Introduction
To assist the Committee in their consideration of the Scottish Government’s budget proposals Scottish Enterprise (SE) is pleased to provide the Committee with outline budget information for the financial years, 2008-11.

Given the short timescale since the announcement of the Government’s Spending Review on 14 November coupled with the impending changes to Scottish Enterprise’s responsibilities, it has not been possible to provide as much detail on SE’s budget at this stage as in previous years.

Budget from Scottish Government
The table below shows the Spending Review settlement and the baseline resources available to Scottish Enterprise from the Scottish Government for the next three years compared to 2007/08.

This does not take into account the outcome of the ‘Review of the Enterprise Networks’ announced by the Minister in September which included the transfer of some activities to other bodies.

<table>
<thead>
<tr>
<th></th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
<th>2010/11</th>
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<tbody>
<tr>
<td>Spending review outcome</td>
<td>465.1</td>
<td>448.6</td>
<td>433.8</td>
<td>431.4</td>
</tr>
<tr>
<td>difference to 2007/08</td>
<td>-16.5</td>
<td>-31.3</td>
<td>-33.7</td>
<td></td>
</tr>
<tr>
<td>as %</td>
<td>-3.5%</td>
<td>-6.7%</td>
<td>-7.2%</td>
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In 2006/07 and 2007/08 SE received additional resource cover from the Scottish Government reflecting the inadequate non-cash element in the last Spending Review. £17.2m of this non-cash resource cover was used in 2006/07 (representing 3.7% additional resource). This additional resource cover is no longer available; however it is also worth noting that our requirement for non-cash cover is likely to decrease over the period covered by the Spending Review. This gives an overall reduction of 7% (£34m) in the first year. We will need to look to increase efficiencies, increase our own income generation and reduce investment to maintain a balanced budget.

The resources available are pre any transfer of activity to and from other bodies. The overall reduction in resources available to Scottish Enterprise will need to be taken into account when ensuring equitable transfers.

Given the Spending Review was released only two weeks ago and the value of activities to be transferred in and out of SE have yet to be agreed we still have much work to do to address both the implications of this Review and the Enterprise Networks Review. We are however liaising closely with partners e.g. Skills Development Scotland, CoSLA and the Scottish Government to ensure business continuity, customer focus and a smooth transition of activities and staff over the coming months. As part of this, SE will be looking to further strengthen existing relationships with its public and private sector partners in the common pursuit of the Government's economic strategy.

Nonetheless, the Spending Review settlement does present SE with some real challenges going forward in terms of delivering its growing pipeline of projects and realising a further 2% efficiency savings. However, we are determined to continue to drive for efficiency and effectiveness in order to maximise our direct investment in growing the economy. We are committed to prioritising our activities to ensure that we focus on where we can make the biggest difference.

We would remind the Committee that over the past 5 years Scottish Enterprise has already reduced its headcount by 700, generating savings of over £70 million. Over this period productivity and performance against our priority measures has improved and the savings have been invested in key projects which otherwise would have been unaffordable, such as the ITI’s, to stimulate Scotland’s economy.

Latterly the focus has been on reducing the number of senior staff with 40 directors and senior managers leaving earlier this (calendar) year and the Executive Board itself having been reduced from 10 to 4. A further
efficiency reduction of 200 was announced last month and organisation restructuring will take place to ensure service targets levels are met

We are currently drafting our business plan for 2008-11. This will set out what SE will deliver against Ministerial priorities over the next three years and how the operations and structure of the organisation are being transformed to achieve this.

As well as focusing on where SE can add most value in supporting growing businesses and improving the business environment, we are also prioritising the following three areas in developing our future business plan:

1. **Business engagement**
   Effective industry and business engagement at a local, national and international level remains critical to the organisation. SE will build on best practice in areas like life sciences, energy and financial services, where industry groups identify market issues and opportunities, particularly within an international context. The precise form of engagement will vary based on the unique characteristics of each industry.

2. **Return on investment**
   SE recognises the need to use public funds effectively and to maximise private sector investment in a way that delivers significant change and addresses a number of Scotland’s key economic challenges. This has been demonstrated through, for example:
   
   - **Scottish Co-Investment Fund** - During Financial Year 06/07, 49 financial support deals (46 different companies) were made, which SCF contributed £6.7m and leveraged in a further £10.7m from the private sector.
   
   - **Edinburgh BioQuarter** – This project is set to lever over £250million of investment over the next 15 years along with 6,500 new high value jobs for Scotland and an additional £350 million per annum to Scotland’s GVA by 2030. SE invested £23 million initially in the infrastructure, allowing the private sector to take the project forward and bear the speculative development risks involved.
   
   - **Clyde Waterfront** – Local Enterprise Companies in Glasgow, Dunbartonshire and Renfrewshire have worked together to deliver a package of SE investment that will total in excess of £120million over seven years to transform the Clyde Waterfront. Local authorities in Glasgow, Renfrewshire, West Dunbartonshire and Inverclyde along with the Scottish Government are partners in the ambitious project which SE has invested £22million of £39million public sector investment along the Clyde since 2003 and an additional private sector investment of £277million since March 2003.
   
   - **Life Science Innovation in Grampian** - A joint project presently being developed with SE Grampian, NHS Grampian, the University of Aberdeen and Aberdeen City Council. The project comprises the development of business space to foster the commercialisation of research activity in Life Sciences. The facility is being constructed on the Foresterhill campus, the main clinical, research and teaching hospital campus for NHS Grampian and the University of Aberdeen. The longer term impacts of the project are estimated at £10.4m pa with creation of 179 jobs. The total investment in the project is £2.5m (£1.7m from Scottish Enterprise, £0.3m from Aberdeen City Council and £0.4m University of Aberdeen).

3. **Joint working / collaboration**
   Effective partnership working is crucial if we are to support the Government in its ambition to match economic growth rate of the UK by 2011.

   The Enterprise Network Review will result in a substantial reduction in our staff numbers, from circa 2,500 to 1,200. With the vast majority (circa 1,100) transferring to Skills Development Scotland. We have a voluntary severance programme and we estimate 200 staff will leave the organisation through this route. We plan to fund the severance programme in the current financial year with a payback period of circa 2 years. In line with the Scottish Government’s commitment, there will be no compulsory redundancies.

   The reduction may be achievable by voluntary means, but it is too early to say whether we will get sufficient numbers eligible coming forward. The need to retain the right skills is paramount so we will have to turn down some applicants. Severance packages are completely in line with civil service norms and have been approved by government.

   It is also important to record our thanks to staff whose continued performance is excellent considering the difficult circumstances

**Next Steps**
The following is a timeline of activity over the coming months:
January 2008
- SE completes planning of organisational restructure
- SE publishes outline Business Plan 2008-11 for feedback

January – February 2008
- Discussions with business groups and consultation with wider stakeholders on the plan

March 2008
- Publication of final business plan

April 2008
- Implementation of new operating structure

The Committee will, of course, be consulted as part of this exercise and SE would be delighted to return to the Committee at this point to discuss a detailed breakdown of its budget and business plan.
Introduction

This paper summarises the work in progress within Highlands & Islands Enterprise (HIE) to prepare its Budget and Operating Plan for 2008/09 and subsequent years in the wake of the publication of the Government Economic Strategy and the Spending Review 2007 earlier this month.

Budget Overview

The overall position is set out on page 97 of the Spending Review as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Draft</th>
<th>Plans</th>
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The figure for 2008-09 includes £77.8m in cash and £14m in resource cover. To this total will be added an estimated £16.5m in receipts which HIE raises through property sales, loan repayments, European funding and other sources.

The figures do not at this stage take account of prospective budget transfers to Skills Development Scotland and local authorities (see below). HIE would be happy to bring a final set of figures to the Committee later in the year once the transfer details have been confirmed.

Operating Plan

The preparation of the HIE Operating Plan has commenced and, reflecting the budgetary position and the organisational changes stemming from the enterprise networks review, will portray a significantly adjusted set of activities. In line with the Economic Strategy, the thrust of HIE’s work will be to build sustainable growth in all parts of the Highlands & Islands. The focus will lie in three broad areas:

- Supporting high-growth businesses, so raising regional and local growth rates
- Strengthening local communities, especially in the fragile parts of the area
- Creating the infrastructure and conditions to improve regional competitiveness

The organisational structure will be re-cast to reflect this focus, but HIE’s strongly-integrated approach to regional and local development will remain at the core of the operation. That means the retention of teams working within local economies to deliver appropriate solutions to local challenges, combined with core teams delivering regional projects and initiatives and providing high-level expertise.

Transfers of Activities

As a result of the enterprise networks review, budget transfers to Skills Development Scotland (in respect of Careers Scotland, National Training Programmes and skills projects) and local authorities (in respect of Business Gateway) are being implemented.

Workstreams to take forward these transfers are well underway and the target date for completion of the three transfers to Skills Development Scotland is 31 March 2008. Business Gateway is not currently delivered in the Highlands & Islands (though broadly comparable services are provided by Local Enterprise Companies) and so the task involves adapting the Scottish Enterprise model before transferring it to the local authorities. A joint group of officials is taking this work forward.

Assessment

HIE faces a significant challenge over the planning cycle of the next few months to align its activities with the strategic priorities and targets of the economic strategy and to do so within the reduced financial and staffing resources available. As a discretionary agency, HIE will be making a series of choices about where to commit resources to the best possible effect. In addition, it will be managing the budget to ensure that current forward commitments are met and that the balance between taking on new commitments and the future availability of resources to meet them is accommodated.
The scale of the potential reduction in HIE’s budget has been widely reported in the Highlands & Islands media over recent days, but it is not possible at this point to make an accurate calculation of the percentage change without further work being completed on the transfers.

Details of the associated transfers of staff to Skills Development Scotland and local authorities are being worked on alongside the budgetary reallocations. Outwith the transferring functions, HIE will be offering a selective voluntary severance scheme for staff (subject to Scottish Government approval and consultation with unions) – the estimated scale of this will be around 50 posts, with the savings being re-invested in HIE’s regional and local activities.
### 3 year income and expenditure forecast

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<thead>
<tr>
<th>Year</th>
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<td></td>
<td>71.8</td>
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### Notes

The forecast reflects the new organisational structure of VisitScotland.

The forecast excludes any income and expenditure related to Homecoming 2009.
Dear Tavish

Scottish Budget Spending Review

I refer to your letter of 16 November 2007 in which you advise that your committee will shortly initiate consideration of the Scottish Government’s draft budget for 2008-09. In order to facilitate this exercise you have requested if I could provide the Committee with further details of expenditure at a lower budget level (Level 3) for the all of the budget headings contained within your letter.

In order to assist the committee I have detailed below in the same order further information which is available for each of the headings you have requested. I would however point out that all the headings contained within your letter are already stated within the “Scottish Budget Spending review 2007” at level 3.

Scottish Enterprise and Highland and Islands Enterprise

In previous years, budget figures for Scottish Enterprise and Highlands and Islands Enterprise were analysed according to the former “Smart, Successful Scotland” themes, it was not possible to monitor outturn expenditure according to these budget headings as the relevant organisations did not control expenditure in that way. The headings therefore had little practical effect on budget control. With the publication of the “Government Economic Strategy” and given the reform of the Enterprise networks with for example skills and careers functions transferring to a new skills body, it is also no longer appropriate to analyse spend in this way. Against this background, the "level 3" figures for Scottish Enterprise and Highlands and Islands Enterprise are now presented in the budget document as a single figure - the total resource budget. Scottish Government monitoring of this resource budget will therefore be in three areas - capital income and expenditure (net investment), operational expenditure and management and administration expenditure. This approach is consistent with the financial memoranda contained within the Management Statements agreed between our respective organisations.

Both SEn and HIE are presently preparing their 2008-09 budget to reflect their responsibilities in taking forward the Government’s Economic Strategy and to consider the organisational and operational changes that will occur as a result of the recently announced enterprise network reforms. It is therefore only possible to provide you with the breakdown of grant in aid provision as outlined above. You will however be able to request detailed information on proposed expenditure in particular areas from SEn and HIE directly.

These figures are prior to any transfers from SEn and HIE to the new skills body. It is also worth noting that in the case of SEn, there will be subsequent transfers to LA budgets in respect of Business Gateway and local regeneration functions, and adjustments to the HIE budget in respect of the introduction of the Business Gateway to Highland & Islands area and its planned delivery by LAs there.

VisitScotland

The budget information provided for VisitScotland (VS) is in a consistent form with that used in previous years- a single figure for total grant in aid. The VS grant-in-aid is £43.8m this year 2007-08 but is only part of the overall income which VS generates in order to meet its total expenditure which will be around £66m. Its budget therefore breaks down total expenditure of £66m into various headings, but these cannot be linked directly to
the grant-in-aid. The planned grant-in-aid for the spending review period will be £47.8m/£46.8m/£46.8m for 2008-09/2009-10/2010-11 respectively.

Similarly to SEn and HIE, VisitScotland is currently preparing its budget for 2008-09, which obviously takes account of the other significant incomes as well as the Scottish Government's grant in aid.

**Innovation and Investment grants**

The Innovation and Investment grants heading is made up of two main grant elements RSA and SMART: SCOTLAND. The indicative individual grant amounts for each of these elements is £43.2m for RSA and £8.8m for SMART: SCOTLAND

**Knowledge Exchange and Innovation policy**

The Knowledge Exchange and Innovation policy budget funds a range of innovation activities and programmes and provides funding for the Innovators Counselling and Advisory Service for Scotland, the Intellectual Asset Centre and a grant to encourage closer working relationships between Universities and business. It also supports innovation policy activities carried out under the 1965 Science and Technology Act.

**Energy and Climate Change**

The new budget for Energy is £31m for each of the forward three years. Spending objectives are exploiting Scotland's advantage in renewable resources for economic development benefit and reducing carbon emissions. Funding will be directed to energy efficiency programmes, to the development and deployment of emerging renewable technologies (e.g. marine, hydrogen), to increasing the use of forms of clean energy not currently well exploited in Scotland (e.g. biomass) and to supporting wider uptake of microgeneration. The budget is managed to allow maximum flexibility but within the total £13m pa will be available to support microgeneration, in line with our manifesto commitment to triple spend. Our current expectation is that future spend on energy efficiency programmes will be about £10m, with the remainder available to promote clean energy, in relation to both power and heat. These programmes are not of course the only means by which renewable energy and energy efficiency are promoted.

**Saltire and Horizon Prizes**

This budget introduces the newly established £2m annual Saltire prize for innovation and a £10m Horizon prize commencing in 2010.

**Third Sector Development**

The Third Sector Development budget combines and enhances the separate budgets previously provided for Voluntary Issues and Social Economy. Operating a larger single budget will provide greater flexibility in delivering a more integrated approach to the development of the sector.

The development programme (£63.6m over 3 years) will support the overall development of the sector including: supporting the role the third sector plays in our communities by ensuring strategic links are made to community planning and outcome agreements; supporting social enterprise start-ups; building the capacity of the third sector to deliver public services and developing a series of strategic partnerships.

**Scottish Investment Fund**

The Scottish Investment Fund (£30m over three years) will support enterprise in the third sector through strategic investment in individual organisations supported by integral business support and management development

I trust that the detail I have given above is sufficient to meet your requirements.

JOHN SWINNEY
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<thead>
<tr>
<th></th>
<th>2008/09</th>
<th>2009/10</th>
<th>2010/11</th>
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<td>Current Funding</td>
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<td><strong>HIE</strong></td>
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<td></td>
<td>91.8</td>
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<td>88.3</td>
</tr>
</tbody>
</table>
Written Submission from Scottish Renewables

I am writing in response to your request for the views of Scottish Renewables on the Scottish Government’s Draft Budget.

Many thanks for this opportunity to comment.

There are a number of issues relating to the Draft Budget and the associated Spending Review document which would benefit from some clarification. I have restricted my comments to those issues specific to renewable energy however there are Climate Change Bill related issues that have some bearing on the place in the political agenda that renewables enjoys, including the apparent dissonance between high level strategic support for renewables because of the climate change agenda and delivery on the ground.

**Summary**
Scottish Renewables welcomed, in general, a number of statements made by the Scottish Government regarding the growth of renewable electricity in Scotland (50% by 2020) and the innovation prizes for sustainable energy.

Against the background of a tight spending round, the settlement for microgeneration and community renewables has increased public investment by a factor of three and this is welcome. We would anticipate that schemes like the Scottish Community & Householder Initiative (which is likely to be a major benefactor of the increase in support) will continue to be over subscribed and there will be other new policy areas, like heat and existing policy work like biomass that will call on this finance so we think there will be little difficulty in disbursing all of the funds. However, if there are clear signs of over subscription the Scottish Government will need to reconsider the settlement for supporting renewables in this area whilst also continuing to work to develop a market framework for micro renewables in which it can grow and prosper.

**Spending commitments**

*The Saltire and Horizon Prize*
There is a clear need for innovation in sustainable energy if renewable energy technologies are to meet their full potential in both the heat and electricity markets. We hope that with the right strategic direction that both prizes will give a boost to existing research & development activity in Scotland.

We look forward to the Scottish Government providing detail on how these prizes will work for the benefit of renewables in Scotland.

*Community Renewables & Microgeneration*
In Chapter 7 of the Spending Review document there is the following statement: “…and triple the funding for community renewables and microgeneration to reach £13.5 million a year by 2010-11”.

To date there have been a number of funding streams that have delivered funding for microgeneration and community renewables including the Scottish Communities and Householder Renewables Initiative (SCHRI), a variety of Communities Scotland grants and the BiG Lottery Renewable Energy Fund. There are a number of others.

To maintain and build on this level of support its is important that it does not replace existing funding streams and that procurement policies for new building and major refurbishments ensure that sustainable energy solutions are always included.

It is also probably worthwhile noting here that higher building standards for carbon emissions through energy use were introduced in 2007 as was planning policy which imposed targets on the use of micro renewables in new build over 500 sq metres by floorspace.

With regard the increased funding, a strategic decision needs to be taken on how the investment should be made and what balance is to be struck between new build and refurbishment.

Therefore, we await the Scottish Government’s Energy Efficiency and Microgeneration and its Heat & Renewable Heat strategies – due to be published in the New Year - with some anticipation.

**Renewable Energy Development**

*Delivery of marine energy*
In Chapter 7 of the Spending Review document there is the following statement: “Support the delivery of ten megawatts of marine energy from our waters by 2010, helping to make Scotland the world leader in wave and tidal”. This statement is related to the delivery of the Wave and Tidal Energy Support Scheme, introduced by
the previous administration. We believe that the statement means that the Scottish Government is planning to ensure installation of ten megawatts generating electricity in Scottish waters by 2010.

To underline the ambition of the Scottish Government, we would suggest that a stronger commitment would be to see at least ten megawatts generating by 2010 and that with some foresight any potential barriers, especially grid related, are tackled in time for connections to be made by 2010 and so surpass this first target.

**Increase of renewable electricity targets**

The increase in electricity targets for renewables was quietly announced but can be found in the Spending Review document on the National Performance Framework table on page 47. The text in the table states: “50% of electricity generated in Scotland to come from renewable sources by 2020 (interim target of 31% by 2011)”.

Subsequent clarifications from the Scottish Government leads us to believe that the formula for calculating targets is rather more complicated than the text above suggests and is based on a combination of demand and network losses from generation.

Previously, setting aside the Renewables Obligation (Scotland) which has its own targets, Scottish Government targets aspired to renewables meeting 18% of demand by 2010 and 40% of demand by 2020. With the publication of Scottish Planning Policy Six: Renewable Energy in March 2007 there was a commitment to meet the 40% target within the lifetime of the policy and the Scottish Government has recently committed to the continued use of SPP6 in answers to Scottish Parliament questions. This effectively brought the target date forward five years or more.

In 2005, Scots demanded 35.6 terrawatt hours (TWh) of electricity and all power stations generated 48.9TWh of electricity. The difference is made up of electricity for export and transmission and distribution losses in the Scottish networks.

Using the new methodology for calculating targets as proposed by the Scottish Government we estimate that this year the equivalent of around a fifth of Scotland’s electricity demand will be met by renewables. If you add in projects being built and that have a resolution to consent then this figure rises to the equivalent of around 33% of demand and we think that this capacity could be installed and generating electricity by 2011.

It should be recognised that the jump to 50% by 2020 is a substantial increase in required renewables generation and we estimate that the renewables industry will need to install around 8 gigawatts (GW) of installed capacity, up from the 6GW required to meet the old 40% target.

If the renewables industry is to continue growing then the 50% target should not be seen as a cap, but rather, if it is practicable to do so, the renewables industry should go beyond this, especially if we are to fulfil our desire to be the renewables powerhouse of Europe.

**Conclusion**

There is of course a lot more to renewable energy than electricity and without a clear idea of the direction of Government policy on energy saving, efficiency and heat its is difficult to conclude definitively how helpful the Spending Plans will be in delivering urgent action in these areas.

Energy is an enormous policy area and the Scottish Government has responsibility for delivery of much of it and we wonder therefore whether a relatively small budget of £55 million (plans for 2010-11) will help deliver the full potential of Scotland’s renewables industry and its climate change targets.

Again, many thanks for the opportunity to provide our thoughts on the Spending Review. You can find out more about Scottish Renewables on our website [www.scottishrenewables.com](http://www.scottishrenewables.com) and of course you can contact me at any time to discuss the above points or any other matter relating to renewables.

Yours sincerely

**Jason Ormiston**

**Chief Executive**
Thank you for your letter of 1st November in which you invite our organisation’s comments on the draft budget published by the Scottish Government on 13th November of this year. I would like to concentrate on issues relating to renewable energy and would pose the following questions.

We have framed our observations and questions on the Draft Budget in the context of both Chapter 7 'A Greener Scotland' of the Scottish Budget Spending Review 2007 and written Answer S3W-2393 from Cabinet Secretary Jim Mather of 12th November.

Your Committee may wish to ask what is meant in bullet point one of Chapter 7 by the assertion that the Scottish Government will “ensure that public spending across portfolios contributes to the action needed to mitigate climate change so we meet the measurable statutory targets to be set through a Scottish Climate Change Bill”. Are portfolio Ministers to instruct departments and, or agencies and, or bodies within their portfolios to assign a specific amount of their budget to investments, refurbishments or renewals to meet the measurable statutory targets? If not how are Ministers going to identify the resources allocated, how will they report these to Parliament and how will they ensure that “measurable statutory targets” are met? Will all statutory targets require a specific resource allocation?

In bullet point two as regards funding initiatives by farmers and others in the rural community to reduce climate change emissions from land management practices, what scale of resource from the £1.6bn rural development programme is foreseen as being ring fenced for this work? Do Ministers have specific plans or initiatives in mind which will be centrally directed? Are Ministers proposing compulsory working practices to contain methane emission for example? What are the initiatives that Ministers have in mind or are Ministers to invite farmers and others to apply to the Scottish Government or an agency of the Scottish Government on a form of challenge fund basis?

What will the terms of reference of the annual Saltire prize be and is it to be restricted to renewable energy projects or will it include energy conservation projects or other sustainability projects? Is the £10m horizon prize a one off or intended to be an annual competition? Who will judge these prizes and will the judging be independent of government? Will the government look to external bodies to supervise the prizes or is this to be in-house?

Further on in Chapter 7 what is meant by the Scottish Government’s contention that it will “introduce a sustainable development and climate change resource to identify new exemplary projects”? How does this fit with the Saltire and the horizon prizes? Is this a new budget line and if so what resources will be devoted to it?

How is the government to support local authorities “to reduce the amount of biodegradable municipal waste sent to landfill in line with EU requirements”? Is there to be ring fencing of local authority financing to assist in this process or will the Scottish Government add additional resource to local authority settlements in general? Is there to be a challenge fund element in this particular proposal? Will local authorities need to specify what they are doing before they receive the funding or will funding be there to research and to conduct feasibility projects for the development of the initiatives?

In terms of supporting the delivery of 10MW of marine energy by 2010, upon what evidence was the figure of 10MW decided? Is there to be specific funding for this particular, discrete initiative or is funding to come from the Saltire prize, horizon prize or a newly earmarked budget line?

When the Government says it will triple the funding for community renewables and micro generation to reach £13.5m by 2010-11 does this mean that Scottish Community and Householder Renewables Initiative budget will rise to that amount? In other words is the £13.5 million target figure dedicated to SCHRI or is it to include other funding streams and if so what are they?

The new Climate Challenge Fund CCF is seemingly to share increased resources of £8.7m, £10.8m and £11m with a range of sustainable development and climate change initiatives. How much of that funding will be devoted to the CCF? How does the Climate Challenge Fund relate to the other funds which the Scottish Government is either continuing or establishing? What are the other ingredients of the “range” of initiatives for sustainable development and to combat climate change?

On the low carbon building standards strategy, how does the Scottish Government intend to tighten building regulations which are revised on a rolling basis? What resources are being earmarked to ensure that public buildings are either built or refurbished high standards of environmental performance and design? If the goal is
to establish zero carbon buildings when does the Government believe that this can be achieved? What research has it commissioned or does it intend to commission to develop technologies?

Turning now to Jim Mather’s Answer S3W-2393. The table therein says that the Scottish Government’s budget for renewable energy has risen from its inception by 330% to the year ending March 2007. Can the Minister disaggregate how much of the £8,634,287 in 06/07 was spent on the four headings below the table for the financial year concerned and can he estimate the outturn at the end of March 2008 for the same four projects?

In the fifth paragraph below the table reference is made to the previous Scottish Executive’s £25m package of funds for 2007/08 and 2008/09 aimed at supporting at emerging technologies. Is any of the £25m package accounted for among the increases in expenditure specified in Chapter7: A Greener Scotland. Will the integrity of this package be maintained and allocated alongside or in parallel with additional resources or will it be used for example to fund the prizes, funds, projects or initiatives set out in Chapter 7

Chapter 7 is silent on the likely support by other public sector bodies and sources for renewables. What estimates have the Scottish Government made of support from EU Regional Selective Assistance or European Structural Funds in the period of the spending review? Given the reductions in EU funding especially in ERDF during that period to what extent does the Scottish Government’s own spending plans merely replace EU RSA or Structural Funding?

Similarly with reductions in Scottish Government funding for the Enterprise Networks in Scotland which have invested £30million in renewables over the last four years, to what extent do Scottish Government spending plans just replace any loss of assistance via Scottish Enterprise? If it does not, does that mean that Scottish Enterprise can spend at the same level but to the detriment of its other budget headings? Should or must it continue to allocate that scale of resource to renewables? If there is discretion for the Enterprise Networks how will the Government monitor expenditure presuming that its overall policy objectives could be compromised by a reduction in renewables’ expenditure by Scottish Enterprise?

Given the proposed prizes, projects and initiatives in Chapter 7 and the uncertain expenditure by the wider public sector, is the Scottish Government looking to a central direction or management of renewables policy that has hitherto not been the case? Would Ministers favour such a development if it is not an explicit intention of their announcements on the budget?

I hope that these observations are of some assistance and thank you for the opportunity to be involved in your Committee’s work. I would be pleased to discuss any of the foregoing with you or the Clerks to the Committee.

Yours sincerely

Euan Robson
Chief Executive
Dear Tavish,

Thank you for your letter of 6 December 2007 regarding my offer to provide additional information after the Committee meeting on 5 December 2007. I am delighted to offer this information by way of composite reply below, I’ll tackle each issue in turn.

Reduction of Business Rates - Small Business Bonus Scheme

With reference to the above tax cut you asked me to provide you with three pieces of information. 1) An assessment of the estimated annual cost of this over the Spending Review period, 2) the annual savings to businesses according to their rateable value and 3) the number of businesses that will benefit from this proposal.

The estimated additional cost of implementing the Small Business Bonus Scheme which has been assumed in the Scottish Budget: Spending Review 2007 is:

<table>
<thead>
<tr>
<th>£ million</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated additional cost of the Small Business Bonus Scheme</td>
<td>37</td>
<td>89</td>
<td>139</td>
</tr>
</tbody>
</table>

This represents the estimated additional cost of the Small Business Bonus scheme at the percentage levels set out in the table included on page 12 of the Scottish Budget: Spending Review 2007 compared with the assumed annual cost of the existing Small Business Rate Relief scheme, which amounts to approximately £24 million in 2007-08.

The Non-Domestic Rate income estimates included in the table in Chapter 27: Local Government of the Scottish Budget: Spending Review 2007 (page 142) are stated net of all rate reliefs, including the Small Business Bonus Scheme. The projected cost of the Scheme has been calculated based on estimates of take-up, eligibility for relief and interaction.

To effectively display the annual savings to business according to their rateable value I have included a table with explanatory notes in Annex A. I hope that this will adequately and clearly illustrate the savings to businesses.

Finally in reference to your last query it should be noted that the number of businesses that will benefit from relief will be lower than the number of non-domestic properties in each area, because some businesses have more than one property. This may affect the level of relief available under the Small Business Bonus Scheme, which will be calculated based on the combined rateable value of all properties in Scotland for which a given business is liable to pay rates. In some cases, this will also affect eligibility, since the combined value of all a business’s properties may exceed £15,000. This is the same methodology adopted for the existing Small Business Rates Relief Scheme.
Personnel Employed in the Central Performance Management Unit for Business Gateway

Before disclosing the figures I must make clear that these are estimates relating to operating the Business Gateway in the format of the new model and assuming business as usual. These estimated figures would not necessarily translate into actual numbers in any TUPE related process as the legal guidelines governing that process would apply.

In order to give you a more rounded answer I have broken down the employment at Business Gateway:

- The Business Gateway contracts are managed locally by local enterprise companies (LEC) - there are 11 people mainly involved in that work.
- The Business Gateway part of the Enquiry Centre involves an estimated 10-12 full-time employees.
- The Business Gateway national performance management functions (though this is not a unit) involves an estimated 2 FTE's.

Costs Saved Through the Loss of LECs

I am unable to provide the committee with a specific figure at this point but there will be savings associated with the removal of the requirement to produce audited accounts and annual reports for the LECs. There will no longer be a need for external auditors, audit committees and the various sub-committees operated locally. There will also be savings associated with the substantial staff time and resource involved in providing support to 21 LEC Boards and their members and in servicing regular Board meetings. I believe, however, it is important to look at the savings associated with the reforms as a whole. As you know, both HIE and SEn are undertaking large voluntary severance schemes which will generate substantial savings in staff costs. The tighter focus of activity and the requirement to achieve shared services with VisitScotland and Skills Development Scotland and others will also offer significant opportunities for achieving efficiencies.

VisitScotland

As I said at the time, it was my understanding that VisitScotland planned to maintain its current presence in both Orkney and Shetland.

However, I am pleased to confirm to you the position in respect of VisitScotland’s plans. VisitScotland have been very clear that local offices such as their Shetland office will be retained to ensure that they remain close to the customers and can deliver effective local services in partnership with local authorities and other agencies. VisitScotland is a fully integrated network. As a result, it is difficult to separate out discrete local marketing and other activity, as one of the benefits of the creation of the integrated VisitScotland network was to enable the promotion of Scotland and all its areas to be taken forward on a wider scale. The organisational changes that VisitScotland are making will make the organisation more effective and efficient, and this will allow them to invest more in promoting Scotland, including the islands. Indeed, I understand that Philip Riddle, VisitScotland’s Chief Executive has given a number of assurances, including to the Economy, Energy and Tourism Committee that geographic and regional circumstances will be fully taken into account in the new organisational structure and that current island offices will be retained. Therefore, I can give you an assurance that VisitScotland’s island offices will be retained and subject to continuing very good levels of support from local industry and local authorities, there will be no reduction in VisitScotland’s efforts on behalf of the islands.

In relation to the detail of the budgets and number of personnel to be retained on the islands, I am clear that this is an operational matter for VisitScotland and that at this stage the information is not yet available. VisitScotland is currently in the process of defining and agreeing the organisational structure; starting with the directorates and directors. The next phase (in the new year) will deal with implementing the designed structure and dealing with the HR processes such as designing job descriptions, recruitment processes and job matching activities. They will be happy to keep your committee informed as the restructuring progresses. As you will know, VisitScotland now has a fully integrated structure and hence separating out the budgets for island areas is not feasible and can be meaningless.

I know that Philip Riddle, Chief Executive of VisitScotland, would be pleased to meet with you to discuss their plans for promoting and encouraging the development of tourism in the Shetlands, should you wish.

I hope this letter clarifies the issues raised at the committee meeting, should you have any further questions please do not hesitate to contact me again.

JOHN SWINNEY
### Table showing projected average annual savings according to the number of properties and their Rateable Value

<table>
<thead>
<tr>
<th>Rateable Value band</th>
<th>Number of separate properties</th>
<th>Average Rateable Value £</th>
<th>% Relief available in current scheme</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>% SB Bonus Relief</td>
<td>Difference %</td>
<td>Average saving £</td>
</tr>
<tr>
<td>up to £1,000</td>
<td>28,482</td>
<td>£512</td>
<td>50%</td>
<td>NIL</td>
<td>NIL</td>
<td>£68</td>
</tr>
<tr>
<td>£1,001 to £2,000</td>
<td>22,781</td>
<td>£1,511</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£2,001 to £3,000</td>
<td>18,849</td>
<td>£2,532</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£3,001 to £3,500</td>
<td>7,884</td>
<td>£3,279</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£3,501 to £4,000</td>
<td>7,461</td>
<td>£3,790</td>
<td>40%</td>
<td>10%</td>
<td>£167</td>
<td>£669</td>
</tr>
<tr>
<td>£4,001 to £4,500</td>
<td>6,867</td>
<td>£4,298</td>
<td></td>
<td>50%</td>
<td>£190</td>
<td>£1,058</td>
</tr>
<tr>
<td>£4,501 to £5,000</td>
<td>6,427</td>
<td>£4,796</td>
<td></td>
<td>30%</td>
<td>£423</td>
<td>£1,564</td>
</tr>
<tr>
<td>£5,001 to £5,750</td>
<td>7,478</td>
<td>£5,394</td>
<td></td>
<td>20%</td>
<td>£476</td>
<td>£2,331</td>
</tr>
<tr>
<td>£5,751 to £6,000</td>
<td>2,941</td>
<td>£5,911</td>
<td></td>
<td>30%</td>
<td>£782</td>
<td>£1,189</td>
</tr>
<tr>
<td>£6,001 to £7,000</td>
<td>8,406</td>
<td>£6,536</td>
<td></td>
<td>20%</td>
<td>£865</td>
<td>£1,729</td>
</tr>
<tr>
<td>£7,001 to £8,000</td>
<td>7,053</td>
<td>£7,551</td>
<td></td>
<td>10%</td>
<td>£1,332</td>
<td>£2,331</td>
</tr>
<tr>
<td>£8,001 to £9,000</td>
<td>6,312</td>
<td>£8,567</td>
<td></td>
<td>40%</td>
<td>£756</td>
<td>£1,322</td>
</tr>
<tr>
<td>£9,001 to £10,000</td>
<td>5,284</td>
<td>£9,559</td>
<td></td>
<td>25%</td>
<td>£843</td>
<td>£1,475</td>
</tr>
<tr>
<td>Rateable Value band</td>
<td>Number of separate properties</td>
<td>Average Rateable Value £</td>
<td>% Relief available in current scheme</td>
<td>% SB Bonus Relief</td>
<td>Difference %</td>
<td>Average saving £</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------------------</td>
<td>--------------------------</td>
<td>-------------------------------------</td>
<td>-------------------</td>
<td>-------------</td>
<td>----------------</td>
</tr>
<tr>
<td>£10,001 to £11,000</td>
<td>4,379</td>
<td>£10,575</td>
<td>7.5%</td>
<td>15%</td>
<td>£700</td>
<td>£350</td>
</tr>
<tr>
<td>£11,001 to £11,500</td>
<td>1,986</td>
<td>£11,330</td>
<td>12.5%</td>
<td>20%</td>
<td>£1,044</td>
<td>£652</td>
</tr>
<tr>
<td>£11,501 to £12,000</td>
<td>1,862</td>
<td>£11,835</td>
<td>12.5%</td>
<td>20%</td>
<td>£1,044</td>
<td>£693</td>
</tr>
<tr>
<td>£12,001 to £13,000</td>
<td>3,465</td>
<td>£12,572</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>£13,001 to £14,000</td>
<td>2,991</td>
<td>£13,589</td>
<td>12.5%</td>
<td>20%</td>
<td>£1,199</td>
<td>£749</td>
</tr>
<tr>
<td>£14,001 to £15,000</td>
<td>2,756</td>
<td>£14,594</td>
<td>12.5%</td>
<td>20%</td>
<td>£1,287</td>
<td>£804</td>
</tr>
<tr>
<td>Total</td>
<td>153,664</td>
<td></td>
<td>Average ≤ £15k</td>
<td>Average ≤ £15k</td>
<td>Average ≤ £15k</td>
<td>Average ≤ £15k</td>
</tr>
</tbody>
</table>

**Source:** Scottish Assessors Portal, 1 October 2007 – NDR subjects (excluding zero-rated)

**Notes:**

1. Savings are shown in comparison with reliefs available under the current Small Business Rates Relief Scheme
2. The table assumes a constant poundage to ensure comparability. For illustrative purposes, 2007-08 rates (44.1p) have been used.
3. The Rateable Value ranges shown in the table correspond to those on page 12 of the Scottish Budget: Spending Review 2007.
4. The table shows the number of non-domestic properties, except zero-rated properties, with Rateable Values of up to £15,000.
5. The number of eligible businesses will be lower than the number of non-domestic properties in each area, because some businesses have more than one property. This may affect eligibility for relief under the Small Business Bonus Scheme, which will depend on:
   - the combined rateable value of all properties in Scotland for which the business is liable to pay rates;
   - whether the property is eligible for one of the existing rates relief schemes; and
   - the level of other public sector assistance received by the business.
6. There is no saving in 2008-09 for properties with a Rateable Value of less than £3,500, as they already enjoyed a 50% reduction under the existing Small Business Rate Relief Scheme.