impact on public services and on individuals during the cost crisis. We know that for many people the journey to employment can be a long one, and what matters most in the current economic climate is money in the pocket of families today. The actions set out in our Programme for Government and the Emergency Budget Review are designed with that in mind. Some of the measures we have taken include doubling the Fuel Insecurity Fund to £20 million in 2022-23; an Island Cost Crisis Emergency Fund of £1.4 million; and implementing reforms to remove cost burdens for the most financially vulnerable, allowing them to obtain debt relief through bankruptcy.

One of the central themes in NSET is addressing structural barriers to entering and staying in the labour market, and we have maintained our existing investment in employability support this year (2022-23). In total, across 2022-23, over £82 million has been made available (£59.433m through No One Left Behind and £23.5m through Fair Start Scotland) to ensure employability support remains in place for those who need it, including support for parents. Moreover, the 2023-24 Budget will provide £121.4 million to support employability, skills for our young people, and fair work. This is a £6.5 million increase in spend in comparison to 2022-23 and demonstrates our commitment to eradicate child poverty and ease labour shortages for business.

Employability support is critical, but for those facing the most significant barriers to entering and sustaining work it is only part of the picture and, in isolation, cannot achieve the full extent of the impact we want to see. That is why we set out in *Best Start, Bright Futures* a cross-government commitment around developing an integrated service offer. With wrap-around support from other key public services, employability stands the best chance of supporting people into fair and sustainable work at the right time for them. This work is currently underway and will continue despite the savings referred to by the Committee.

In line with the approach adopted for individual measures within the Emergency Budget Statement, no formal impact assessments were carried out specifically for the changes announced to employability interventions. As the funding referred to by the Committee was intended to be additional in 2022-23 and had not yet been issued, there was no reduction in services being delivered and the intended target groups continued to be supported through the existing employability investment of over £82 million as outlined above. Eligibility for support remains unchanged across both No One Left Behind and Fair Start Scotland as a result of this decision.

An Equality and Fairness Evidence Summary was published alongside the Emergency Budget Review, which set out the potential equality impacts associated with the decisions made. Furthermore, an equality impact assessment

(EQIA) has been published on NSET Programme 4 – Skilled Workforce,¹ and this includes our parental employability support commitments. We have also published an Equality and Fairer Scotland Statement alongside the 2023-24 Scottish Budget.² As we begin to look to delivery of support in 2023-24, we will update the No One Left Behind EQIA to reflect planned additional activity around child poverty, and we will conduct a Fairer Scotland Duty assessment in the next financial year.

Committee Recommendation – Women’s Business Centre

- 5. The Scottish Government is asked to provide an update on progress towards establishing a Women’s Business Centre, including a detailed spending profile of where and how the £50m committed funding will be spent and how much is being budgeted for in the next financial year. The Committee emphasises the importance of establishing a Women’s Business Centre.**

SG Response

We have commissioned entrepreneur Ana Stewart to deliver an independent review on widening access to entrepreneurship for women. Due to publish in the new year, the review will identify specific actions required to address the needs of female-led businesses in Scotland and address the persistent gender gap in entrepreneurship. We will respond swiftly to the review’s recommendations. Our response will be mindful of existing activity and align with NSET recommendations on transforming the Scottish economy through widening business participation under the Entrepreneurial People and Culture programme.

Decisions on long term funding for women’s enterprise support have not yet been made, pending the outcome of the Ana Stewart review. Detailed proposals will be developed in response to the review’s recommendations.

Committee Recommendation – tackling inequalities

- 6. Given the continuing concerns expressed to the Committee on the availability of gender-disaggregated data on women’s business activity and procurement in Scotland, the Scottish Government is asked to work with Close the Gap to identify what more can be done to remedy this.**

SG Response

We expect Ana Stewart’s review on women in entrepreneurship to make recommendations on the collection and reporting of gender-disaggregated data relating to women’s activities in business and their access to and uptake of

¹ [Equality Impact Assessment - Results - Scotland's National Strategy for Economic Transformation Programme 4: Skilled Workforce Equality Impact Assessment \(Record and Results\) - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2023/04/Equality_Impact_Assessment_-_Results_-_Scotland's_National_Strategy_for_Economic_Transformation_Programme_4:_Skilled_Workforce_Equality_Impact_Assessment_(Record_and_Results)_-gov.scot)

² [Scottish Budget - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2023/04/Scottish_Budget_-_gov.scot)

finance and business support. We will consider next steps once the review has been published.

To address some of the known gaps in equality evidence, the Scottish Government Equality Data Improvement Programme was launched in April 2021. A consultation on a draft plan to improve and strengthen the equality evidence base closed on 7 October 2022. Responses will help to shape the plan, which will form the basis of Scotland's new Equality Evidence Strategy 2023-25. Close the Gap responded to the consultation and also attended our workshop on "Improving the collection and use of evidence on sex/gender and religion/belief". Along with feedback from other stakeholders, Close the Gap's contribution will be used to help develop Scotland's new Equality Evidence Strategy, due for publication in Spring 2023.

In addition, we are developing an eCommerce MI Platform, which will link our eCommerce data to Companies House, Charity Commission, Care Quality Commission and other third order sources such as Gender Pay Gap data. The project is due to deliver the Proof of Concept by September 2023 and, subject to ongoing budget and resource requirements, results will be delivered in stages throughout 2023.

More broadly, NSET sets out an ambition that Scotland's economy will significantly outperform the last decade, both in terms of economic performance and tackling structural economic inequalities. As committed to in the strategy, we have established a Centre of Expertise in Equality and Human Rights within the Scottish Government. The Centre intends to work with partners, including stakeholders and academic experts, to help embed equality and human rights within the economic policy-making process.