

BACKGROUND NOTE FOR S6O-04288

1. Ben Macpherson is the SNP MSP for the Edinburgh Northern and Leith constituency. Mr Macpherson is a member of the Criminal Justice Committee, a substitute member of the Net Zero, Energy and Transport Committee and is the convener for the Scottish Parliamentary Corporate Body (SPCB) supported Bodies Landscape Review Committee. Mr Macpherson was previously a member of the Education Children and Young People Committee.
2. Previous and related PQs by Mr Macpherson:
 - **S6O-04237**: To ask the Scottish Government how it is supporting and investing in youth work (15 January 2025).
 - **S6O-04274**: To ask the Scottish Government how it is engaging with local authorities to enable supply teachers to work in and across a number of different local authority areas (22 January 2025).

Innovation Strategy – top lines

3. The Scottish Government published Scotland's National Innovation Strategy in June 2023. The strategy sets out actions aimed at utilising innovation as a driver to grow the economy and create jobs in areas of strength.
4. Since publishing Scotland's National Innovation Strategy, we have been working closely with key partners to develop and deliver its four programmes:
 - **New market clusters**, working collaboratively across the broader public sector, academia and industry we are establishing a Cluster Development programme;
 - **Entrepreneurship / commercialisation**, maximising the economic impact of university spin-outs and further commercialising academic research;
 - **Innovation Funding** - reviewing funding and support by the public sector in Scotland.
 - A new National **Productivity Programme** will support more of our SMEs to innovate and increase productivity through connection with our innovation architecture.
5. Together these programmes aim to embed an investor mindset across innovation support in Scotland and move to a more strategic and targeted approach to investing in the areas which have been identified as our priorities.

Entrepreneurial Campus Blueprint – top lines

6. The development of entrepreneurial campuses across Scotland will play a key role in delivering our National Strategy for Economic (NSET) ambition to “Establish Scotland as a world-leading entrepreneurial nation founded in a culture that encourages, promotes and celebrates entrepreneurial activity in every sector of our economy”.
7. We are working closely with our world-class universities and colleges to embed entrepreneurship in institutions and inspire our young people to consider setting up their own enterprises.

8. By doing so, we hope to produce graduates who are able to think entrepreneurially, no matter their career path. We also want to provide more opportunities for start-up and spin-out creation. Together, this will help to grow Scotland's economy and increase the availability of high paying jobs.
9. **[If needed – not yet announced]** The Scottish Government has provided £100k to Converge to allow more young people to access micro-grants that can be used to test and develop an initial business idea. We will continue working with the sector to encourage more entrepreneurial thinking in our young people.

Background

- The Entrepreneurial Campus Blueprint was published in 2023 with 58 actions. Most of these actions are directed at universities and colleges rather than the government.
- Since the publication, we have been working with universities, colleges and relevant stakeholders, such as Scottish Funding Council, to enable and encourage them to implement the actions from the report.
- We have recently provided Converge with a £100k grant to boost the amount of microfinancing available to university staff and students. Converge are working with the universities to distribute grants of around £1500-£2000 in FY24/25.

Business school - SFC Funding

10. The SFC may only fund institutions which are listed in Schedule 2 of the Further and Higher Education (Scotland) Act 2005 (the Act). Scottish Ministers may modify Schedule 2, but only if the SFC has proposed or approved the making of the modification.
11. Section 7(2) of the 2005 Act lays down a rigorous set of governance requirements which institutions must meet if they are to be considered for inclusion in Schedule 2. As part of its assessment, the SFC would also want to be satisfied that any new body was filling a gap in existing provision
12. For private providers of higher education that do not have degree awarding powers, but who wish to deliver degree-level qualifications, these degrees require to be validated by an existing higher education institution in Scotland that can award degrees.
13. Theoretically a private organisation could decide it wants to become a business school, but it would still have to consider whether it would want to apply to become a fundable body of the SFC, and establish partnerships with existing degree awarding bodies to deliver teaching and research.

Contact Name: [REDACTED]
Ext: [REDACTED]

BACKGROUND NOTE FOR S6O-04286

(To be completed as necessary with any additional information)

To ask the Scottish Government how it is working to increase investment in Scotland's artificial intelligence sector (Foysol Choudhury MSP).

Scottish Government are working with enterprise agencies to support the investment and growth our tech and AI ecosystem. There is ongoing work to support the economic opportunities for AI through the AI Alliance, the delivery body of our 2021 AI Strategy.

The draft Budget also set out Scottish Ministers' plans to invest £321 million in Scotland's enterprise agencies this year which will support investment in emerging tech, including AI and robotics.

We'll continue to work with partners across the private and public sectors – including the Data Lab and the National Robotarium - to maximise the impact of these programmes to help the sector flourish.

BACKGROUND NOTE FOR S6O-04286

1. Foyso Choudhury MBE is a Scottish Labour MSP for Lothian, businessman, and community leader. He has been a [Member of the Scottish Parliament](#) (MSP) for the [Lothian](#) region since [May 2021](#). He champions equality, healthcare, and technology access. He chairs the Edinburgh & Lothians Regional Equality Council and was a founding director of Edinburgh Mela, an annual multi-cultural festival held in Edinburgh.
2. Previous and similar PQs by Mr Choudhury: S6W-33599 To ask the Scottish Government what plans it has to improve NHS Scotland's data and information-sharing infrastructure (17 January 2025).

Answered by Neil Gray on 22 January 2025

COSLA and the Scottish Government published Scotland's first Data Strategy for Health and Social Care in February 2023. The Strategy outlines a number of key developments for improving technology and infrastructure to improve the care and wellbeing of people in Scotland by making best use of data in the design and delivery of services. The specific actions being taken can be read in the [Strategy](#).

You may also be interested to read about our progress in the 2024 update on our progress and [priorities](#).

AI Business Support

3. SG Officials are taking forward work to support business with AI. In April 2024 the AI Alliance published a more streamlined structure for its programme of work, focussing on three areas, one of which is business support. Other activity includes:
 - An AI Plan focussed on the economic opportunities of AI
 - Relaunch of the AI Playbook (November 2024), now prioritising support for businesses with AI adoption.
 - A series of workshops with SMEs to understand their needs and challenges.
 - Working with a senior governance group of leaders (including business leaders) to support this new business focus.
 - Working with *Skills Development Scotland* (SDS) and with industry to further disseminate Alliance products like Living with AI.
 - Working more closely with Enterprise agencies towards a joined up and comprehensive support package for new and existing businesses
 - Working as technical advisers to Economy colleagues on their CivTech challenge to improve business support using AI.

UKG AI Opportunities Action Plan (incl. AI Growth Zones)

4. The UK Government published their [Artificial Intelligence Action Plan](#) on 13 January. The Plan includes plans on the creation of AI "Growth Zones", where investment in AI data centres will be prioritised and facilitated. The objective is to deliver a step change in compute capability in the UK.

5. The commitment will be to prioritise access to the grid (reserved) and planning approvals (devolved) to accelerate delivery and to build an ecosystem of research and innovation around the zone.
6. The Plan includes significant commitments like a 20-fold increase in public compute capacity by 2030, new AI Growth Zones, and a dedicated function to support sovereign AI capabilities.
7. Following constructive discussions with digital connectivity, DSIT reached to test the concept of AI Growth Zones and Scottish local authority interest in hosting such zones.
8. DSIT Secretary of State, Peter Kyle said in a meeting on 9 January with Mr Lochhead that UK Government is keen to work with Scotland and to benefit from Scotland's renewable energy strengths, strong reputation in AI and to benefit Scotland's deindustrialised communities.

Exascale Supercomputer

9. The "AI Supercomputer" mentioned by the Prime Minister and in the UKG AI Opportunities Action Plan would have a different and complementary function to the proposed Exascale supercomputer in Edinburgh. The University of Edinburgh has welcomed these latest commitments to further supercomputer investment.
10. Officials have engaged regularly with the EPCC (Supercomputer centre at Edinburgh University) [Redacted – Section 30(b)(i)]. A decision on the exascale is unlikely to be made until the Spring Budget.

Deepseek

11. Chinese company DeepSeek AI released their latest Large Language Model through a mobile phone app on 10 January. By 27 January it had surpassed ChatGPT as the most-downloaded free app on the iOS App Store in the United States.
12. DeepSeek allegedly provides similar performance as major existing LLMs, such as OpenAI's GPT, while requiring significantly less computational power, and hence energy and financial cost.
13. Those claims are yet to be verified independently and robustly, but if proven to be true, have potential positive implications for AI opportunities in Scotland.
14. Historically, lowering the cost of technology has increased demand for it, so one could argue that more efficient AI models might actually further increase the total demand for AI chips and data centres. This would strengthen Scotland's opportunities around data centres powered by renewable energy.
15. Lower costs would also make AI viable for a wider range of uses, increasing its potential productivity and growth impact across the Scottish economy.
16. Finally, this suggests that "small is beautiful" - smaller models might be more competitive in the future with the largest models that are currently the privilege of tech giants with access to the most data and compute capacity. This could mean new opportunities for Scottish AI start-ups, and result in a healthier distribution of profitable AI business sizes, instead of concentration in a few "unicorns".

S6O-04286 - SUPPLEMENTARY QUESTIONS

What is SCOTTISH GOVERNMENT doing to support business with AI?

At a Scottish Parliament debate on AI on in June 2023, I commissioned the Leadership Group of the Scottish AI Alliance to lead an [independent review](#) of AI to ensure our priorities are up to date and to scale up Scotland's ambitions.

The independent review was published in January 2024 and set out the actions required for Scotland to maximise AI's benefits while controlling the risks.

The Scottish Government are yet to publicly respond to the review, but action has already been taken by Scottish Government Officials. The review pointed clearly to a need for increased support at all levels of business and industry, and the following work is now underway:

- Since April 2024 the AI Alliance has been working to three new priorities, one of which is support for business.
- Officials are currently developing a forthcoming Scottish Government AI plan which maps the opportunities for AI in Scotland and identifies potential actions Scottish Government can support to raise our ambition and support for AI and business/economy.
- The AI Alliance have also relaunched their AI Playbook which is now solely focussed on supporting business.

How are the enterprise agencies supporting the AI sector?

Our enterprise agencies provide support and advice to AI companies at all stages of growth – whether start-ups or established companies.

They invest in the development of infrastructure, such as high-speed internet, co-working spaces and innovation hubs and incubators where entrepreneurs can collaborate.

They facilitate collaboration between AI companies, academic institutions and other partners. Fostering these partnerships creates a robust ecosystem and supports knowledge exchange and innovation.

How are the enterprise agencies supporting the adoption of AI by Scottish businesses?

The enterprise agencies raise awareness of AI and help businesses to understand the benefits and costs of adopting or developing AI solutions.

For example, Scottish Enterprise provides support for businesses to develop, commercialise and adopt AI technologies through its SMART:SCOTLAND grant.

Highlands and Islands Enterprise is developing an automation, robotics and AI support programme to help businesses explore the benefits of advanced digital technologies and support their adoption in a cost-effective, secure, and ethical way. South of Scotland Enterprise runs sessions on AI for businesses in its region.

The agencies also collaborate on the provision of specialised AI support and are continuing to work with Scottish Government to explore future provision of AI support to Scottish businesses.

The budget allocates over £321 million to our enterprise agencies in 2025-26. What will this funding support?

This funding will support the enterprise agencies' activity to help businesses to start and scale, be more productive, access finance and attract investment, develop new products and services and enter new markets.

Alongside their work to unlock investment in businesses, the enterprise agencies are focused on developing capacity and capability in Scottish supply chains to take advantage of new opportunities.

They also support capital investment in infrastructure and the delivery of strategically important, regional projects.

UK AI OPPORTUNITIES ACTION PLAN

How has the UKG AI Opportunities Action Plan been received?

The Scottish Government is keen to keep an open and positive relationship with the UK Government and the Scottish Government largely views the UK Action Plan as a renewed opportunity to bring new infrastructure and investment to Scotland.

How is Scottish Government ensuring that we are taking opportunities of Data Centres and AI Growth Zones?

We welcome the AI Growth Zone proposal mentioned in the UK Government's AI Opportunities Action Plan and its reference to Scotland's role in potentially hosting such zones.

Ministers and Officials are engaging with UK Government to ensure Scotland benefits from one or several Growth Zones, given our established strengths in this area. The Scottish Government has already supported the UK Government in its early work on the proposed investment zones.

In 2021, the Scottish Government launched their Green Datacentres and Digital Connectivity Vision and Action Plan. This outlined a series of coordinated actions to position Scotland as a zero-carbon, cost competitive green data hosting location – with a portfolio of different sized data centres across the country.

The Scottish Government has already supported the UK Government in its early work on the proposed investment zones.

We will continue to engage with UK Government Ministers and DSIT to ensure that Scotland plays an important role in the development and hosting of key AI infrastructure.

EDINBURGH EXASCALE SUPERCOMPUTER

How much has Scottish Government already invested in the supercomputer?

We understand DSIT have shelved £1.3 billion of funding committed by the previous UKG for tech and artificial intelligence projects which includes £800m for the creation of an exascale supercomputer at Edinburgh University.

Officials are engaging directly with the EPCC, the supercomputing centre at The University of Edinburgh. The current approach of the University of Edinburgh is of continued engagement with UKG whilst acknowledging that the UKG will not change its position until the publication of the AI Opportunities Action Plan (OAP) in the Autumn.

The Scottish Government has invested £0.6 million through the Edinburgh and South-East Scotland City Region Deal in the Edinburgh International Data Facility which is where Exascale was going to be sited. The facility was also supported by £78m UKG funding through the Deal.

What is Scottish Government doing to support securing the Edinburgh Exascale?

Enhancing Scotland's supercomputing capability is key to drive economic growth and to creating high-skilled jobs of the future

Officials have engaged regularly with the EPCC (Supercomputer centre at Edinburgh University) and they are very keen this is not handled as a political issue.

Currently, the favoured approach by the EPCC on the Exascale, is that this matter is handled directly between UKG and the University.

A decision on the exascale is unlikely to be made until the Spring Budget.

DEEPSEEK

What are the opportunities and implications of Deepseek for AI in Scotland?

With the information currently available, The Scottish Government does not believe Deepseek poses a novel risk to our data and our approach is to manage this model much the same we have existing generative AI models.

Some of the opportunities early research suggests are that the lower cost of this technology might make AI more viable for a range of uses and support economic growth across the economy. It might also support start-up and smaller businesses be more competitive.

We will continue to monitor the developments of Deepseek and will continue to support businesses benefit from the economic opportunities of AI.

Contact Name: [Redacted - Section 38(1)(b)]

-From: [REDACTED] <[REDACTED]@gov.scot>
Sent: 05 February 2025 12:32
To: Minister for Business <MinisterforBusiness@gov.scot>
Cc: Deputy First Minister and Cabinet Secretary for Economy & Gaelic <DFMCSEG@gov.scot>; DG Economy <DGEconomy@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; AI Data Policy <ai@gov.scot>; Tom Wilkinson <Tom.Wilkinson@gov.scot>
Subject: RE: Supps

Dear PO

Apologies for the delay – supps below. Please let me know if you have any questions.

- 5. Foysol Choudhury:** To ask the Scottish Government how it is working to increase investment in Scotland’s artificial intelligence sector. [\(S6O-04286\)](#)

Kevin Stewart: Funding for a supercomputer at Edinburgh University was pulled by the Labour Government just months ago, followed by an announcement it would be investing in AI projects elsewhere instead. Given that the Labour Government now seems determined to avoid investing in Scotland, what discussions has the DFM had with the Labour Government on this issue, and can she say any more about how the Scottish Government is working to grow the tech industry?

I agree that the UKG’s decision to drop funding for the supercomputer at Edinburgh University was extremely disappointing. The UK AI Opportunities Action Plan is a renewed opportunity to bring infrastructure investment and associated economic stimulus to Scotland. We are actively engaging with DSIT and UKG Ministers to make the point that Scotland is well placed to play a leading role in hosting AI Growth Zones and vital AI infrastructure. I sincerely hope that they will take those representations into account. At the same time, we continue economic programmes to support the tech sector through our £42m Techscaler programme and a recent budget allocation of over £321 million for our enterprise agencies in 2025-26 which will support the enterprise agencies’ activity to help businesses start and scale, be more productive, access finance and attract investment, develop new products and services, and enter new markets.

Emma Roddick: Looking to ask how the govt is increasing investment in AI in a way which recognises the dangers as well as the benefits.

Scotland’s 2021 AI Strategy is built on the premise of delivering trustworthy, ethical and inclusive AI for the people of Scotland. This commitment extends to offering guidance, support and education around the potential dangers as well as the potential benefits of AI. It is crucial we recognise and mitigate these risks to realise benefits for businesses, economic growth and our public services. AI Alliance programmes like Living with AI , the AI Playbook, and the Children and AI project, all empower our people and businesses to mitigate the risks and realise the opportunities of AI.

[REDACTED]

AI Policy & Delivery | Data Division | Directorate for Digital | Scottish Government |

From: [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>

Sent: 05 February 2025 11:37

To: AI Data Policy <ai@gov.scot>; [REDACTED]<[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>

Subject: FW: Supps

From: [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)> **On Behalf Of** Deputy First Minister and Cabinet Secretary for Economy & Gaelic

Sent: 05 February 2025 10:51

To: Deputy First Minister and Cabinet Secretary for Economy & Gaelic

<DFMCSEG@gov.scot>; [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>; [REDACTED]

<[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>; [REDACTED] <[\[REDACTED\]2@gov.scot](mailto:[REDACTED]2@gov.scot)>;

[REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>; [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>;

[REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>; Aidan Grisewood

<Aidan.Grisewood@gov.scot>; Claire Renton <Claire.Renton@gov.scot>; DG

Education & Justice <dgej@gov.scot>; [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>

Cc: Minister for Employment and Investment <MinisterEI@gov.scot>; Minister for

Business <MinisterforBusiness@gov.scot>; Minister for Public Finance

<MinisterPF@gov.scot>; [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>; Director of

Economic Development <DirectorDED@gov.scot>; DG Economy

<DGEconomy@gov.scot>

Subject: RE: Supps

Good morning all,

Please see small updates below.

Portfolio Questions selected for answer on 05 February 2025

1. **Richard Leonard:** [Not Lodged]

2. **Tim Eagle:** To ask the Scottish Government what steps it will take to monitor the impact of the Visitor Levy (Scotland) Act 2024 on small- and medium-sized businesses in the local authority areas that apply it. [\(S6O-04283\)](#)

Karen Adam: Raising revenue through a visitor levy has the potential to be transformative, particularly in high traffic tourist destinations, and placing the powers in the hands of local Councils ensures no region is disadvantaged in a one size fits all approach. Can the CabSec say any more about how the decision to empower local government will benefit communities and businesses across Scotland?

Emma Roddick: Looking to ask supp on what consideration the govt is giving to expanding the visitor levy to include motorhomes and cruise ships.

3. **Graham Simpson:** To ask the Scottish Government when it last met with the board of Ferguson Marine and what was discussed. [\(S6O-04284\)](#)

Stuart McMillan: Does the DFM agree with me that the Scottish Government's £14.2m investment into the yard is a significant step in developing the future of the site, helping it attract new work?

4. **Edward Mountain:** To ask the Scottish Government what the total monthly running cost of Ferguson Marine is. [\(S6O-04285\)](#)

Colin Beattie: The Scottish Government stepped in to secure the shipyard in order to save jobs and protect the local economy. Can the DFM say any more about how many jobs were saved, and how the shipyard continues to benefit the regional economy?

5. **Foyso Choudhury:** To ask the Scottish Government how it is working to increase investment in Scotland's artificial intelligence sector. [\(S6O-04286\)](#)

Kevin Stewart: Funding for a supercomputer at Edinburgh University was pulled by the Labour Government just months ago, followed by an announcement it would be investing in AI projects elsewhere instead. Given that the Labour Government now seems determined to avoid investing in Scotland, what discussions has the DFM had with the Labour Government on this issue, and can she say any more about how the Scottish Government is working to grow the tech industry?

Emma Roddick: Looking to ask how the govt is increasing investment in AI in a way which recognises the dangers as well as the benefits.

6. **Emma Harper:** To ask the Scottish Government whether it has carried out an assessment of the economic impact on Dumfries and Galloway and the Scottish Borders of the South Scotland Enterprise Agency, since its inception in 2019. [\(S6O-04287\)](#)

Emma Harper: It is clear that SOSE has made an important impact across Dumfries and Galloway and the Borders, with teams working hard to support and grow local businesses, as well as by supporting communities. Can the DFM comment on conversations regarding projects that will attract business, and particularly young people, to the region to grow the local economy?

7. **Ben Macpherson:** To ask the Scottish Government what discussions the economy secretary has had with ministerial colleagues regarding establishing a standalone postgraduate business school to help create more companies, attract talent and boost innovation. [\(S6O-04288\)](#)

Ben Macpherson: Looking to highlight that current business schools are good; but could Scotland benefit from an internationally prestigious, postgraduate only establishment modelled on INSEAD and LBS?

8. **Sandesh Gulhane:** To ask the Scottish Government what it is doing to support and grow the night-time economy in Glasgow. [\(S6O-04289\)](#)

Clare Haughey: Does the DFM agree with me that the Labour Government's oversight of increasing energy bills and changes to employer national insurance contributions are placing vast cost and workforce pressures on businesses in the night time economy?

Many thanks,

[REDACTED] (she/her)

Deputy Private Secretary to the Deputy First Minister and Cabinet Secretary for Economy and Gaelic – Kate Forbes MSP

The Scottish Government | St Andrew's House | Regent Road | Edinburgh | EH1 3DG

E: DFMCSEG@gov.scot

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments. Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

From: [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)> **On Behalf Of** Deputy First Minister and Cabinet Secretary for Economy & Gaelic

Sent: 04 February 2025 17:42

To: [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>; [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>; [REDACTED] <[\[REDACTED\]2@gov.scot](mailto:[REDACTED]2@gov.scot)>; [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>; [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>; [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>; Aidan Grisewood <Aidan.Grisewood@gov.scot>; Claire Renton <Claire.Renton@gov.scot>; DG Education & Justice <dgej@gov.scot>; [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>

Cc: Minister for Employment and Investment <MinisterEI@gov.scot>; Deputy First Minister and Cabinet Secretary for Economy & Gaelic <DFMCSEG@gov.scot>; Minister for Business <MinisterforBusiness@gov.scot>; Minister for Public Finance <MinisterPF@gov.scot>; [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>; Director of Economic Development <DirectorDED@gov.scot>; DG Economy <DG_Economy@gov.scot>

Subject: FW: Supps

Good evening,

Please see below supps received, if we receive any additional supps in I will send these on.

Grateful for supp answers to be sent up to PO in the attached template with SpAd clearance by **11:30 tomorrow**.

Many thanks,

[REDACTED] (she/her)

Deputy Private Secretary to the Deputy First Minister and Cabinet Secretary for Economy and Gaelic – Kate Forbes MSP

The Scottish Government | St Andrew's House | Regent Road | Edinburgh | EH1 3DG

E: DFMCSEG@gov.scot

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

From: [REDACTED] <[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)>

Sent: Tuesday, February 4, 2025 4:53 PM

To: Deputy First Minister and Cabinet Secretary for Economy & Gaelic

<DFMCSEG@gov.scot>; Minister for Employment and Investment

<MinisterEI@gov.scot>; Minister for Business <MinisterforBusiness@gov.scot>

Subject: Supps

1. Deputy First Minister Responsibilities, Economy and Gaelic

Portfolio Questions selected for answer on 05 February 2025

1. **Richard Leonard:** [Not Lodged]

2. **Tim Eagle:** To ask the Scottish Government what steps it will take to monitor the impact of the Visitor Levy (Scotland) Act 2024 on small- and medium-sized businesses in the local authority areas that apply it. [\(S6O-04283\)](#)

Karen Adam: Raising revenue through a visitor levy has the potential to be transformative, particularly in high traffic tourist destinations, and placing the powers in the hands of local Councils ensures no region is disadvantaged in a one size fits all approach. Can the CabSec say any more about how the decision to empower local government will benefit communities and businesses across Scotland?

Emma Roddick: Looking to ask supp on what consideration the govt is giving to expanding the visitor levy to include motorhomes and cruise ships.

3. **Graham Simpson:** To ask the Scottish Government when it last met with the board of Ferguson Marine and what was discussed. [\(S6O-04284\)](#)

Suggested Supp: Does the DFM agree with me that the Scottish Government's £14.2m investment into the yard is a significant step in developing the future of the site, helping it attract new work?

4. **Edward Mountain:** To ask the Scottish Government what the total monthly running cost of Ferguson Marine is. [\(S6O-04285\)](#)

Suggested Supp: The Scottish Government stepped in to secure the shipyard in order to save jobs and protect the local economy. Can the DFM say any more about how many jobs were saved, and how the shipyard continues to benefit the regional economy?

5. **Foysoil Choudhury:** To ask the Scottish Government how it is working to increase investment in Scotland's artificial intelligence sector. [\(S6O-04286\)](#)

Kevin Stewart: Funding for a supercomputer at Edinburgh University was pulled by the Labour Government just months ago, followed by an announcement it would be investing in AI projects elsewhere instead. Given that the Labour Government now seems determined to avoid investing in Scotland, what discussions has the DFM had with the Labour Government on this issue, and can she say any more about how the Scottish Government is working to grow the tech industry?

Emma Roddick: Looking to ask how the govt is increasing investment in AI in a way which recognises the dangers as well as the benefits.

6. **Emma Harper:** To ask the Scottish Government whether it has carried out an assessment of the economic impact on Dumfries and Galloway and the Scottish Borders of the South Scotland Enterprise Agency, since its inception in 2019. [\(S6O-04287\)](#)

Emma Harper: Looking to highlight concerns about the number of employees versus the money used for on the ground projects. Also the number of employees earn a lot but, that may be due to the need to pay more to attract people to Borders and D&G

7. **Ben Macpherson:** To ask the Scottish Government what discussions the economy secretary has had with ministerial colleagues regarding establishing a standalone postgraduate business school to help create more companies, attract talent and boost innovation. [\(S6O-04288\)](#)

Ben Macpherson: Looking to highlight that current business schools are good; but could Scotland benefit from an internationally prestigious, postgraduate only establishment modelled on INSEAD and LBS?

8. **Sandesh Gulhane:** To ask the Scottish Government what it is doing to support and grow the night-time economy in Glasgow. [\(S6O-04289\)](#)

Clare Haughey: Does the DFM agree with me that the Labour Government's oversight of increasing energy bills and changes to employer national insurance contributions are placing vast cost and workforce pressures on businesses in the night time economy?

[REDACTED]

Special Adviser to the First Minister

[REDACTED]

[\[REDACTED\]@gov.scot](mailto:[REDACTED]@gov.scot)

Scottish Ministers, Special advisers and the Permanent Secretary to the Scottish Government are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot.

BACKGROUND NOTE FOR S6O-04287

South of Scotland Enterprise was launched in April 2020 as the economic and community development agency for the south of Scotland.

It works with partners across the region to: help businesses innovate, scale and access new markets; unlock investment in businesses, infrastructure and regional opportunities; and develop supply chains.

Possible Supplementary Questions

Q. What else has South of Scotland Enterprise achieved?

A. From its launch in 2020, South of Scotland Enterprise played a crucial role in **supporting businesses** across Dumfries and Galloway and the Scottish Borders **during the pandemic**.

It subsequently launched a series of **dedicated funds**, including the £1m Net Zero Accelerator Fund, a Cycling Infrastructure Fund and CreaTech Fund. Key **investments** since include:

- purchase of additional land to create the Chapelcross Energy Transition Zone;
- a £3m grant to help unlock the potential of the Borders Innovation Park in Tweedbank.

It played a key role in the establishment of the **Regional Economic Partnership** to drive economic success in the south. It took a leading role in developing the first Regional Economic Strategy for the South of Scotland and the REP's Housing Action Plan. The REP has also published Scotland's first Regional Land Use Framework.

Prior to publishing its five-year action plan, South of Scotland Enterprise undertook an **extensive engagement** exercise across the region, with particular focus on harder to reach groups. This ensured that the action plan responded to the views of people, businesses and communities in the South.

South of Scotland Enterprise's designation of the region as Scotland's **Natural Capital Innovation Zone** recognises the region's role in addressing the twin crises of biodiversity loss and climate change.

It launched the **‘Invest on South of Scotland’ website** to showcase the benefits of doing business in the South of Scotland and attract more inward investment to the region.

South of Scotland Enterprise worked with partners to deliver the **UCI World Cycling Championships** events in the South of Scotland.

It is also working with partners in the Borderlands Growth Deal and Scotland’s Rural College (SRUC) on the delivery of the **Dairy Nexus co-innovation hub** to create new value streams for dairy farming.

Q. South of Scotland Enterprise’s total budget allocation was over £37 million in 2022-23, but it will receive only £29.137 million in 2025-26. How can it be expected to build on its activity in the face of budget cuts?

A. We have maintained South of Scotland Enterprise’s allocation to the extent possible in recent years, given the constraints on the Scottish Government’s budget.

Due to the reduction in the Financial Transactions allocated to the Scottish Government by the UK Government, we have not been able to maintain South of Scotland Enterprise’s Financial Transactions allocation. This accounts for most of the difference in funding between 2022-23 and 2025-26.

Both the Resource funding and Capital funding allocated to South of Scotland Enterprise in 2025-26 reflect an increase in funding, compared to 2024-25.

Alongside the financial support provided by South of Scotland Enterprise, it is important to emphasis the value of its non-financial, expert support and advice.

Access to the enterprise agencies’ considerable networks is extremely valuable to companies as they plan their growth and investment. The agencies also play a critical key role in helping businesses access finance and attract other investment to support their growth.

Q. How do the enterprise agencies evaluate their performance?

A. Each of the enterprise agencies has a performance measurement framework in place. Performance targets are agreed for primary measures as part of the agencies' annual business planning process, and they report on performance in their annual reports and accounts.

The agencies also evaluate the programmes they deliver to ensure that they achieve the intended aims. This is done through a mix of internal and independent evaluation. The evaluation, and lessons learned, are then used to inform future decision-making.

Q. What evaluation has been made of the return on the investment made by South of Scotland Enterprise?

A. Each of our enterprise agencies undertakes modelling to demonstrate the return on investment and longer-term impact of their interventions. This modelling incorporates consideration of jobs created, wages, and income tax take, alongside Gross Value Added, amongst others.

I will ask South of Scotland Enterprise's Chief Executive to provide you with details of its economic modelling.

Q. What is being done to measure performance of the enterprise agencies' support for communities and wellbeing?

A. South of Scotland Enterprise is exploring how to capture and quantify less-tangible benefits from its investment, for example long-term generational return and the social, wellbeing and community benefit return.

We are working with all of the enterprise agencies to explore commonality in measurement of the impact their support has.

Q. What other arrangements are in place to provide assurance that investment through SOSE is having a positive impact and delivering value for money?

A. The Scottish Government agreed South of Scotland's five-year Action Plan, which sets out its aims and objectives and informs its annual business planning and spend.

SOSE reports on progress in its published annual report and accounts.

Leadership from the agency's Chair and oversight by its Board ensures that it delivers its functions effectively and efficiently, in accordance with Scottish Government policies and aligned to the priorities of Scottish Ministers.

I meet the Chair and Chief Executive on a regular basis to discuss progress in shifting the dial on growth across the South of Scotland.

Q. I understand from my constituents that a complaint has been made regarding Scottish Government's oversight of grant funding awarded by South of Scotland Enterprise [Redacted - Section 38(1)(b)] Should any decision on grant funding awarded in these circumstances require approval by the Scottish Government?

A. I can advise that this matter has been raised as a formal complaint to the Scottish Government and is currently being investigated under the Scottish Government's complaints procedure.

It is not appropriate for me to comment on a live complaint. However, I can assure you that we take all complaints to the Scottish Government extremely seriously and that the complainant will receive a response as soon as the investigation has concluded.

Our enterprise agencies are non-departmental public bodies. They operate at arm's length to Government and are therefore operationally independent.

The framework document agreed between the Scottish Government and each enterprise agency summarises how the Scottish Government and agency will work together, sets out the key roles and responsibilities, and describes any limits on its delegated authority.

If there are lessons to be learned from the current complaint which require us to consider changes to the agencies' framework documents, our Enterprise Agency and VisitScotland Sponsorship team will take this forward.

Q. South of Scotland Enterprise has committed to providing significant funding to the Galloway and Southern Ayrshire Biosphere over the five years to 31 March 2025. Will future support for the Biosphere be considered as part of the proposal to establish a new National Park?

National Parks bring significant benefits to the communities and businesses within them. They help to channel funding and investment into the local economy. They create new employment opportunities, help manage facilities for visitors, promote responsible access and support community development. They also provide leadership in tackling the climate emergency and regenerating and restoring nature.

The consultation on the Galloway proposal closes on 14 February, following which NatureScot will report to the Scottish Government.

All issues raised in responses to the consultation – including the interaction of a new National Park with the Biosphere – will be considered carefully before any further decisions are taken.

Q. What is the Scottish Government doing to support the new Centre Parcs proposal?

The Scottish Government welcomes investment proposals that will deliver significant benefits to regional economies.

The Centre Parcs project is still at an early stage of development. Planning applications will be required for the proposal to proceed. It would be inappropriate to comment on the project, its location or design, in any way which might prejudice the planning process.

Q. What is the latest position on the Mountain Bike Innovation Centre, part of the Borderlands Growth Deal?

A. The Scottish Government is supportive of the Mountain Bike Innovation Centre (MBIC) project. This is a UK Government funded project that aims to deliver an innovation centre and world class bike park and trail lab near Innerleithen.

Detailed work to confirm the costs has shown that the innovation centre is unaffordable within the current available funding envelope. This is due to several issues, including unforeseen work related to restoring the listed mill building and higher than anticipated quotes.

SOSE, as owner of Caerlee Mill, wishes to demolish the building. This approach will require approval from Historic Environment Scotland and Scottish Borders Council. My officials are working closely with all parties involved to explore available options to allow the work on the innovation centre to advance.

Work on the bike park is progressing. SOSE continues to work constructively with Forestry Land Scotland towards the development of draft Heads of Terms.

Contact Name: [Redacted - Section 38(1)(b)]
Ext: [Redacted - Section 38(1)(b)]

S6O-04291

Carol Mochan MSP, Scottish Labour

Question

To ask the Scottish Government what it will do to address any difficulties with recruitment and retention in local government due to the reported declining value of pay.

Answer

The Scottish Government values the contribution of Local Government workers. This is why we provided £77.5 million of additional funding in 2024/25 to support Local Government make a pay offer that protected the value of pay for those on the lowest incomes by providing an uplift of 5.63%. The offer was better than that made elsewhere in the UK and additional funding is baselined in the 2025/26 Budget.

Although decisions on pay are for Local Government as employers, the Scottish Government will continue to engage with COSLA regarding recruitment and retention, wider workforce planning and pay.

BACKGROUND NOTE FOR S6O-04291

- Carol Mochan is a Scottish Labour MSP for South Scotland (Region) 2021 – present.
- She is a member of the Health, Social Care and Sport Committee and Social Justice and Social Security Committee and is a member of 14 cross-party groups.

BRIEFING – LOCAL GOVERNMENT PAY AND WORKFORCE

TOP LINES

- The Scottish Government values the contribution that all Local Government workers make to the delivery of public services across Scotland.
- Although decisions on pay are for Local Government as employers, the Scottish Government will continue to engage with COSLA to consider issues around recruitment and retention and wider workforce planning.
- Local Government workers, including teachers, account for 47% of the total public sector workforce by FTE and 41% of the total public sector paybill (Public Sector Employment Statistics).
- SJC unions state that there has been a 25% erosion in the value of Local Government pay since 2010. The lowest paid workers have been protected from any decrease in the value of pay through successive pay deals.
- The gap between average SJC pay and inflation steadily narrowed between 2015 and 2021 until the cost-of-living crisis resulted in a slight widening of the gap followed by a further narrowing in 2024.

WORKFORCE REPORT

Local Government published a workforce report in September 2024 that highlighted the significant proportion of councils reporting critical workforce gaps across different sectors, particularly social care and social work.

- The following factors were listed as contributing to workforce gaps: ageing workforce, increased service demand, recruitment difficulties, differing population changes across the country, skills gaps and pay competition from other sectors.
- The report acknowledges the importance of radical public service reform which requires an appropriately resourced, skilled and innovative workforce model and recommends that Local Government work through COSLA to collaborate with the Scottish Government on workforce planning and workforce projections.
- Officials met with Local Government representatives in October 2024 to discuss this workforce report and consider wider approaches to strategic workforce planning.

2024/25 PAY DEAL

Although the Scottish Government has no formal role in pay negotiations, we have taken extraordinary decisions to identify £77.5 million to support local government pay in 2024/25.

- The pay offer is better than that made to local government workers in the rest of the UK and will see the lowest paid workers receive a 5.63% pay increase. This delivers what all three unions asked for.
- Impactful strike action across the country was suspended earlier in the year following Scottish Government intervention.
- The lowest paid workers received an increase of 5.63% (or £1,292) and over 60% of workers received an increase of more than 4.0%. All workers will receive an increase of at least 3.6%.
- COSLA, and councils as employers, were responsible for confirming what this offer meant for different grades and roles across the non-teaching local government workforce.

- The Scottish Joint Council (SJC) unions (Unite, Unison and GMB) represent the local government workforce which includes waste and recycling workers, school support staff and janitors, social workers and all council officials.

SUPPLEMENTARY QUESTION FOR S6O-04291

Question – Kenneth Gibson MSP (SNP, Cunninghame North)

N.B. Wording to be confirmed. Looking to ask supp highlighting the fact that public sector pay is £2,300 more in Scotland than the UK average, with low paid workers even better off, while also highlighting the disproportionately impact of Labour's Employer National Insurance Contribution increases on the low paid.

Answer

I am proud of the pay deals that give Scotland's nurses, teachers and other public sector workers higher salaries than in the rest of the UK.

The First Minister and COSLA President wrote to the Chancellor at the start of January calling on the UK Government to fully fund the costs to all public service providers in Scotland.

Yesterday, the Finance Secretary announced an additional £144 million for Local Government – this is equivalent to the net revenue raised nationally by a 5 per cent increase in Council Tax and should help councils avoid inflation busting increases.

We now need Labour to step up and provide full funding, to avoid councils having to make hard choices to find an imposed tax that goes straight to treasury coffers, when they set their own budgets later this month.

Background Note

- As part of the 2025-26 budget process, we released The Tax Strategy on 4th December 2024
- Scotland's Tax Strategy: Building on our Tax Principles, builds on the foundations of our approach to taxation set out in the 2021 Framework for Tax
- In the document we confirmed we are providing a period of stability for Income Tax for the lifetime of this Parliament by: -
 - Not intending to increase the number of bands, or their rates, of Scottish Income Tax.
 - Uprating the Starter and Basic rate bands by at least inflation.
 - Maintaining the Higher, Advanced and Top rate thresholds at their current levels
 - Continuing to deliver on our commitment to protect lower income households, ensuring more than half of taxpayers pay less than they would elsewhere in the UK for the remainder of this Parliament.
- We engaged with a broad range of stakeholders, including businesses across Scotland, think tanks, academics, civil society groups and tax professionals to develop this strategy.
- Stakeholders praised our approach, welcoming the opportunity to contribute to the development of this publication

Quotes from Stakeholders on Tax Strategy

IFS said in their initial response to the Scottish Budget that

“the Tax Strategy provides clear guidance to taxpayers on future Income Tax policy and notes the Strategy’s collaborative tone.”

The Fraser of Allander Institute said in their day-after budget reaction that the Tax Strategy took:-

“Really positive steps”, including a commitment to further evaluate the effects of changes in Scottish Income Tax policy

Q&A

The IFS state that Scotland’s Top Rate has actually reduced Income Tax revenue for Scottish Government – why has this policy remained?

- The IFS were clear that there is no definitive evidence of a reduction in revenue raised from the highest earners in Scotland in recent years.
- The SFC have consistently costed our progressive policies as raising, not losing, revenue.
- The evidence shows that our tax base continues to grow strongly.
- The SFC have forecast higher average earnings growth in Scotland over the next five years compared to the OBR’s outlook for the UK.

- In line with priorities set out in the Tax Strategy, we are committed to the ongoing evaluation of our tax policy and continue to closely monitor the data and evidence on the behavioural impacts of our policy decisions.

Are these Scottish Income Tax policy choices not damaging the Scottish economy?

- Earnings growth and tax per head outperformed the rest of the UK in 2023-24, while the SFC forecast earnings growth will continue to grow faster in Scotland than in rUK over the next five years.
- Since the introduction of Scottish Income Tax more taxpayers have come to Scotland than have left with net inflows averaging almost 4,200 people per year.
- We are using every lever at our disposal to maximise growth of the economy and create well paid, skilled jobs here in Scotland.
- In line with commitments in the Tax Strategy, we will publish further research on the impacts of Scottish Income Tax policy on businesses and competitiveness in Scotland in 2025.

Why has Scottish Government spent £24 million on increases to the Basic and Intermediate rate thresholds offering taxpayers a maximum of just an additional 24p per week?

- On average, households in the lower half of the income distribution are around £450 better off a year than they would be under UK tax and social security policies.
- In a challenging fiscal environment, we have used the limited tools at our disposal to protect median and low earners from inflation and rising costs.
- The majority of taxpayers in Scotland will pay less Income Tax than they would elsewhere in the UK, while benefitting from Scotland's social contract, including free prescriptions, free higher education and the Scottish Child Payment.
- The Tax Strategy sets out our commitment to protect lower income households, ensuring more than half of taxpayers pay less than they would elsewhere in the UK for the remainder of this Parliament.

When will Scottish Income Tax thresholds rise in line with inflation?

- We have carefully balanced the need to raise revenue, with the impact on individuals, households and the wider economy at the current time.
- The Scottish Government is not alone in choosing to maintain thresholds at the current time. We have done so to raise the revenue required to maintain public services and our social contract in this challenging economic climate.
- The UK Government confirmed freezes to the Personal Allowance and Higher rate threshold until 2028 at the last Autumn Statement.

Why are you continuing to raise money through fiscal drag by freezing the Higher, Advanced and Top rate thresholds.

- Freezes to the Higher, Advanced and Top rate thresholds are estimated to affect only the highest earning 26% of taxpayers in 2025-26.

- Our Income Tax policy choices carefully balance the need to support households, while raising revenue to invest in public services.
- The UK Government has committed to freezing the Personal Allowance and other tax thresholds until April 2028.
- In light of this context, our Tax Strategy sets out our intention to maintain the Scottish Higher, Advanced and Top rate thresholds at current levels. This will be reviewed annually at each Budget.

Did members of the Tax Advisory Group sign up to these Budget announcements?

- The purpose of the group is to help inform our overarching approach and the long-term strategic direction of the tax system in Scotland.
- Members of the Tax Advisory Group were also engaged during the Tax Strategy development process.
- It does not play a role in determining annual Income Tax rates and bands.
- I look forward to engaging with members of the group as they take forward this important work.

Due at private office on 30/01/2025

DRAFTING			
	Who	Complete?	Notes
S6O-04292	[redacted S38(1)(b)]	Yes	

CLEARANCE			
Who	Which PQ's	Date	Cleared?
[redacted S38(1)(b)]	S6O-04292	30/1/2025	Yes, thanks – with a few small edits
[redacted S38(1)(b)]	S6O-04292	30/1/2025	Content of main answer. [redacted S38(1)(b)]
SPAD			

3. Bob Doris: To ask the Scottish Government whether it will consider reviewing the planning guidance provided to local authorities relating to issuing a call for ideas/sites when undertaking their statutory requirement to prepare a 10-year local development plan. ([S6O-04292](#))

Answer

Local development planning guidance, published in May 2023, advises planning authorities on using an optional call for sites or ideas when preparing their local development plans. This is one of several ways in which people can have their say. Further advice is set out in our December 2024 Effective Community Engagement in LDPs guidance.

Planning authorities are responsible for preparing local development plans, including gathering information needed to support decisions on future development.

We are monitoring the progress of new style local development plans, and will consider updating the guidance if experience suggests this would be appropriate.

[97 words]

Supplementaries

Can the guidance be clearer that the call for sites / ideas can also seek views on which areas should not be considered for development?

- Carrying out a call for sites and / or ideas is an optional stage in LDP preparation.
- The local development planning guidance is clear that the call for ideas is expected to be open to everyone to propose ideas for any aspect of the plan.

- This is not limited to suggestions for development sites or types of development.
- The guidance also expects that all sites proposed for inclusion in the plan, including those submitted through a call for sites or ideas, should be assessed using an agreed site appraisal methodology.

What is the Scottish Government’s timescale for considering a review of the LDP guidance?

- The regulations and guidance to support the new local development planning system have been in place since May 2023.
- The guidance is non-statutory, which means that working within the regulations, planning authorities have flexibility to prepare their LDPs in the best way for their circumstances.
- We are supporting planning authorities with rolling out the new system, with the expectation that all will have adopted a new LDP by May 2028.
- We will consider whether any amendments to the guidance would be appropriate once we have more experience of seeing how the new system works in practice.

What other opportunities are there for communities to have their say about the future development of their places?

- Our guidance on ‘Effective community engagement in local development planning’ outlines all of the opportunities for people to have a say in LDPs.
- One such opportunity is consultation on the ‘participation statement’, which must be published annually. The statement outlines how the planning authority will ensure that people can have their say on the LDP.
- Local place plans, introduced by the 2019 Act, can be used by communities to outline their aspirations for the future development of their place.
- Local place plans must be taken into account in the preparation of LDPs.

How can we ensure that much needed housing development is directed to brownfield sites, instead of green belt, which offers multiple benefits and is valued by communities?

- National Planning Framework 4, which is part of the statutory development plan which guides decisions on planning applications, takes a positive, planned approach to delivering quality homes.
- Our policy does not support housing at any cost.
- NPF4 encourages, promotes and facilitates compact urban growth and sustainable use of the land around our towns and cities.
- NPF4 states that LDPs should consider using green belts to support their spatial strategy to restrict development around towns and cities.
- Applications for housing development will be supported where they are on sites allocated in LDPs.

Glasgow City Council’s LDP Evidence Report was found to be insufficient by Scottish Government Reporters. How do we make sure this doesn’t result in delays to the adoption of the new LDP, and therefore speculative green belt development which undermines attempts to redevelop other brownfield sites?

- We are working with planning authorities to support the roll out of the new local development planning system.
- For example, Scottish Government officials hosted an information sharing session in November 2024.
- Those authorities most advanced in the new LDP system were invited to consider their experience and learning so far of the new Evidence Report process.
- We have emphasised the importance of an proportionate approach to preparation of Evidence Reports.

Background Note for S6O-04292

1. Bob Doris has been SNP MSP for Glasgow Maryhill and Springburn since 2016, and from 2007 - 2016 was a Regional MSP for Glasgow.
2. He is the Deputy Convenor of the Social Justice and Social Security Committee, a Member of the Net Zero, Energy and Transport Committee, and Substitute Member of the Economy and Fair Work Committee.
3. Mr Doris was Convenor of the Local Government and Communities Committee from June 2016 – September 2018, and therefore involved in scrutinising the early stages of the Planning (Scotland) Act 2019.
4. Mr Doris has campaigned since 2020 against proposals to develop around 500 new houses on what is currently a green belt site in his constituency. An application to develop the site was refused on appeal by a Scottish Government Reporter in February 2022.
5. He wrote to Glasgow City Council on 30 October 2024, responding to their call for sites / ideas consultation. He makes representations that the site in question should not be allocated for development in Glasgow City Development Plan 2, currently in preparation under the new local development plan framework.
6. His letter notes:

“there is no option in this exercise to highlight sites that should **not** be considered for development, which I appreciate is not deliberate and part of the process. That said, I wish to make representations with regards to the site bounded by the River Kelvin, Blackhill Road and Balmore Road in Ward 16 in the north of Glasgow.”
7. Glasgow City Council's current LDP, City Development Plan, was adopted in March 2017.
8. The Council submitted its Evidence Report, the first stage in the preparation of an LDP under the new system, to the Scottish Ministers for the Gate Check in July 2024. The Evidence Report was found to be insufficient, and returned to the planning authority.

From: [S38(1)(b) - personal information]@gov.scot>
Sent: 05 February 2025 09:46
To: Minister for Public Finance <MinisterPF@gov.scot>
Subject: RE: Q3 Oral PQ Reference: S6O-04292 - Bob Doris MSP

Good morning [S38(1)(b) - personal information],

Please see answer to the supplementary below:

“The guidance expects that the call for ideas would be open to everyone to propose ideas for any aspect of the plan. This is not limited to suggestions for development sites or types of development.

Our guidance on ‘Effective community engagement in local development planning’, published in December 2024, outlines all of the opportunities for people to have a say in LDPs.

Local place plans can also be used by communities to outline their aspirations for the future development of their place, and must be taken into account by local development plans.”

92 words.

Best wishes,

[S38(1)(b) - personal information]

[S38(1)(b) - personal information] | **Senior Planner | Directorate for Planning, Architecture and Regeneration | Scottish Government**



[S38(1)(b) - personal information]

From: [S38(1)(b) - personal information]@gov.scot> **On Behalf Of** Minister for Public Finance
Sent: 04 February 2025 17:11
To: [S38(1)(b) - personal information]@gov.scot>
Cc: Minister for Public Finance <MinisterPF@gov.scot>
Subject: RE: Q3 Oral PQ Reference: S6O-04292 - Bob Doris MSP

Apologies [S38(1)(b) - personal information], I missed off the actual question part! To follow on from my first email:

Can I ask the Scottish Government to consider how guidance could be improved to give a greater voice for communities at this earliest of stages. For instance I know many of my constituents want to see local brown field sites developed and green belt protected and they would wish the development plan to reflect this.

Many thanks,

[S38(1)(b) - personal information]

[S38(1)(b) - personal information] | Assistant Private Secretary | Minister for Public Finance - Ivan McKee | Scottish Government | St Andrew's House | Regent Road | Edinburgh | EH1 3DG

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

From: [S38(1)(b) - personal information]@gov.scot> **On Behalf Of** Minister for Public Finance

Sent: 04 February 2025 17:09

To: [S38(1)(b) - personal information]n@gov.scot>

Cc: Minister for Public Finance <MinisterPF@gov.scot>

Subject: Q3 Oral PQ Reference: S6O-04292 - Bob Doris MSP

Hi [S38(1)(b) - personal information],

Please see supplementary question below in yellow for S6O-04292 due tomorrow:

- 3. Bob Doris:** To ask the Scottish Government whether it will consider reviewing the planning guidance provided to local authorities relating to issuing a call for ideas/sites when undertaking their statutory requirement to prepare a 10-year local development plan. ([S6O-04292](#))

Bob Doris: Scottish Government Local Development Plan guidance includes a reference to a call for 'ideas' or 'sites' by Councils including for development sites or types of development such as housing.

In practice land owners and developers are given an early opportunity to influence the development of a plan. For instance a potential developer has used a call for sites to promote a potential large scale housing development on green belt at Blackhill Road, Summerston in my constituency, previously rejected for some very good reason.

Grateful for a response by **10am tomorrow, Wednesday 5 February.**

Many thanks,

[S38(1)(b) - personal information]

[S38(1)(b) - personal information] | Assistant Private Secretary | Minister for Public Finance - Ivan McKee | Scottish Government | St Andrew's House | Regent Road | Edinburgh | EH1 3DG

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

BACKGROUND NOTES

Graham Simpson sits on the Public Audit Committee. The Committee's next meeting at 09:30, Wednesday 05 February 2025, is focussed on "The 2023/24 audit of Ferguson Marine Port Glasgow (Holdings) Limited".

The Scottish Government and Ferguson Marine will be represented at the Committee by:

- Gregor Irwin, Colin Cook and Dermot Rhatigan
- Andrew Miller (Chair), John Petticrew (Interim CEO) and David Dishon (CFO and AO)

Your next scheduled meeting with the Chair and members of the Ferguson Marine Board is Wednesday 26th February.

POSSIBLE SUPPLEMENTARY QUESTIONS:

Governance

Q. What demands are Scottish Government making of the Board of Ferguson Marine in light of the Auditor General's report?

A. We welcome the Auditor General's report, even though it highlights significant governance failings at Ferguson Marine. These failings are unacceptable and we have made that clear to the Board.

Ferguson Marine has taken significant steps to address the issues identified by Audit Scotland, and we are supporting them through this process.

Q. Do you retain confidence in Ferguson Marine's Board of Directors?

A. Yes, we maintain confidence in the Board of Directors.

Q. How will Ferguson Marine strengthen internal governance processes?

A. Ferguson Marine has taken significant steps to address the issues identified by Audit Scotland, for example by splitting the Accountable Officer role from that of the Chief Executive. We continue to work closely with Ferguson Marine to ensure that governance arrangements are appropriate and robust.

Q. How could the Scottish Government be blindsided to Ferguson Marine spending taxpayers' money on unauthorised settlement agreement?

A. It is clear that the previous CEO did not follow procedures in notifying his Board or the Scottish Government. The Board has acted by dismissing the former CEO. Upon learning of the exit packages, the Scottish Government wrote to the Board underlining that the actions were unacceptable.

Termination of contracts

Q. What is Scottish Government's opinion of the personnel who had their employment terminated?

A. The decision to terminate employment or commercial contracts is an operational matter for Ferguson Marine.

Future of yard

Q. Does Ferguson Marine have a future?

A. Yes. We are working with Ferguson Marine to reach a position where it can competitively bid for a range of projects and build a sustainable future.

The Board is exploring options to improve productivity and we are willing to invest up to £14.2 million over two years, subject to due diligence and provided commercial standards are met.

Q. Ferguson Marine's business plan centred on the direct award of the Small Vessel Replacement Programme contracts. Now that that is not happening, what is the plan for the future of the business?

A. We are working with the Board to deliver a sustainable long-term business plan.

Ferguson Marine has reached the Invitation To Tender stage of the SVRP procurement process. Due to commercial sensitivities no further comment can be given.

Q. Can Fergusons win new work?

A. Ferguson Marine has completed a number of small contracts since nationalisation, including work for BAE Systems. We are confident it has viable future and working with Ferguson Marine to reach a position where it can competitively bid for a range of projects and build a sustainable future.

Current CEO

Q. What are you doing to recruit a permanent CEO?

A. The appointment of the interim Chief Executive Officer was a matter for the Board, taken in the interest of the need for immediate technical expertise at the time. The Board are similarly responsible for any decision to extend his contract.

The Board are in the process of recruiting a permanent CEO and it would not be appropriate to comment further on any potential appointment at this time.

BACKGROUND BRIEFING – AUDIT SCOTLAND’S SECTION 22 REPORT

I welcome the Auditor General’s report and expect the Ferguson Marine Board to carefully consider the points it raises. Ministers will continue to scrutinise.

AUDIT SCOTLAND’S S22 – GOVERNANCE

Since the departure of the previous CEO, Ferguson Marine has improved internal audit arrangements and created clearer separation of roles.

- FMPG’s Chief Financial Officer has led on work to carry out the following actions:
 - All Settlement Agreements need to go firstly, and in advance of any agreement, to the FMPG Remuneration Committee for approval.
 - Any Settlement Agreements that are above the £95,000 limit must be approved by:
 - The FMPG Remuneration Committee
 - The FMPG Board
 - Scottish Ministers
 - No secondments with CMAL (or other bodies) can take place without FMPG Board approval.
 - Any future moves from employment to self-employment are scrutinised and challenged and will be sent to the FMPG Board and Scottish Government for scrutiny and approval.
 - Purchase Orders are in place for all areas of spend to stop unauthorised approvals of invoices, with the finance team under instructions not to pay invoices without valid Purchase Orders.
 - The CFO is providing regular updates on Scottish Public Finance Manual Rules as part of the FMPG Board update.

AUDIT SCOTLAND’S S22 – EXIT PACKAGES

The exit agreements were discovered thanks to action by the yard’s chief financial officer and accountable officer, who immediately took the necessary steps to investigate, alert HMRC and ensure all monies due were paid.

- Upon learning of the exit packages, the Scottish Government wrote to the Board underlining that the actions were unacceptable.
- The CEO who made these payments is no longer in post.
- We are committed to good governance and value for money for the taxpayer and continue to emphasise to the Board of Directors the importance of driving costs down.
- The Board have taken steps to enhance governance around these decisions, with clear guidance that any such settlement agreements should be scrutinised by their remuneration committee, before being notified to the Sponsor Directorate for consideration. This would also involve scrutiny by Pay Policy and Finance teams as part of the approval process, which would be required before implementation.
- The FMPG CFO has put in place a number of measures to ensure robust scrutiny of all costs relating to both the vessel contracts and the non-recovered costs, including more robust requisition and purchase order systems, and more detailed accounting reports to the Board.

EMPLOYMENT CONTRACTS

The decision to terminate employment contracts is an operational matter for Ferguson Marine but it is clear that the previous CEO did not follow procedures in notifying his Board or the Scottish Government.

- Officials now meet weekly with Ferguson Marine to ensure that matters such as this, needing wider consideration, can be addressed.
- The capital overspend in the year was a result of increased costs to complete the vessels and additional rework required under the current contracts.

DELIVERY OF MV GLEN ROSA

On 26 November 2024, the Interim CEO of Ferguson Marine provided an update to the Net Zero, Energy, and Transport (NZET) Committee on progress towards the delivery of the Glen Rosa.

- Ferguson Marine has recruited a new planning team tasked with providing an updated assessment of the vessel's timeline and costs. The revised plans will be presented for approval at the Ferguson Marine Board in February.
- Following the successful handover of MV Glen Sannox, a lessons-learned exercise will be conducted in the coming weeks to inform and support the updated plans for the Glen Rosa.
- While the construction of the MV Glen Rosa is the responsibility of Ferguson Marine, the Scottish Government remains committed to closely monitoring and scrutinising the delivery programme to ensure progress is maintained.

FINAL COST OF VESSELS

The current costs for completion for both vessels are £149.1m for MV Glen Sannox (801) and £150m for MV Glen Rosa (802).

FUTURE OF THE YARD

The Board has developed a plan that it believes has the potential to secure a competitive future.

- The Scottish Government is committed to invest **up to £14.2 million over two years** in a range of initiatives to improve productivity, to help give the shipyard the best possible opportunity to bid for and secure new work.

Contact Name: [Redacted - Section 38(1)(b)]

Ext: [Redacted - Section 38(1)(b)]

Background:

Tim Eagle is a Scottish Conservative politician, serving as a Member of the Scottish Parliament (MSP) for the Highlands and Islands region.

Edinburgh has approved its scheme. Highland Council are still consulting on their scheme.

[Redacted under Section 30(b)(i)]

2. Tim Eagle: To ask the Scottish Government what steps it will take to monitor the impact of the Visitor Levy (Scotland) Act 2024 on small- and medium-sized businesses in the local authority areas that apply it. ([S6O-04283](#))

Answer:

- Councils planning to introduce a visitor levy are required to establish a visitor levy forum, with membership from businesses, to provide views on the scheme.
- In addition, Scottish Government have been liaising with Visit Scotland on reestablishing the Expert Working Group.
- This will provide a national forum for business and stakeholders to reflect their views, and advise on approaches to handling implementation.
- The Scottish Government will conduct a full review of the operation of the Visit Levy Act, within three years of the introduction of the first scheme.

[Redacted under Section 30(b)(i)]

[Redacted under Section 30(b)(i)]

[Redacted under Section 30(b)(i)]

Top Lines to take

A visitor levy can be a force for good, delivering benefits for local communities, local authorities, and local businesses.

- A visitor levy offers councils the opportunity to invest in the visitor economy as any revenue raised would have to be spent on facilities and services largely used by visitors.
- The Visitor Levy (Scotland) Act was passed by Parliament on 28 May 2024, and came fully into force in September 2024.
- We formed an Expert Group made up of key representatives from the tourism industry and local government, chaired by Visit Scotland.
- The Group developed Guidance for local authorities on introducing and administering a visitor levy.
- The Guidance published in October ([Visitor Levy Guidance | VisitScotland.org](#)).
- Ultimately, the power to introduce a Visitor Levy resides with individual local authorities.

A visitor levy offers councils the opportunity to invest in the visitor economy as any revenue raised would have to be spent on facilities and services largely used by visitors.

- The Visitor Levy (Scotland) Act gives councils the power to introduce a visitor levy in their area, if they think it is right and after they have consulted local businesses, communities, and tourism organisations.
- The Act allows a local authority to apply a levy on stays in overnight accommodation in all or part of its area, after the required consultation.
- The levy is a percentage of the accommodation cost, with the rate set by the local authority.
- Whether a Council will introduce a Visitor Levy is entirely a matter for them, and they are accountable to their local electorate for the decisions they make in their area.

We have ensured that local businesses, large and small, will be able to reflect their views ahead of the introduction of any Visitor Levy

- Before a Visitor Levy can be introduced a local authority has to set out its plans, and consult with local business, communities and tourism organisations.
- In addition, it must publish an assessment of the impacts of introducing a levy.
- 21 out of 27 European countries have some type of occupancy tax, broadly equivalent to a visitor levy, usually applied at a local government level.
- Local authorities have the power to compensate accommodation providers for any costs they face from the introduction and administration of a visitor levy, should they choose to do so.
- I understand an online reporting and payment platform is being developed by some Councils with the Improvement Service.
- This platform will be for use by businesses across Scotland to remit the visitor levy to the Council if their accommodation is liable.

Visitor Levy - Percentage rate versus Flat Fee

- The Act makes a visitor levy a percentage charge of the accommodation cost a visitor pays. This means the visitor levy paid is proportionate, reflecting what someone is willing or able to spend on their accommodation.
- As it is a percentage rate it also automatically reflects changes in inflation and seasonal prices.
- Ministers can set a maximum percentage rate for a visitor levy, and a maximum number of nights in one visit to which a visitor levy would apply.
- These powers can only be used after consultation with local authorities, representatives of businesses engaged in tourism, and others.
- Any cap would have to be approved by Parliament.
- While Scottish Ministers do have the authority within the Act to set a maximum percentage rate for the levy through regulations, the Visitor Levy is at an early stage of consideration on the percentage charges, and only Edinburgh and Highland Council currently have live consultations.

Visitor Levy Exemptions

- The Act gives local authorities the freedom to create exemptions and rebates at a local level, to suit local needs and demands.
- The Act therefore only includes one national exemption from paying a visitor levy, for those receiving specified disability benefits.
- The Scottish Government can make regulations, subject to approval by Parliament, setting out cases or circumstances where a visitor levy would not have to be paid if there is a consensus on specific national level exemptions.
- Where there is a strong consensus between and among local government and the tourism sector that a type of accommodation should be removed from the scope of a visitor levy, the Government is open to removing that accommodation type.
- However, there is no such current consensus on any accommodation type at the moment.

Consultation and involvement of businesses

- Before a visitor levy could be introduced a local authority has to set out its plans, and consult with local business, communities, and tourism organisations. A local authority also has to publish its assessment of the impacts of introducing a visitor levy.
- Taking into account the need for consultation and engagement by a local authority before introducing the levy, and **the implementation period of at least 18 months that the Act requires for any new visitor levy, no visitor levy could be charged until 2026.**
- If a council introduces a visitor levy it is required to establish a visitor levy forum, with members from businesses, communities, and tourism organisations, to provide the council with views on a visitor levy scheme.
- The Forum has to be sent the annual report on a visitor levy (including how funding has been used), and the 3 yearly review of a visitor levy scheme.

Businesses may be able to recoup visitor levy set-up costs

- Local authorities have the power to compensate accommodation providers for any costs they face from the introduction and administration of a visitor levy, should they choose to do so.

Billing and Software

- With regard to billing, I would note that an online reporting and payment platform is being developed by some councils with the Improvement Service so that it can be used by all businesses to handle remitting the visitor levy to any Council, if they choose to introduce a scheme.

VAT and a visitor levy

- Whether VAT applies to a visitor levy is a decision for the UK Government.
- The UK Government's position is that if an accommodation provider includes an amount equivalent to a visitor levy in the charge for the overnight accommodation, then this would form part of what is paid under a contract for the supply of accommodation.
- This portion would therefore have the same VAT liability as the accommodation. The UK Government has also been clear that any amount charged by an accommodation provider relating to the visitor levy would form part of the turnover of an accommodation provider for VAT registration purposes.
- While we know the position on VAT is disappointing for accommodation providers, Scottish Ministers do not have the legal competence to determine how a visitor levy is treated for VAT purposes.
- The Scottish Government's position is that any local authority thinking of introducing a visitor levy would need to consider the potential VAT implications that it would have for relevant businesses in their area.
- As an example, a local authority could, if it chose, create an exemption from a visitor levy for those businesses that are near the VAT threshold.
- The Scottish Government therefore supported an opposition amendment at stage 3 of the Act which means that any local authority introducing a visitor levy scheme has to make it clear whether or not its visitor levy would apply to those accommodation providers with an annual turnover below the VAT threshold.

BACKGROUND NOTE FOR S6O-04285

SCOTTISH PARLIAMENT

ORAL ANSWER

5 February 2025

POSSIBLE SUPPLEMENTARY QUESTIONS:

Q. The Scottish Government stepped in to secure the shipyard in order to save jobs and protect the local economy. Can the DFM say any more about how many jobs were saved, and how the shipyard continues to benefit the regional economy?

A. The Scottish Government are committed to supporting the yards workforce and ensuring a sustainable future for the local community. Since taking Ferguson Marine into public ownership we have protected over 300 jobs and secured the last commercial shipyard on the Clyde. This has preserved a highly skilled workforce that plays a vital role in supporting local businesses and the wider community

Q. What are the running costs of the yard that cannot be charged to customers? Audit Scotland's Section 22 report on Ferguson Marine says these costs are rising to £1 million a month. Can the DFM explain this extraordinary figure and what she doing to address it?

A. The number I quoted in my answer covers **all** employment at the yard, plus overheads and central administration costs.

Now that the Glen Sannox has been completed, the bulk of the workforce at Ferguson Marine is working on the delivery of the Glen Rosa. These are therefore recoverable costs.

In the last full financial year, 2023-24, Fergusons' under recovered costs were £504,200. The figure for this financial year 2025-26 will depend on how Fergusons deploys its workforce among projects and the level of new work secured.

Governance

Q. What demands are Scottish Government making of the Board of Ferguson Marine in light of the Auditor General's report?

A. We welcome the Auditor General's report, even though it highlights significant governance failings at Ferguson Marine. These failings are unacceptable and we have made that clear to the Board.

In the last year, Ferguson Marine has taken significant steps to address the issues identified by Audit Scotland, and we are supporting them through this process.

Q. Do you retain confidence in Ferguson Marine's Board of Directors?

A. Yes, we maintain confidence in the Board of Directors.

Q. How will Ferguson Marine strengthen internal governance processes?

A. Ferguson Marine has taken significant steps to address the issues identified by Audit Scotland. We continue to work closely with Ferguson Marine to ensure that governance arrangements are appropriate and robust.

Q. How could the Scottish Government be blindsided to Ferguson Marine spending taxpayers' money in this way?

A. It is clear that the previous CEO did not follow procedures in notifying his Board or the Scottish Government. Upon learning of the exit packages, the Scottish Government wrote to the Board underlining that the actions were unacceptable.

Termination of contracts

Q. What is Scottish Government's opinion of the personnel who had their employment terminated?

A. The decision to terminate employment or commercial contracts is an operational matter for Ferguson Marine.

Future of yard

Q. Does Ferguson Marine have a future?

A. Yes. We are working with Ferguson Marine to reach a position where it can competitively bid for a range of projects and build a sustainable future.

The Board is exploring options to improve productivity and we are willing to invest up to £14.2 million over two years, subject to due diligence and provided commercial standards are met.

Q. Ferguson Marine's business plan centred on the direct award of the Small Vessel Replacement Programme contracts. Now that that is not happening, what is the plan for the future of the business?

A. We continue to work with the Board to deliver a sustainable long-term business plan.

Ferguson Marine has reached the Invitation To Tender stage of the SVRP procurement process. Due to commercial sensitivities no further comment can be given.

Q. Can Fergusons win new work?

A. Ferguson Marine has completed a number of small contracts since nationalisation, including work for BAE Systems. We are confident it has viable future and working with Ferguson Marine to reach a position where it can competitively bid for a range of projects and build a sustainable future.

Current CEO

Q. What are you doing to recruit a permanent CEO?

A. The appointment of the interim Chief Executive Officer was a matter for the Board, taken in the interest of the need for immediate technical expertise at the time. The Board are similarly responsible for any decision to extend his contract.

The Board are in the process of recruiting a permanent CEO and it would not be appropriate to comment further on any potential appointment at this time.

BACKGROUND

1. Edward Mountain is a Scottish Conservative and Unionist Party MSP for Highlands and Islands, from 2016 to present day.
2. Mr Mountain is the Convener of the Net Zero, Energy and Transport Committee, and a Substitute Member of the Standards, Procedures and Public Appointments Committee.
3. Mr Mountain's question is likely prompted by Ferguson Marine's expected letter to the NZET committee on 31st January regarding the updated delivery plans and costs associated with Glen Rosa.
4. Director General Economy, SCAD senior officials and Ferguson Marine CEO, CFO and Chair are scheduled to provide evidence to the Public Audit Committee on 5 February regarding the section 22 of the Audit Scotland report on Fergusons.
5. Redacted Exemption 33(1)(b) of FOISA (Prejudice to Commercial Interests)

6. Mr Mountain's last question regarding Ferguson Marine focused on entry into service for Glen Sannox and Glen Rosa. The last questions, which was lodged on 2 October 2023, is as follows:

- "To ask the Scottish Government what its position is on whether CMAL should still accept into service the Glen Sannox and 802 ferries, in light of reports that they no longer meet the original basic design criteria."

AUDIT SCOTLAND'S SECTION 22 REPORT

I welcome the Auditor General's report and expect the Ferguson Marine Board to carefully consider the points it raises. Ministers will continue to scrutinise.

AUDIT SCOTLAND'S S22 – GOVERNANCE

Since the departure of the previous CEO, Ferguson Marine has improved internal audit arrangements and created clearer separation of roles.

- FMPG's Chief Financial Officer has led on work to carry out the following actions:
- All Settlement Agreements need to go firstly, and in advance of any agreement, to the FMPG Remuneration Committee for approval.
- Any Settlement Agreements that are above the £95,000 limit must be approved by:
 - The FMPG Remuneration Committee
 - The FMPG Board
 - Scottish Ministers
- No secondments with CMAL (or other bodies) can take place without FMPG Board approval.
- Any future moves from employment to self-employment are scrutinised and challenged and will be sent to the FMPG Board and Scottish Government for scrutiny and approval.
- Purchase Orders are in place for all areas of spend to stop unauthorised approvals of invoices, with the finance team under instructions not to pay invoices without valid Purchase Orders.
- The CFO is providing regular updates on Scottish Public Finance Manual Rules as part of the FMPG Board update.

AUDIT SCOTLAND'S S22 – EXIT PACKAGES

The exit agreements were discovered thanks to proactive action by the Yard's chief financial officer and accountable officer, who immediately took the necessary steps to investigate, alert HMRC and ensure all monies due were paid.

- Upon learning of the exit packages, the Scottish Government wrote to the Board underlining that the actions were unacceptable.
- The CEO who made these payments is no longer in post.
- We are committed to good governance and value for money for the taxpayer and continue to emphasise to the Board of Directors the importance of driving costs down.
- The Board have taken steps to enhance governance around these decisions, with clear guidance that any such settlement agreements should be scrutinised by their remuneration committee, before being notified to the Sponsor Directorate for consideration. This would also involve scrutiny by Pay Policy and Finance

teams as part of the approval process, which would be required before implementation.

- The FMPG CFO has put in place a number of measures to ensure robust scrutiny of all costs relating to both the vessel contracts and the non-recovered costs, including more robust requisition and purchase order systems, and more detailed accounting reports to the Board.

AUDIT SCOTLAND'S S22 – EMPLOYMENT CONTRACTS

The decision to terminate employment contracts is an operational matter for Ferguson Marine but it is clear that the previous CEO did not follow procedures in notifying his Board or the Scottish Government.

- Officials now meet weekly with Ferguson Marine to ensure that matters such as this, needing wider consideration, can be addressed.
- The capital overspend in the year was a result of increased costs to complete the vessels and additional rework required under the current contracts.

DELIVERY OF MV GLEN ROSA

On 26 November 2024, the Interim CEO of Ferguson Marine provided an update to the Net Zero, Energy, and Transport (NZET) Committee on progress towards the delivery of the Glen Rosa. A commitment was made to return to the Committee to provide further clarity on the vessel's delivery date.

- Ferguson Marine has recruited a new planning team tasked with providing an updated assessment of the vessel's timeline and costs. The Revised plans will be presented for approval at the Ferguson Marine Board in the coming weeks.
- Following the successful handover of MV Glen Sannox, a lessons-learned exercise will be conducted in the coming weeks to inform and support the updated plans for the Glen Rosa, including adjustments to delivery dates and costs.
- While the construction of the MV Glen Rosa is the responsibility of Ferguson Marine, the Scottish Government remains committed to closely monitoring and scrutinising the delivery programme to ensure progress is maintained.

FINAL COST OF VESSELS

The current costs for completion for both vessels are £149.1m for MV Glen Sannox (801) and £150m for MV Glen Rosa (802).

- The Scottish Government continues to undertake the required scrutiny and due diligence, as required by the Public Finance and Accountability (Scotland) Act 2000, to ensure that the anticipated cost of continuing the build at Ferguson Marine remains the best option to secure the lifeline ferry services that our island communities need.

DESIGNATION OF FMEL AS A PUBLIC BODY TO PERMIT AUDIT SCOTLAND EXAMINATION OF ACCOUNTS

The Deputy First Minister has responded to the Public Audit Committee on the decision to permit their request for a forensic examination of FMEL's accounting records.

- We have explored both statutory and non-statutory methods to enable a forensic examination and concluded that the most effective option would be to have the accounting records held by FMPG passed to independent accountants who could then carry out this examination on our behalf.

- This will cover the period from the award of the initial ferry contracts in 2015 to FMEL's administration in 2019.
- Scottish Government officials will manage delivery, with no input into the report, which will be shared with Audit Scotland and the Public Audit Committee.
- This method has been agreed with Audit Scotland as meeting their request and the FMPG Board has agreed the handover of all accounting records to Scottish Government to enable this examination, and production of a report.
- Notification letters have now been issued to all bids and I can confirm that Grant Thornton (GT) have been selected to take forward the forensic examination of the FMEL accounts. Policy officials are working closely with GT to ensure all documentation is handed over. We expect this exercise to last approximately six months, however it will be driven by the volume and complexity of the material.

FUTURE OF THE YARD

The Board has developed a plan that it believes has the potential to secure a competitive future.

- Significant additional Scottish Government funding **could be** provided if the company's latest business plan passes detailed legal analysis and independent financial and commercial assessments. **Up to £14.2 million would be invested over two years** in a range of initiatives to improve productivity, to help give the shipyard the best possible opportunity to bid for and secure new work.
- The yard submitted a business case which has still to undergo fuller and more detailed legal, and independent commercial and financial due diligence. It would not be appropriate to disclose commercially sensitive information which forms part of the business case, particularly in advance of any such due diligence.
- As the shipbuilding market is a competitive and sensitive sector, the business case must comply with the Subsidy Control Act and be able to withstand legal challenge.
- Additional funding goes hand in hand with winning new commercial contracts, and it is extremely good news that talks with BAE Systems to secure further work have reached this advanced stage.

Contact Name: [Redacted - Section 38(1)(b)]
Ext: [Redacted - Section 38(1)(b)]

BACKGROUND NOTE FOR S6O-04289

Background

1. Dr Sandesh Gulhane is a Scottish Conservative MSP for the Glasgow region.
2. Dr Gulhane made remarks on 29th January, 2025, relating to Visitor Levy, Short Term lets and Non-Domestic Rates and the impact they were having on business in this article: [Glasgow Conservatives slam council's 'tourist tax' proposal - Glasgow Standard](#)
3. In the article Dr Gulhane said: *“We believe this new levy will negatively impact hotels, bed and breakfasts, and self-catering properties in Scotland, and could result in reduced visitor spend. The levy will also hinder an sector that has already been damaged by the SNP’s short term lets regulations and by their refusal to pass on full business rates relief to the hospitality and retail sector. The administrative burden on businesses of collecting and accounting of all the sums involved is going to be huge. We should be supporting our business and pursuing growth and jobs, not punishing important drivers of Glasgow’s economy.”*
4. In 2024, there were 370 registered businesses in the beverage serving activities sector in Glasgow City accounting for 15% of the sector in the whole of Scotland. Of those, 315 were pubs and bars and 55 were licensed clubs. [Source: Inter-departmental Business Register]
5. In 2023, 7,000 people were employed in the beverage serving activities sector in Glasgow City, 19% of the sector’s employment across Scotland. Around 6,000 people were employed in pubs and bars and 900 in licensed clubs (numbers don’t sum due to rounding). [Source: Business Register and Employment Survey]

Contact Name:

Ext:



SUPPLEMENTARY QUESTIONS AND TOP LINES

VISITOR LEVY

Top lines

- A visitor levy can be a force for good, delivering benefits for local communities, local authorities, and local businesses. A visitor levy offers councils the opportunity to invest in the visitor economy as any revenue raised would have to be spent on facilities and services largely used by visitors.
- Councils that introduce a visitor levy are required to establish a visitor levy forum, with members from businesses, to provide views on the scheme.
- In addition, Scottish Government officials have been liaising with Visit Scotland on establishing a new Expert Working Group.
- This will aim to provide a forum for business and stakeholders to reflect their views, and advise an approach to handle issues they may encounter.
- The Scottish Government will conduct a full review of the operation of the Visit Levy Act, within three years of the introduction of the first scheme.

How has the Scottish Government ensured small and medium businesses views are reflected in the delivery of the Visitor Levy?

- We have ensured that local businesses, large and small, will be able to reflect their views ahead of the introduction of any Visitor Levy
- Before a Visitor Levy can be introduced a local authority has to set out its plans, and consult with local business, communities and tourism organisations.
- In addition, it must publish an assessment of the impacts of introducing a levy.

What measures are in place to protect Small and medium-sized businesses?

- Before a Visitor Levy can be introduced a local authority has to set out its plans, and consult with local business, communities and tourism organisations.
- It is for councils to consider the needs of their local communities and business, and consider what rates and exemptions might be necessary.
- Local authorities have the power to compensate accommodation providers for any costs they face.
- An online reporting and payment platform is being developed by some councils with the Improvement Service so that can it be used by all businesses to handle remitting the visitor levy to any Council, if they choose to introduce a scheme.

What is SG doing to help businesses with the cost of implementing the VL?

- Local authorities have the power to compensate accommodation providers for any costs they face from the introduction and administration of a visitor levy, should they choose to do so.

Will the VL negatively impact the growth of tourism and the night-time economy?

- 21 out of 27 European countries have some type of occupancy tax, broadly equivalent to a visitor levy, usually applied at a local government level. In the past decade visitor levies have been introduced in Barcelona, Lisbon, Berlin, and Hamburg: all of which saw continued growth in visitor numbers following their introduction.

- The World Economic Forum highlights that tourism competitiveness is affected by more than just price: it is also affected by the business environment, health and security, sustainability, infrastructure, and cultural and natural resources. While the UK's tourism sector ranks poorly on price competitiveness relative to other countries, the World Economic Forum ranked the UK 8th out of 117 countries in terms of overall tourism competitiveness.

The VL will push many night-time economy businesses into having to pay VAT. What is SG going to do about that?

- Whether VAT applies to a visitor levy is a decision for the UK Government. The UK Government's position is that if an accommodation provider includes an amount equivalent to a visitor levy in the charge for the overnight accommodation then this would form part of what is paid under a contract for the supply of accommodation. This portion would therefore have the same VAT liability as the accommodation. The UK Government has also been clear that any amount charged by an accommodation provider relating to the visitor levy would form part of the turnover of an accommodation provider for VAT registration purposes.
- While we know the position on VAT is disappointing for accommodation providers, Scottish Ministers do not have the legal competence to determine how a visitor levy is treated for VAT purposes.
- The Scottish Government's position is that any local authority thinking of introducing a visitor levy would need to consider the potential VAT implications that it would have for relevant businesses in their area. As an example a local authority could, if it chose, create an exemption from a visitor levy for those businesses that are near the VAT threshold.
- The Scottish Government therefore supported an opposition amendment at stage 3 of the Act which means that any local authority introducing a visitor levy scheme has to make it clear whether or not its visitor levy would apply to those accommodation providers with an annual turnover below the VAT threshold.

Supportive quote

Leon Thomson, Executive Director, UK Hospitality Scotland: *"...We also welcome the legislation's commitment to ensuring funds raised are used to support and boost facilities used by leisure and business visitors..."* (quoted in *Scottish Business news article, 29 May 2024*)¹

SHORT TERM LETS

Q: The report, Economic Impacts of Short-term Lets in Scotland highlights that short-term let accommodation plays a crucial role in accommodating tourists, thereby supporting local services and businesses and that regulations affecting short-term lets can have significant economic implications. Does the Scottish Government agree that the licensing scheme is damaging the tourism sector?

¹ <https://scottishbusinessnews.net/vote-confirms-no-visitor-levy-in-place-in-scotland-until-2026-at-the-earliest/>

A: We do not agree that our licensing scheme is damaging the tourism sector or that it would make financial sense for hosts to leave their properties vacant. We believe there are benefits from the licensing scheme to hosts and operators, such as promoting their business as being safe and high quality. We do not want to see hosts leaving the sector, but where they do so this may be due to a range of factors. We know, and local communities know, that short-term lets can contribute positively to Scotland's tourism industry and local economies across the country. Nobody wants to reduce numbers unnecessarily – it is not in any local authority or local communities' interests to do that.

NON-DOMESTIC RATES

The Scottish Budget maintains a competitive rates regime.

- We are freezing the Basic Property Rate at 49.8p (for properties with a rateable value up to and including £51,000) in 2025-26, delivering the lowest such rate in the UK for the seventh year in a row. This is expected to save ratepayers £9 million next year compared to an inflationary increase *[which would have seen the rate at 50.6p]*.
- We are maintaining the Small Business Bonus Scheme at the rates and thresholds introduced in 2023-24. This scheme remains the most generous scheme of its kind in the UK.
- Together with the Small Business Bonus Scheme, the freeze to the Basic Property Rate will protect over 200,000 small properties in 2025-26.
- The Intermediate Property Rate will be 55.4p, and the Higher Property Rate 56.8p for 2025-26. These are inflationary increases (1.7%) reflecting the challenging financial situation we face. This still ensures that over 95% of non-domestic properties continue to be liable for a lower property tax rate than anywhere else in the UK *[note: this corresponds to those properties liable for either the Basic or the Intermediate Property Rate, those with a rateable value up to and including £100,000]*.
- We will also offer for 2025-26 a 40% relief to hospitality premises, including music venues with a capacity of up to 1,500, that are liable for the Basic Property Rate (those with a rateable value up to and including £51,000) in mainland Scotland, capped at £110,000 per business.

Hospitality Relief

[note: eligible properties are those used wholly or mainly as bed & breakfast accommodation, camping sites, caravans, caravan sites, chalets, holiday huts and bothies, guest houses, hotels, hostels, pubs, nightclubs, grassroots music venues with a capacity of up to 1,500, restaurants, self-catering accommodation and timeshare accommodation].

- Recognising the challenges faced by the hospitality sector, we will in 2025-26 offer 40% relief for hospitality premises liable for the Basic Property Rate – those with a rateable value up to and including £51,000 (including Grassroots Music Venues with a capacity of up to 1,500), capped at £110,000 per business.
- Recognising the specific challenges faced by the hospitality sector in island communities, we will also continue to offer 100% relief in 2025-26 for hospitality premises located on islands as defined by the Islands (Scotland) Act 2018, and in prescribed remote areas (Cape Wrath, Knoydart and Scoraig), capped at £110,000 per business.

- Taken together, we estimate that these hospitality reliefs could benefit up to 13,000 properties.
- A number of measures in the Budget will benefit properties in the retail and leisure sectors including freezing the Basic Property Rate and the most generous small business rates relief in the UK.
- We estimate that taken together, around half of the properties in the Retail, Hospitality and Leisure sectors will continue to be eligible for 100% Small Business Bonus Scheme relief in 2025-26.
- We have had to consider how best to target support within limited finances.

VISITSCOTLAND SUPPORT FOR NIGHT-TIME ECONOMY

Background

- VisitScotland are key partners of the Glasgow 2030 Tourism Strategy which sets out a framework for the city's visitor economy ambitions. It aligns to the national tourism strategy, Scotland Outlook 2030, and aims to grow the value of tourism in Glasgow by delivering for visitors, businesses, communities and the environment.
- Major concerts, live music and nightlife are identified collectively as one of three lead drivers for visitors. This aligns with Glasgow's status as a UNESCO City of Music and home to a variety of iconic music venues hosting globally recognised artists throughout the year, as well as an extensive and diverse food and drink offering.
- The work of partners will support the city to deliver outcomes and positive impact across the sector including the city's day and night-time economy.
- In 2022, Glasgow welcomed 2.65 million overnight visitors with visitors staying for 3.1 nights average (Source: STEAM). A key measurement of the strategy is to aim for a +/- 10% increase in those figures by 2030.

Marketing

- Celtic Connections featured prominently across a number of VisitScotland channels, including our PR What's New for 2025, What's on for January social reel and as the feature image on the visitscotland.com homepage throughout January.
- Promotion of experiencing the city at night have been included in Global Marketing activity, including social and Skyscanner activity in the German market related to the Euros with references such as, Barrowlands, Ashton Lane and pubs with live music being featured.
- Current VisitScotland Global Marketing activity includes the promotion of Glasgow through channels including Skyscanner, TripAdvisor and Expedia. For the latter, Glasgow Life are currently upweighting activity in US and UK markets which includes the promotion of the nighttime economy with a focus on encouraging overnight stays. This activity will be live until end of March 2025.

Events

- Major festivals such as Celtic Connections, now in its 32nd year, support a quieter period in the city's events calendar, celebrating internationally

renowned folk, roots and world music across 25 venues during the dark winter nights of January.

- This year's festival, which closes (closed) on 2 February, is expected to attract around 110,000 visitors and an estimated 1,200 musicians and artists to Glasgow across 18 days.

Scottish Media

- The VisitScotland Trends for 2025 report highlight the experiences and interests' visitors to Scotland are seeking in 2025, led by the trend for passion travel.
- The corporate press team pitched Glasgow as a leading destination for live music to media, as part of the awareness campaign of the trends, to the tourism and events industry.

TRANSPORT

Support for bus services

- The Scottish Government is aware of the importance of bus services and are committed, in partnership with operators and local authorities, to looking at ways of ensuring that everyone has accessible public transport regardless of where they live.
- It is important to remember the majority of services, including night services, in Scotland operate in an open de-regulated market and the provision of local bus services is a matter for individual bus operators who use their commercial judgement on service routes, frequencies and vehicle types.
- Under the Transport Act 1985, local authorities have a duty to identify where there is a social need for particular bus services and can subsidise these at their discretion.
- Local authorities already receive money through the general revenue grant to secure additional bus services which are socially necessary but not commercially viable in their own right.
- We have introduced a wide toolkit of powers within the Transport (Scotland) Act 2019 to enable local authorities to pursue the options that are right for their area and to meet the distinct challenges they face.

Bus Funding

- Almost £430 million was allocated for bus services and concessionary fares in 2024/25 which provided over 2 million people in Scotland with access to free bus travel.
- Almost all registered local bus services in Scotland are eligible for the National Concessionary Travel Schemes. However, services which charge a premium rate fare or provide a special amenity do not meet the criteria set out in the scheme legislation. Therefore bus services which operate through the night at a premium fare are not eligible for concessionary travel.
- With over 3 million journeys every week these schemes are helping people all across Scotland cut costs for essential, everyday and leisure travel, making sustainable travel a more attractive option and supports our net zero ambitions.

- The whole funding package sits together with the enhanced suite of options for local transport authorities to improve bus services according to their local needs, including formal partnerships, franchising and running their own bus services.

Draft Budget allocations for FY 2025/26

- The 2025-26 draft Scottish Budget was published on 4 December, and included provision for the continuation of existing funds to support bus. This includes almost £415 million allocated for the Concessionary Travel schemes and to extend free travel to asylum seekers, £49.5 million allocated for the Network Support Grant (NSG) to maintain the current rate of 14.4 pence per kilometre, and £22 million for the second year of the Scottish Zero Emission Bus Challenge Fund (ScotZEB2).
- The 2025-26 draft Scottish Budget also made reference to the Bus Infrastructure Fund (BIF) in the description of changes to the Sustainable and Active Travel budget.
- Provisionally, the £188.7 million (including LG settlement) budget allocations for active and sustainable travel include provision for BIF funding, subject to Cabinet Secretary and other budgetary approvals. There is also £8 million CDEL that the Cabinet Secretary has indicated she would like to use for BIF within the additional Climate Change Fund pot that is being held within the Net Zero and Energy Portfolio (NZE).

Transport (Scotland) Act 2019

- Through the Transport (Scotland) Act 2019, we have given local transport authorities powers on partnership working, franchising and to run their own bus services, which sit alongside their existing ability to subsidise services.
- Our approach enables local transport authorities to determine what is best to address any transport challenges in their local areas.
- The Scottish Government wants all local transport authorities to be able to improve bus services within their areas to ensure that everyone has accessible public transport regardless of where they are in Scotland.
- The remaining regulations to bring the franchising powers into full effect will be laid in Parliament in Spring 2025.

RETAIL

Retail Strategy

Our retail strategy sets out how we will work with business and trade unions to deliver a strong, prosperous and vibrant retail sector in line with the vision of the National Strategy for Economic Transformation.

- The retail strategy recognises the importance of retail to Scotland's communities, society and economy – as demonstrated during the pandemic.
- It seeks to build on retail's strengths and maximise opportunities for the sector to fulfil its potential and contribute to our economic transformation.
- It was published on 24 March 2022.

The Strategy

The strategy sets out a clear vision for a retail sector in Scotland that is successful, resilient, sustainable and profitable.

- We want to support innovation and entrepreneurship, and seize opportunities from new technology and markets, to boost productivity and grow businesses.
- We want to embed Fair Work and support skills development as we reorient our economy towards wellbeing and Fair Work to significantly reduce poverty.
- We want to strengthen the vital contribution that retailers make to the economic and social success of our local communities.
- The strategy builds on the Covid Recovery Strategy and will support progress towards our ambitious climate change target of achieving net zero by 2045.
- It has been developed in collaboration with business, trade unions, academia and the public sector.

Retail Support

Our retail strategy sets out how we will work with business and trade unions to deliver a strong, prosperous and vibrant retail sector in line with the vision of the National Strategy for Economic Transformation

The strategy sets out a clear vision for a retail sector in Scotland that is successful, resilient, sustainable and profitable.

- We want to support innovation and entrepreneurship, and seize opportunities from new technology and markets, to boost productivity and grow businesses.
- We want to embed Fair Work and support skills development as we reorient our economy towards wellbeing and Fair Work to significantly reduce poverty.
- We want to strengthen the vital contribution that retailers make to the economic and social success of our local communities.
- The strategy builds on the Covid Recovery Strategy and will support progress towards our ambitious climate change target of achieving net zero by 2045.
- It has been developed in collaboration with business, trade unions, academia and the public sector.
- An Industry Leadership Group (ILG) has been established to drive and support delivery of the actions set out in the Retail Strategy, in particular on improving fair work across the sector.
- The Industry Leadership Group (ILG) is Co-Chaired by Mr Tom Arthur, Minister for Employment and Investment, and Lucy Brown, Central Operations Director, John Lewis Partnership
- The ILG comprises of senior business representatives, trades unions and industry groups.

GLASGOW CITY REGION DEALS

Top Lines

- The Deal signed in August 2014 will invest £1 billion in the region. Scottish Government is committing £500 million over 20 years to the main strand of the Deal, the Infrastructure Investment Fund since August 2014.
- Glasgow City Council is one of eight local Authorities that are a part of the Glasgow City Region

Avenues Project

- **The Centre Enabling Infrastructure Integrated Public Realm is receiving £49.7 million from Scottish Government as part of the £115.5 million from the City Deal for the avenues project.**
- The project aims to transform 11 key streets and adjacent areas in Glasgow City Centre by delivering over 112,000sq.m of new public realm, over 67,000sq.m of enhanced public realm, over 14,000m of new and enhanced cycle tracks, over 16,000m of new and enhanced walkways, and significant investment in blue/green infrastructure.
- Two of the sub-projects are completed and the other nine are in early stages of development or delivery.
- The completed sub-projects include Sauchiehall Street Phase 1, which enhanced and widened pavements, introduced high-quality public realm, a new two-way cycle path, 27 new trees, new bus shelters and cycle stands and seating.

Innovation Districts

- The Deal provides funding for the enabling works for the Innovation Districts across Glasgow rather than funding the buildings. With the aim to attract innovation clusters and agglomerations.
- Located in Glasgow City Centre, **Glasgow City Innovation District** is a hub for entrepreneurship, innovation, and collaboration.
- It is home to innovative companies and organisations who've located there to nurture and accelerate growth, improve productivity, and access world-class research and technology from the University.
- **Glasgow Riverside Innovation District** is a whole-system innovation demonstrator.
- The University of Glasgow has committed a £12 million investment over the next four-years as part of the demonstrator to stimulate innovation activity and entrepreneurship in collaboration with the Glasgow City Region and Scottish Enterprise.
- Its objective is to deliver high-impact innovation that can be tested in the real-world, evaluated and scaled up to the benefit of Scotland. This will draw on the breadth of the University of Glasgow's research excellence, global reach, strong civic mission and partnership approach.

Q&A

Q: How is the Deal benefitting Glasgow's nighttime economy?

A: Through the Deal, the Scottish Government is investing over £160 million, this includes investing in Avenues, which aims to provide high-quality public realm, by improving walking and cycling routes, alongside significant investment in green infrastructure. The Deal is also enabling the development of two Innovation Districts within Glasgow City, providing the enabling works to attract innovation clusters at both the Glasgow City Innovation District and the Glasgow Riverside Innovation District.

Contact Name:

Ext:



BACKGROUND NOTE FOR S6O-04290

This PQ was submitted by Fulton MacGregor MSP (SNP) (Coatbridge & Chryston), and asks "... what discussions the finance secretary has had with ministerial colleagues regarding infrastructure investment plans for the building of new schools, in light of the recent Audit Scotland report, which noted that further borrowing will be needed to invest in these."

Once we have had sight of the supplementary question, we will provide a suggested response.

Audit Scotland's 'Local government in Scotland Financial bulletin 2023/24'

On Tuesday 28th January 2025, Audit Scotland published its 'Local government in Scotland Financial bulletin 2023/24', which includes the following regarding school infrastructure:

37. Due to the increased reliance on borrowing to fund investment, councils' net debt has now risen to £19.8bn. This is an increase of 15.8% from 2022/23 and a 29.7% increase since 2018/19. All but one council increased their debt in 2023/24. The cost of servicing debt has risen, with a 16% rise in interest payable and similar charges since 2022/23. Interest payable as a proportion of net cost of services, was 6% compared to 5% in 2022/23.

38. Under Learning Estate Investment Programme (LEIP), councils borrow to meet the cost of building new schools, with the Scottish Government providing revenue grant funding over a 25-year period linked to specific outcomes (maintenance, energy efficiency, digital infrastructure and job creation) to meet maintenance and life-cycle costs. Councils, however, need to fund the £1bn cost of building schools, including any interest on the money borrowed to fund this. The programme has faced significant delays and cost increases and, to complete the programme by the planned date of 2027, significant further borrowing by councils will be needed.

39. Alongside investing and maintaining their own estates, councils have made use of a range of different Public Private Partnership (PPP) contracts to invest in their estates. A number of earlier Private Finance Initiative (PFI) contracts are now nearing the end of their terms. Councils are having to prepare for, and manage, complex closing arrangements. Councils have already entered into negotiations relating to contracts that are ending, with 10 PFI contracts due to expire by the end of 2030.

40. By making use of financial flexibilities across 2022/23 and 2023/24, councils have been able to reprofile the debt associated with PPP contracts. This has allowed councils to recognise significant gains from annual contractual payments they have previously made, recognising these within their usable reserves. Future capital expenditure will be able to be offset against these, but they are not cash backed. This means the need for councils to borrow to finance their future capital investment has not changed, nor have their current external debts. Alongside LEIP projects, councils have already committed to significant future borrowing.

41. Councils set and agree their borrowing and treasury management strategies individually, deciding on what is a prudent and affordable level of debt under the Prudential Code. As part of this, a range of indicators are considered, including the cost of servicing their debts, to show that capital plans are affordable and sustainable. Increased borrowing means increased costs that will need to be met annually from revenue budgets. While auditors have not expressed specific concerns about the level of borrowing (in the 15 annual audit reports that were available at the time of our review), it is a factor in the assessment of financial sustainability and auditors are expressing greater concerns about the overall financial sustainability of councils.

Q&A

LEARNING ESTATE INVESTMENT PROGRAMME (LEIP) - GENERAL

- The Learning Estate Investment Programme is being delivered in partnership with local authorities, and will benefit tens of thousands of pupils across Scotland.
- 47 projects have been announced through Phases 1, 2 and 3.
- Phase 1 projects were announced in September 2019, Phase 2 projects were announced in December 2020, and Phase 3 projects were announced in October 2023.
- Every local authority which submitted a Learning Estate Investment Programme bid has been awarded funding for a school project in Phases 1, 2 or 3
- The Learning Estate Investment Programme follows on from the successful £1.8bn Scotland's Schools for the Future Programme - which completed in 2021 - and delivered 117 school projects across Scotland.

LEIP FUNDING APPROACH

- The funding approach for the £2bn Learning Estate Investment Programme was developed with local authorities - and agreed with COSLA - to deliver the best possible long-term value.
- The Scottish Government are supporting local authorities via an outcomes-based funding model which links funding to keeping the new facilities in good condition - and other key outcomes related to low carbon, digital connectivity and economic growth.

NORTH LANARKSHIRE COUNCIL'S LEIP PROJECT

- North Lanarkshire Council's Chryston High School extension project will be supported through Phase 3 of the £2bn Learning Estate Investment Programme.
- Scottish Futures Trust and Scottish Government officials remain in close contact with the Council.

SG FUNDING FOR THE CHRYSTON HIGH SCHOOL PROJECT

- The Scottish Government funding contribution for the Chryston High School project has not yet been finalised with North Lanarkshire Council.
- This cannot be confirmed until the project has finalised costs in place, which will happen just before it enters construction.
- Scottish Futures Trust will continue to work with the Council throughout the development phase to understand the project parameters and develop the project funding.

WHAT NEXT FOR SG INVESTMENT IN THE SCHOOL ESTATE

- Although it is the statutory responsibility of local authorities to manage and maintain their school estate - every local authority which submitted a LEIP bid has been awarded funding for a school project in Phases 1, 2 or 3.
- We will continue working with COSLA, local authorities and Scottish Futures Trust to explore how we can deliver further improvements in the school estate.
- The latest School Estate Statistics show that a record 91.7% of school buildings are in a “good or satisfactory” condition, and we have ambitions to stretch that progress further.

HOW MANY LEIP SCHOOLS ARE CURRENTLY OPEN

- To date, 9 Learning Estate Investment Programme schools are open, benefitting around 7,300 pupils.

LEIP PROJECT DELAYS

- We are aware that some Learning Estate Investment Programme projects are experiencing delays towards the end of their development phase, because local authorities are having to undertake extensive value engineering exercises because tender costs received are higher than anticipated.
- Scottish Futures Trust and Scottish Government officials remain in close contact with local authorities on this issue, and it is regularly discussed at the Learning Estate Investment Programme’s Governance Board.

LEIP – MARKET CONDITIONS IMPACT ON PROJECT COSTS

- We are aware of the impact market conditions have had on LEIP Phase 1 and 2 projects, therefore an 11% funding uplift has been applied.

FUNDING FOR NORTH LANARKSHIRE SCHOOLS – DURING THIS ADMINISTRATION

- Through the Scotland’s Schools for the Future Programme – which completed in 2021 - we awarded North Lanarkshire Council with substantial funding of £55m towards the construction of 3 new secondary schools.
- Moreover, through the Learning Estate Investment Programme, we will provide the Council with significant funding for the Chryston High School extension project.

CONDITION OF SCHOOL ESTATE

- The proportion of schools in “good” or “satisfactory” condition has increased from 62.7% in April 2007 to 91.7 % in April 2024, and our investment through the £2bn Learning Estate Investment Programme will build on this remarkable progress.
- The number of pupils educated in schools in “poor” or “bad” condition has fallen from around 257,000 (37.6% of all pupils) in 2007 to around 56,000 (8% of all pupils) in 2024.
- 1,139 school builds or substantial refurbishment projects have been completed during the last 16 years (2007-08 to 2023-24).

CDEL FUNDING FOR SCHOOLS

- We have committed to review our infrastructure pipeline, following the UK Spending Review.
- We will set out then the infrastructures projects and programmes that will be taken forward in the coming years.

LOCAL GOVERNMENT FINANCE - SCOTLAND

- The 2025-26 Scottish Budget will deliver record funding of over £15bn for Local Authorities.
- This is a 4.7% real-terms increase.

LOCAL GOVERNMENT FINANCE – NORTH LANARKSHIRE

- In 2025-26, North Lanarkshire Council will receive £869.7m to fund local services.
- This equates to an extra £56.3m to support vital day-t- day services, or an additional 6.9% compared to the 2024-25 budget

WHY LEIP IS BETTER THAN PFI

- Since 2009, this administration - alongside local authority partners - has funded investment in the learning estate, through the £1.8bn Scotland's Schools for the Future Programme, and currently through the £2bn Learning Estate Investment Programme (LEIP).
- Through those Programmes, we have worked with local authority partners to learn lessons and develop innovative funding models for use across the learning estate.
- This has resulted in the development of the Outcomes-Based Funding model, which is in use on the LEIP.
- The benefits of this model in comparison to PFI are:
 - Construction is funded by local authorities, which is better value than private finance.
 - Funding from the Scottish Government is provided to local authorities over 25 years on achievement of defined outcomes to deliver the best possible long-term value.
 - Unlike with PFI, there is no contractual restrictions on future alterations to the school building.

PFI SCHOOL CONTRACTS – NORTH LANARKSHIRE

- The North Lanarkshire Schools PFI contract had a capital value of £150m.
- The total estimated unitary charge payments relating to the lifetime of the contract are £763.7m.
- Payments commenced in 2006-07 and the contract is due to expire in 2036-37 when the final payment is made.
- The total estimated 'projected' payments from 2024-25 onwards until expiry are £404.2m.
- The total estimated annual contract payment for 2024-25 is £26.7m.

ALL SCHOOL PFI CONTRACTS

- The total estimated 'projected' unitary charge payments from 2024-25 onwards until contract-end for all Local Authority School PFI contracts is just over £7.2bn.
- The Scottish Government funding in support of the associated unitary charge payments for all Local Authority School PFI contracts from 2024-25 onwards until contract-end is almost £2.4bn.

[Please note: the annual Scottish Government funding in support of Local Authority School PFI contracts is 'capped' and wrapped-up in the General Revenue Grant which forms part of the block grant to Local Authorities.]

RAAC - GENERAL

- All local authorities have completed all assessments of RAAC in their schools.
- RAAC has been identified in 32 operational school buildings.

RAAC – NORTH LANARKSHIRE SCHOOLS

- 2 schools in North Lanarkshire contain RAAC.
- They are Caldervale High School and Ravenswood Primary School.

RAAC - CALDERVALE HIGH SCHOOL

- A small amount of RAAC was identified in an area of the extension to the rear of Caldervale High School.
- This separate extension is not used by pupils or staff and the Council have decided to demolish this section of the building, with minimal disruption to the school community.
- RAAC is not present in the main building of the school.

RAAC - RAVENSWOOD PRIMARY SCHOOL

- In Ravenswood Primary School, remedial action has already been taken to ensure safety.
- This included the installation of permanent steel supports and other measures as appropriate. There are no immediate safety concerns.
- However, the council to replace the roof of the school.
- To carry out the work safely, it will be necessary to move the pupils and staff of Ravenswood - on a temporary basis - to the nearby St Mary's Primary School.
- The Council are in direct contact with the school community as planning for the temporary move progresses.

ASBESTOS - SCHOOLS

- Although health and safety is not devolved to the Scottish Government, we take the issue of asbestos within schools very seriously - and expect all local authorities to strictly follow Health and Safety Executive (HSE) recommendations.
- Scottish Government officials remain in close contact with the HSE regarding asbestos within schools.
- Overall, school buildings across Scotland are in their best condition since recorded figures began, and our £2bn Learning Estate Investment Programme will help to build on this progress.

ANNEX

ALL 47 LEIP PROJECTS

Local Authority	School project	Phase	SG funding (capital equivalent)
Aberdeen City	Hazlehead Academy	Phase 3	TBC
Aberdeenshire	Peterhead Community Campus	Phase 1	TBC
Angus	Monifieth High School	Phase 2	£28,667,955
Argyll & Bute	Mull Campus	Phase 3	
City of Edinburgh	Currie Community High School	Phase 1	£22,401,487
City of Edinburgh	Liberton High School	Phase 2	TBC
City of Edinburgh	Wester Hailes Education Centre	Phase 2	TBC
Clackmannanshire	Lochies ASN School	Phase 3	TBC
Comhairle nan Eilean Siar	Barra & Vatersay Community Campus	Phase 1	TBC
Dumfries and Galloway	Dumfries High School	Phase 2	TBC
Dundee City	East End Community Campus	Phase 2	£40,198,48
East Ayrshire	Doon Valley Community Campus	Phase 2	TBC
East Ayrshire	St Sophia's Primary School	Phase 2	TBC
East Dunbartonshire	Lenzie Academy	Phase 3	TBC
East Lothian	Rosehill High School	Phase 1	£22,110,955
East Lothian	Whitecraig Primary School	Phase 1	
East Renfrewshire	Neilston Learning Campus	Phase 1	£10,637,537
Falkirk	Carrongrange ASN School extension	Phase 3	TBC
Fife	Dunfermline Learning Campus	Phase 1	£53,491,411
Fife	Inverkeithing High School	Phase 2	TBC
Glasgow City	Gaelic Primary School	Phase 2	TBC
Glasgow City	Linburn Academy	Phase 2	TBC
Highland	Tain 3-18 Campus	Phase 1	£23,419,654
Highland	Broadford Primary School	Phase 2	TBC
Highland	Nairn Academy	Phase 2	TBC
Midlothian	Beeslack Community High School	Phase 1	TBC
Midlothian	Penicuik High School	Phase 2	TBC
Midlothian	Mayfield Primary School Campus	Phase 2	TBC
Moray	Elgin High School	Phase 2	TBC

	extension		
Moray	Forres Academy	Phase 3	TBC
North Ayrshire	Ardrossan Community Learning and Innovation Hub	Phase 1	TBC
North Ayrshire	Montgomerie Park Primary School	Phase 2	£8,025,294
North Lanarkshire	Chryston High School extension	Phase 3	TBC
Orkney Islands	Kirkwall ASN Centre	Phase 3	TBC
Perth and Kinross	Perth High School	Phase 2	£29,737,848
Perth and Kinross	Riverside Primary School	Phase 2	£7,634,345
Renfrewshire	Paisley Grammar Community Campus	Phase 2	TBC
Scottish Borders	Galashiels Academy	Phase 2	£22,804,619
Scottish Borders	Peebles High School	Phase 2	TBC
Shetland Islands	Brae Campus	Phase 3	TBC
South Ayrshire	Maybole Community Campus	Phase 1	£22,215,358
South Lanarkshire	Newton Farm Primary School extension	Phase 2	£1,970,516
Stirling	Callander Primary School	Phase 2	TBC
West Dunbartonshire	Faifley Campus	Phase 2	TBC
West Lothian	Beatlie Additional Support Needs Campus	Phase 1	£6,421,047
West Lothian	East Calder Primary School	Phase 2	£8,270,423
West Lothian	Riverside and Letham Primary School	Phase 3	TBC
Total			£308,006,932

Contact Name: [Redacted - Section 38(1)(b)] (School Infrastructure) and [Redacted - Section 38(1)(b)] (Head of National Infrastructure Policy)

BACKGROUND NOTE FOR S6O-04293

[Redacted under Section 25(1)]

CAPITAL FUNDING POSITION

[Redacted under Section 25(1)]

Infrastructure Commitments

[Redacted under Section 25(1)]

Capital funding

[Redacted under Section 25(1)]

[Redacted under Section 30(b)(i)] – [Redacted under Section 25(1)]

[Redacted under Section 25(1)]

Capital programme restart

[Redacted under Section 25(1)]

[Redacted under Section 25(1)] [Redacted under Section 30(b)(i)]

Capital spending UK

[Redacted under Section 30(b)(i)]

[Redacted under Section 25(1)]

[Redacted under Section 30(b)(i)]

Supplementary Questions

When can we expect to see the new Lochgelly Medical Centre being built?

[Redacted under Section 25(1)]

The UK Government did not inflation proof its capital budget – what is the impact for Scotland?

- [Redacted under Section 25(1)]
- [Redacted under Section 30(b)(i)]

Given the pause on new health capital projects does this not mean that more is being spent on maintenance/ does this not impact services and safety?

[Redacted under Section 25(1)]

What is the impact on health capital projects of the delay to publication of the updated infrastructure investment plan?

[Redacted under Section 25(1)]

BACKGROUND NOTE FOR S6O-04297

(To be completed as necessary with any additional information)

The Accounts Commission published the Local Government in Scotland Financial Bulletin 2023-24 on 28 January 2025.

Key messages of this report:

- Despite an increase in overall revenue and capital funding for councils in 2024/25, and the Scottish Government's budget proposals in December 2024 indicating a further real terms uplift in funding for 2025/26, the financial outlook for Scotland's councils remains challenging.
- Councils need to intensify transformation activity, progressing at scale and pace to ensure their financial sustainability. This follows on from the [Transformation in Councils](#) report published in October 2024 which advised that councils need to urgently transform how they deliver services and set an expectation for "the local government sector, the Scottish Government and councils' Community Planning and third sector partners to make significant progress in agreeing a future operating model for councils and how council services can be sustainably delivered according" within the next 12 months.
- How councils plan to use their reserves, make savings and transform their services needs to become more transparent. The need to consult local communities and clearly communicate the implications for local services of the budget decisions taken has never been more important.

We are investing in more frequent and meaningful budget engagement with Local Authorities under the purview of the Fiscal Framework with Local Government. Those meetings provide an opportunity to explore sustainability issues, to understand their financial challenges and to improve quality and transparency of reporting, in line with the recommendations in the Accounts Commission report. Political meetings are pre-empted by official meetings involving senior officials from Scottish and Local Government. Local Government Finance officials are also engaging with a small number of councils who have expressed specific concerns over their sustainability.

The briefing attached at:

Annex A provides briefing on the Accounts Commission report referenced and their previous report in May 2024

Annex B reflects key issues regarding the Local Government Settlement and the sustainability fo Local Authorities

Annex C provides briefing on Public Service Reform and the Invest to Save Fund.

Contact Name: [Redacted - Section 38(1)(b)]
Ext: [Redacted - Section 38(1)(b)]

RECENT ACCOUNTS COMMISSION REPORTS

ACCOUNTS COMMISSION FINANCIAL BULLETIN 2023-24

(PUBLISHED 28 JANUARY 2025)

I welcome the report from the Accounts Commission that provides independent confirmation that the Scottish Government provided a real terms increase in funding for Local Government in 2024-25 and 2025-26.

- I agree with the Accounts Commission that the transformation of frontline services must be progressed at pace by local authorities.
- It is also important that any changes to frontline services are made in partnership with local communities.
- The Scottish Government are committed to working in partnership with Local Government to ensure that communities across Scotland continue to receive the high-quality frontline services they expect and deserve.

LOCAL GOVERNMENT BUDGETS 2024/25

(PUBLISHED 15 MAY 2024)

FINANCIAL SUSTAINABILITY

The Accounts Commission identified a notional shortfall of £392.7m in its previous Local Government report – by comparison the Budget delivers an increase of £707.7 million.

- The Accounts Commission and Audit Scotland are responsible for the scrutiny of local authority performance and financial management in Scotland.
- As part of the annual accounts audit process, Audit Scotland or its appointed auditors will assess and report their findings with regards to the financial management and sustainability of a local authority.
- The Scottish Government will continue to work in partnership with Local Government to ensure that the people of Scotland continue to receive the high-quality public service that they expect and deserve.

Q&A ON LOCAL GOVERNMENT HOT TOPICS

2025-26 BUDGET AND LOCAL GOVERNMENT SETTLEMENT

Q. Why has the Scottish Government cut the Local Government Settlement? Comparisons of ABR to budget are seriously misleading in the context of the Local Government Settlement.

- By the conclusion of the 2025-26 SBR, the Local Government Settlement will have increased **by over £1bn** compared with the 2024-25 SBR including funding allocated for the 2024-25 pay deals.
- Adjusting for pay and pensions, the Budget provides a **cash terms increase in revenue of £599.6m** – equating to a **cash terms increase of 4.5%** and a **real terms increase of 2.0%** – including £289m for local priorities.
- We have also allocated an additional £108m of General Capital Grant – a real terms increase of 14.2% and we have reinstated £31m used for the 2024-25 pay deal, giving a total Capital increase of £139m.
- In total, the spending power of local authorities is **£707m higher in 2025-26 than it was in 2024-25 – an increase of 2.6% in real terms.**

Q. How have Local Government been treated in 2025-26?

The 2025-26 Budget recognises the importance of local government and is providing local authorities with a record funding package of over £15 billion in 2025-26.

- This funding ensures that local government will receive a real terms uplift to the General Revenue Grant based on the 2024-25 budget allocation and the core local government capital grant will be increased to £556 million.
- Comparisons of ABR to budget are seriously misleading in the context of the Local Government Settlement.
- By the conclusion of the 2025-26 SBR, the Local Government Settlement will have increased by over £1bn compared with the 2024-25 SBR including funding allocated for the 2024-25 pay deals.
- Adjusting for pay and pensions, the Budget provides a cash terms increase in revenue of £599.6m – equating to a cash terms increase of 4.5% and a real terms increase of 2.0% – including £289m for local priorities.
- We have also allocated an additional £108m of General Capital Grant – a real terms increase of 14.2% and we have reinstated £31m used for the 2024-25 pay deal, giving a total Capital increase of £139m.
- In total, the spending power of local authorities is £707m higher in 2025-26 than it was in 2024-25 – an increase of 2.6% in real terms.

Q. How has this budget delivered against COSLA’s “Invest locally in Scotland’s future” campaign?

COSLA asked for...	And we delivered...
Fair and flexible funding	£289 million of undirected General Revenue Grant and £37.1 million of undirected General Capital Grant
No Council Tax Freeze	this request in full

More capital funding	A net growth in the General Capital Grant of £108.1 million
Their share of UK Government funding	£707.7 million growth in Local Government spending power
More funding to help with workforce capacity and recruitment	More funding for teachers (£41 million), the real living wage for ASC and ELC (£150.7 million)
More focus on prevention	£28 million on ASL and £40 million for the climate emergency
More funding to tackle the housing emergency	An approximate increase of £140 million in funding for affordable housing
More funding to support Social Care	£125 million real living wage for ASC and £10 million uplift for free personal nursing care whilst also baselining £241.5 million of funding from 2024-25

COSLA ENGAGEMENT AND RESPONSE TO THE BUDGET

Q. How did the budget engagement ahead of the 2025-26 budget compare with previous years?

- Engagement with COSLA has always been a key part of budget preparations but this year that engagement began much earlier with evidence jointly developed between Scottish Government officials and Local Government officers.
- Between May 2024 and the Budget, I met COSLA representatives to discuss budgetary matters at least 15 times.
- The First Minister committed to an open book briefing on the outcome of the UK Budget and on the content of the Scottish Budget – that commitment was delivered in full.
- These meetings have helped to bring greater transparency and allowed for local government participation in the budget process.
- In the short time since the Budget, my officials have personally briefed SOLACE, Directors of Finance and senior Local Authority finance leads at least four different occasions to ensure they understand the Budget presentation and the impact on the Local Government settlement.
- This step change in engagement has been recognised by COSLA – and acknowledged by SPICe in their briefing on Local Government finance published before Christmas [20 December] which notes a **[QUOTE]** “refreshing change of tone” in the general agreement between Scottish and Local Government on what the Budget figures show, underlining the improved relationships since the VHA agreement.

Q. Are COSLA’s recent criticism of the Local Government Settlement justified?

- I understand that COSLA are a lobbying organisation on behalf of their members and represent parties of all colours. It is therefore no surprise that they continue to seek additional resources through the budget process.
- I was disappointed but not surprised to receive Cllr Hagmann’s letter last week on the 2025-26 Local Government Settlement, particularly after COSLA’s previous

acknowledgements that the Settlement has increased substantially – and not fallen as some may claim by misrepresenting the Budget.

- COSLA’s positive response to the Budget was emphasised in SPICe’s briefing on the Local Government finance published before Christmas [20 December] – noting a **[QUOTE]** “general agreement between local government and Scottish Government on what the figures show”, representing a **[QUOTE]** “refreshing change of tone”.
- We listened and delivered on COSLA’s request for increased capital funding during the budget engagement – an additional £108m was added to the General Capital Grant, representing a real terms increase of 14.2% **and** we reinstated £31m used for the 2024-25 pay deal, giving a total Capital increase of £139m.
- The Budget sets out almost £2.2bn investment in social care and integration, exceeding our commitment to increase funding by 25% over this parliament by over £350m.
- In terms of eNICS, our priority is working with COSLA to make the case to UK Government to fully fund the tax increase to protect public service in Scotland.

RING-FENCED FUNDING AND IN-YEAR TRANSFERS

Q. Why has there been a decrease in the amount of money baselined in the Local Government Settlement for the 2025-26 Budget compared to 2024-25?

- The budget delivers key aims of the Verity House Agreement by baselining a further £524.9 million of funding, including:
 - £230m for the Real Living Wage in Health and Social Care;
 - £15m for Community Mental Health and Wellbeing; and
 - £11.5m for Free Nursing and Personal Care.
- We will continue to work with local government to develop the necessary assurance and accountability arrangements to go further on this commitment and provide greater flexibility to councils in future years.
- We must also recognise that Scottish Government and Local Government have shared priorities, such as the education of our children, and these priorities must be delivered by local authorities regardless of whether the funding is considered to be directed or not.
- Any changes to the type of funding would not have a material change on Local Government’s requirement to deliver these shared priorities.
- All new policy commitments or changes to existing policy, that have a financial cost for local government, must be approved through COSLA’s formal financial governance process.
- The process requires agreed recommendations from the joint Scottish Government and COSLA Officers’ Settlement and Distribution Group and political agreement from Scottish Ministers and COSLA political Leaders.

Q. Why do Local Government receive so many in-year transfers and why isn't the funding just baselined?

- It's important to recognise that whilst the majority of the in-year transfers reflect joint priorities they are also portfolio priorities, and they are funded directly out of portfolio budgets.
- It is therefore at the discretion of the portfolio minister to determine how best to improve outcomes in line with the national performance framework and in many cases, those decisions reflect working in partnership with Local Authorities.

- However, it is perfectly feasible that an alternative delivery mechanism may be preferable over time – for example, working with the private or third sectors or the UK Government – or that the policy maybe reviewed.
- It is therefore critical that portfolio ministers retain ultimate control over their budgets and in single year budgets, that requires them to take a decision annually on whether to maintain the existing funding priorities. That is only possible by transferring the funding in-year.
- We are therefore determined to make progress on baselining funding where appropriate but it is likely to that some in-year transfers will remain.

FISCAL AND ACCOUNTABILITY & ASSURANCE FRAMEWORKS

Q. How has the Fiscal Framework with Local Government helped with the budget process?

- As previously advised, we have already made significant and demonstrable progress on delivering a Fiscal Framework with Local Government.
- The Verity House Agreement commits to “the development of a robust Fiscal Framework, which will include:
 - meaningful early budget engagement;
 - the Local Government Settlement will be simplified and consolidated; and;
 - wherever possible multi-year certainty will be provided to support strategic planning and investment”.
- We conducted early budget engagement with joint agreement that political meetings should be supported by unprecedented official level engagement to develop a shared understanding of the evidence.
- We have made a £1.5 billion downpayment on simplifying and consolidating the Local Government Settlement since the Fiscal Framework update was published.
- We have established the clear routes to deliver local revenue streams such as the Visitor Levy, and those would apply equally for councils wishing to explore changes to Decriminalised Parking Enforcement regimes.
- I am keenly aware of the benefits of providing multi-year spending plans for the wider public sector, third sector, businesses and other organisations but a Fiscal Framework cannot in isolation provide multi-year certainty without equivalent clarity from the UK Government.
- Separately we are seeking to develop an assurance framework to support flexibility alongside accountability and enable a partnership with a clearer balance of risk and responsibility.
- The Committee may recall the exploratory work to look at a rules-based framework. That work has identified material risks to the public finances and local Government services, so I am not currently minded to continue work on the concept but hope to speak to the COSLA Spokesperson about the work in the coming weeks.
- I hope I can jointly update parliament with COSLA on next steps alongside the final Local Government Settlement in February.

Q. What progress has been made on the Accountability and Assurance framework?

- The Accountability and Assurance framework is critical for the VHA and to progress on work on the Fiscal Framework – along with drawing together the assurance structures required for progress in Education and Social Care.
- In 2024, COSLA and SG worked jointly to agree the Accountability and Assurance Arrangements and develop drafts for ministerial and leader consideration.
- We are now moving into the next phase to complete this work and agree a monitoring framework to support assurance and accountability across our three shared priorities.
- SG and COSLA officers are holding workshops this month, this work had been pushed back due to joint work on the budget at the end of 2024.
- The aim is to develop a monitoring framework to trial during 2025-26.
- We have already and will continue to engage with Audit Scotland and the Accounts Commission as this work develops.

MULTI-YEAR FUNDING

Q. What is stopping Scottish Ministers offering local authorities multi-year funding settlements?

- I am currently considering options for running the next Scottish Spending Review and have asked officials to develop advice on options and potential approaches.
- The conclusion of the UK Government's 2025 spending review will provide key funding information to underpin the Scottish Government's own multi-year spending review.
- I am keenly aware of the benefits of providing multi-year spending plans for the wider public sector, third sector, businesses and other organisations.
- However, I am also aware that setting out multi-year spending plans ahead of a Scottish election would be to restrict the options of a new administration. Or worse, create the impression of stability to our businesses and citizens which is then undermined by changes that a new administration legitimately makes as a result of its election promises.
- The tension between availability of funding information and the desire to provide a stable planning platform for Scotland is at the heart of my thinking about the next Scottish Spending Review.
- I will seek to engage with the Finance and Public Administration Committee and the Scottish Fiscal Commission as part of my planning for the spending review.

eNICS

Q. What are SG plans for funding UK NICS changes?

- The Treasury must fully fund the actual costs for Scotland's public sector, and not just give a much lower value Barnett share of spending in England.
- This funding must also recognise the full extent of organisations delivering public services, including commissioned providers across councils, as well as GPs and dentists.
- The great unknown is the net impact of the increase in employer National Insurance contribution. We estimate the additional cost for delivering public services, including contracted out services, is well in excess of £700 million and these costs need to be fully reimbursed.

- We have a range of public sector employers, including the NHS, police and local authorities, who need clarity on this to inform their spending decisions.
- Given the potential impact for councils, charities, the health sector and businesses, the UK Government should have looked across the range of tax powers at their disposal before pushing through this increase to employer NICs.

Q. What engagement have Ministers had with COSLA regarding the UK Government's eNICs changes?

- More frequent and meaningful budget engagement with COSLA has been a cornerstone of the 2025-26 budget process in line with the commitments set out in the Verity House Agreement.
- I have had a number of discussions with Cllr Hagmann and with the Presidential Team during the process, in which we agreed the impacts of this decision could be significant for all our public services.
- The First Minister and President of COSLA wrote to the Chancellor on 3 January, supported by 48 public and voluntary sector organisations to raise concerns at the impact of the increase to employer National Insurance contributions and to seek clarity on funding.
- Ministers welcome COSLA's support in urging the UK Government to fully fund this tax increase.

Q. Will Scottish Ministers fully fund Local Authorities for the increased costs of eNICs?

- Our priority is working with COSLA to make the case to UK Government to fully fund the tax increase to protect public service in Scotland.
- We have a strong track record of protecting Local Authorities from the impact of UK Government austerity.
- We will of course do everything we can to protect local government budgets, but we are reliant on the UK Government doing its part.

COUNCIL TAX

Q. Won't Councils set large Council Tax increases this year?

- We expect councils to set Council Tax rates with careful consideration of local needs, while also being mindful of the impact on residents and household budgets.
- In 2025-26, councils will receive over £15bn through the local government finance settlement, and there should be no need for any excessive, inflation-busting increases.

Q. Why haven't you protected Scottish households from Council Tax rises?

- Council Tax is determined and administered locally by individual councils, who will have full discretion in setting rates for 2025-26.
- We listened to COSLA and other stakeholders and acknowledge that council decisions on tax are essential for maintaining financial and administrative accountability to their communities.
- It would be contradictory to advocate for local flexibility, while intervening in how councils use that flexibility.

LOCAL GOVERNMENT PAY

Q. Why didn't the Scottish Budget deliver additional funding for Local Government pay?

- COSLA requested "fair and flexible funding" and flexibility on council tax.
- The budget delivered real terms protection to General Revenue Grant, equivalent to an extra £289 million for local priorities, and no cap or freeze on council tax as well as significant net growth in General Capital Grant.
- Ministers could have allocated funding specifically for pay but that would have run counter to COSLA's preferences and indeed Parliament's requests to reduce levels of ringfencing.
- We have therefore maximised the discretion available to councils for matters such as pay
- And whilst SJC pay negotiations remain a matter for COSLA and Local Authorities, I did attend a joint briefing with the SJC unions prior to Christmas to ensure that the impact of the UK and Scottish Budgets and Local Government Settlement were fully understood.

PUBLIC SECTOR REFORM AND PREVENTION

TOP LINES

Reforming Scotland's public services is vital to ensure people experience high quality services, focussed on those who need them most.

- Public Service Reform (PSR) is a pillar of our approach to fiscal sustainability.
- We have a clear vision for what public services must look like – place-based, relational and with a clear focus on prevention.
- There are two key elements to PSR; firstly driving efficiency and effectiveness across government and public bodies, and secondly driving down demand for public services through intervening early to improve outcomes ('prevention').
- The Scottish Government cannot do this alone and we will work to build a consensus around this way of working, with local government, public bodies, third sector and the private sector.
- The Verity House Agreement commits the Scottish Government and local government to work together on a joint approach to reform.

Scottish Government has a clear programme for reform and we are clear on the work we are doing, including through 2025-26.

- Our recent update to Parliament set out more detail on actions right across Government to deliver PSR in the period up to 2026
- We will continue to report on progress with the Parliament at 6-monthly intervals.

There are reform actions in train across Scotland's public services, under a range of policy and delivery areas.

- We are developing alternative models of person-centred service provision, accountability and funding through pathfinder projects in Glasgow, Dundee and Clackmannanshire.
- We are reviewing and reforming structures that support local governance and community planning and empowerment within the context of the New Deal and Local Governance Review.
- This includes reform of public bodies, local service change and major SG-led policy reforms, such as The Promise, education reform, the care and wellbeing portfolio, and the National Care Service.
- These examples show the range of action which can come together to mutually support reform. However, delivering systemic change requires a concerted program of action that aligns these interventions across government, as well as the key enabling actions that support systemic change.
- Work invested in reform workstreams, and the clarity provided by the budget process, has enabled the clear articulation of a reform programme.
- This represents a core programme of work that is being established to deliver tangible outcomes in the first 1-3 years of a ten year approach.

EFFICIENCIES

There has been recent focussed work on efficiencies and effectiveness, working closely with public bodies.

- Early work has focussed on developing a consistent set of data to best understand corporate costs of public bodies to support individual and collective work to release resources into front line service delivery.
- This is complementary to work to right-size the public sector workforce and the ongoing work on efficiencies levers.
- Together this provides a consistent approach to supporting and enabling greater efficiency across the public sector.
- Scottish Government's efficiencies programmes are delivering savings – we are projecting savings of up to £35M from just two efficiency programmes by the end of this financial year.
- These include savings delivered through work to deliver a Single Scottish Estate, the Shared Services Programme, Digital Programme and expanded use of the National Collaborative Framework.
- We are also establishing a fund of up to £30M for the next financial year to 'invest to save'

Examples of efficiencies

- **The Single Scottish Estate (SSE)** - the SSE will help us have a more efficient approach to public sector property management, optimising costs, enabling the delivery of excellent public services and providing staff with great places to work,
- **National collaborative Procurement** this can help public bodies achieve better value for money, through consolidating volumes, driving efficiencies and social value and making better use of skills and resources.
- The **Shared Services Programme** is implementing Oracle Cloud, transforming the HR, finance and purchasing capabilities for Scottish Government core and 32 public body clients.

DIGITAL

Digital service provision is a crucial enabler to public service reform and should be central to plans across all components of reform.

- The Digital Programme is an area of work that is improving the way the Scottish public sector does digital.
- It addresses the key challenges of how we deliver on our digital ambitions as outlined in our digital strategy.
- The programme is designed to support changes to how we think about, design, deliver and maintain our digital services.
- It will see the introduction a new operating model and updated ways of working, with a shift away from thinking about what we do locally and towards a wider public-sector view when we embark on new transformation projects.
- The programme is tied to wider public sector reform and is backed by Ministers, the Permanent Secretary, DG Corporate and the wider Executive Team.
- The Cloud and Digital Services programmes have delivered cashable savings to date in 24/25: £0.224m (Cloud = £104k / Identity = £120k).
- We are also projecting cashable savings for 25/26: £1.267m (Cloud = £343k / Identity = £890k / Payments = £34k), with savings growing year-on-year as the services are adopted across the public sector.

INVEST TO SAVE

We are establishing a fund of up to £30M for the next financial year to 'invest to save'

- I am well aware that a key barrier to driving efficiency and effectiveness in the public sector is the availability of funding to catalyse change. Government therefore is introducing an Invest to save fund.
- This is initially a one-year resource fund, although work towards securing a multi-year budget will be explored.
- The fund will be made available to Scottish Government, public bodies and local authorities.
- Bidders must demonstrate the funding is being used to deliver savings within national and local government and public bodies. The decisions on which projects to fund will be based predominantly on return on investment (ROI) in the near term .
- Cross-cutting and collaborative projects are particularly welcome, including on behalf of a number of agencies through mechanisms such as community planning partnerships.
- An Assessment Board drawing on the right expertise within Government and public bodies will be created to assess applications.
- Accountable Officers or Chief Executives will provide assurance the project is deliverable, the projected ROI is accurate, any required Impact Assessments have been completed/actioned.
- Public Service Reform officials, are developing guidance that sets out the requirements and governance of the fund including evaluation of proposals and the return on investment process.

Q&A

Q. Will the Government's current PSR plans really make public services financially sustainable?

- We have set out a 10 year programme of PSR to Parliament, which includes a clear articulation of our vision for public services.
 - Everyone should experience high quality, efficient and effective public services.
 - Services should be relational, place-based and preventative. This is about changing our model to do things differently and better, to intervene early and improve outcomes and to bring down preventable demand for services.
- Our recent update to Parliament (December 2024) set out more detail on actions right across Government to deliver PSR in the period up to 2026.
- As an example of how we are driving service change, we are delivering on our Programme for Government commitment to taking a whole family approach to delivering support.
- We recognise our vision is not cutting through and we've taken that criticism seriously. In response the Minister for Public Finance is leading the development of a PSR strategy and will engage with public sector leaders at a PSR summit by end of February 2025.

- This will set out the Scottish Government's vision and expectations and will invite public sector leaders to come together to inform that strategic approach and to galvanise action.
- We have always been clear that there is no intention for a 'big bang' approach across all areas of public service but rather a staged and considered approach recognising the capacity of the system to absorb change.

Q. Is the Invest to Save fund backed up by enough money?

- The quantum of the 'invest to save' fund is appropriate to act as a catalyst for efficiency and effectiveness.
- This does not negate Government's and public bodies collective responsibility to drive best value for money across all that we do.
- The fund however will provide the financial assistance needed to enable projects that will deliver savings and service reform to begin.
- I look forward to seeing proposals coming through and will carefully consider the implications should the fund be over-subscribed with impactful and deliverable projects.

PREVENTION

Prevention in the context of PSR is any activity with the primary objective of driving down demand for public services within the broader strategic objectives of the PSR programme. These are:

- To ensure public services remain fiscally sustainable, by reducing the costs and reducing long-term demand through investment in prevention.
- To improve outcomes, which will improve lives and reduce demand.
- To reduce inequalities of outcome among communities in Scotland.
- We know that, if nothing changes, demand for public services will increase to unsustainable levels.
- We therefore need to prevent this increased demand by tackling demand drivers.

What are we currently doing on prevention?

- We are clear that we must change how services are delivered to prioritise early intervention, improve outcomes and prevent demand.
- As part of the PSR programme, we are undertaking work to change how we understand, fund and prioritise preventative interventions across Government, particularly those which aim to tackle demand and reduce pressures of public services.
- This work will include developing case studies examining post devolution examples of prevention that have resulted in improved outcomes, cost savings and / or reduced demand.
- We are committed to working in partnership with Local Government, public bodies, third sector and others to realise the ambition of reform.

Examples of prevention work

Our Whole Family Support commitment will be fundamental to the shared ambition of national and local government to eradicate child poverty.

- It represents further commitment to joint action on the move to place-based, preventative and relational service delivery to improve outcomes, which will reduce inequalities and ensure public services remain fiscally sustainable.
- This approach will support local partners to deliver services that are more responsive to the needs of the families who use them.
- It will do this by enabling frontline staff to work much more closely with families, understanding their needs, and providing them with what they need to thrive from across public services.
- We will collaborate with our partners in local government and beyond to enable greater local flexibility in key areas like funding and reporting, so that services can be more easily tailored to the needs of the families and communities they support.

Through Fairer Futures Partnerships in Clackmannanshire, Dundee and Glasgow we are working with partners to ensure families get the help they need, where and when they need.

- Fairer Futures Partnerships are changing the way services are designed, with a focus on family wellbeing, income maximisation and support toward education and sustained employment
- Building on these successful partnerships we are expanding into Aberdeen City, East Ayrshire, Inverclyde, North Ayrshire and Perth & Kinross Councils.
- Each project has the potential to scale more widely within the local authority area. This growing network of partnerships will help sustain momentum and help us to actively learn, evaluate and share good practice.

Audit Scotland Criticisms

Q. The Scottish Government's current approach to public service reform aims to balance sustainable services and improving outcomes, but it is difficult to see what activities are being prioritised

A. As Audit Scotland have acknowledged, the approach to the PSR programme is appropriate. There are a broad range of activities right across Government that are under our framework of convene, enable, save, and align. We offer no apology for setting out an ambitious programme of work and will work with partners to refine this as we make progress.

Q. There is a lack of information on cost of reform, and potential savings. Does the Scottish Government know what savings will result from reform, or what reform efforts will cost? The Scottish Government required all portfolios to lay out their savings and reform plans by the end of the financial year but they do not provide the information needed to estimate how much reform will save.

A. Scottish Government has set out data on savings realised and projected on key efficiencies programmes to the Parliament. As set out to the Parliament in September, portfolio plans are emerging and represent the beginning of a 10 year journey. We have always been clear that there is no intention for a 'big bang'

approach across all areas of public service but rather a staged and considered approach recognising the capacity of the system to absorb change.

Q. Official level governance was ineffective in the early stages of the PSR programme. Will the Scottish Government's new governance arrangements for reform be more effective?

The governance set out in the Audit Scotland report helped to inform the PSR programme published in December 2023. We recognised the need to change the governance as we moved into a new phase of activity. We have made changes to introduce a new PSR Board; Audit Scotland recognise that the new approach should 'strengthen the governance structures for carrying out reform'

Q. Does the programme lack of strategic leadership? The Scottish Government has been accused of not providing effective leadership on reform (specifically resourcing, approaches to delivering cross cutting issues, offering an 'invest to save' fund, and setting a clear pan-public sector vision).

A The FM set out his priorities in the Programme for Government and is clear that improving public services is one of the four priorities of this Government. These priorities are clear and well established across each portfolio. From an officials perspective, the Corporate Board considers PSR at each meeting to drive PSR within Scottish Government.