



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Energy and Fair Work Committee

Tuesday 18 December 2018

Session 5



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ECONOMY, ENERGY AND FAIR WORK COMMITTEE
35th Meeting 2018, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Jackie Baillie (Dumbarton) (Lab)
*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Angela Constance (Almond Valley) (SNP)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Dean Lockhart (Mid Scotland and Fife) (Con)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jamie Fowler (Convention of Scottish Local Authorities)
Hugh Lightbody (Convention of Scottish Local Authorities)
Derek Mackay (Cabinet Secretary for Finance, Economy and Fair Work)
Nigel Robinson (Scottish Government)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Economy, Energy and Fair Work Committee

Tuesday 18 December 2018

[The Convener opened the meeting at 09:48]

Decision on Taking Business in Private

The Convener (Gordon Lindhurst): Good morning and welcome to the 35th meeting in 2018 of the Economy, Energy and Fair Work Committee. I ask everyone present to turn off electronic devices that might interfere with the sound system.

Under agenda item 1, the committee is invited to decide whether to take in private items 4, 5 and 6. Do members agree to do so?

Members indicated agreement.

Business Support Inquiry

09:48

The Convener: We turn to our business support inquiry, for which we have two witnesses. Hugh Lightbody is the chief officer for the business gateway national unit at the Convention of Scottish Local Authorities, and Jamie Fowler is the customer service and partnership manager for business gateway at COSLA. I welcome you both and thank you for coming to speak to the committee. Mr Lightbody has a brief opening statement.

Hugh Lightbody (Convention of Scottish Local Authorities): Good morning, everyone. First, I would like to apologise: I am suffering from the tail end of a cold, so I am a little bit craighly.

It is more than 10 years since the previous enterprise review resulted in the transfer of management and delivery of the business gateway service from Scottish Enterprise to local government. In that time, the service has been extended across the whole of Scotland and has supported more than 99,000 people to start businesses. As a consequence, it has supported the creation of more than 100,000 jobs.

However, business gateway is not just there to support start-ups—it also supports existing businesses, especially those that have the ambition and the potential to grow. The service is intended to provide support to all businesses, whatever stage they are at: it is the mainstream support service. That support includes provision of online content, workshops, adviser time and—dependent on certain criteria being met—growth support. Last year alone, business gateway supported more than 3,000 growth clients.

The business gateway service is a vital part of the wider business support system, and it works closely with partners to ensure that customers get the right support.

The most important aspect of the service for us is the customer, and we consistently achieve high levels of customer satisfaction— from businesses that are just starting to those that have been trading for more than three years. On customer satisfaction, it was good to see that the findings of the independent survey that the committee commissioned echo those of our own research. I was interested to hear about the survey by the Federation of Small Businesses that was highlighted in a previous evidence session. That survey's results closely mirrored our survey results.

Over the years, the demands on the service have changed. The evaluation in 2011 resulted in

a call for a more flexible and discretionary approach at local level, to which local government has responded. More recently, the Government has placed greater focus on inclusive growth, fair work and underrepresented groups, on which the service is engaged in discussions.

Following the most recent enterprise and skills review, local government and business gateway have continued to work in partnership and collaboration with the enterprise agencies to address the findings of the review and to look at ways in which the business support system can be improved and made simpler to deliver what the customer wants.

Although the service is at the heart of the business support system, it is important to recognise that it and the other elements cannot be looked at in isolation but must be considered together. We are working with our partners to find ways to make the whole greater than the sum of its parts.

The Convener: Thank you very much.

You mentioned that business gateway has been under local authority supervision for the past 10 years. How effective has business gateway been in terms of its original intention, which was to be

“a first stop access for businesses of all sizes and all public support, available both locally and nationally”?

Has it achieved the original intention, exceeded it or not quite met it and, if so, in what areas?

Hugh Lightbody: Our view is that the service is very effective, because a very high volume of people use the service. It is meant to be a mainstream service—a universal service that is available to all businesses at all stages. Last year, we helped more than 53,000 unique customers, which is a very high volume.

The original intention was that business gateway would be a one-stop shop. I will go back to the transition arrangements. When the cabinet secretary at the time moved management of the service from Scottish Enterprise to local government, the intention was that the enterprise agency would focus more on high-growth areas. However, over the past 10 years, the marketplace, customer demands and the opportunities have changed. There are many more services—including private sector services—operating in the marketplace. Our colleagues in the enterprise agencies have developed new universal products and services that we are helping to deliver to the marketplace.

We are absolutely still the mainstream service: the business gateway service is the entry point to all public sector business support. However, I am less sure about whether business gateway has achieved the aim that was first envisaged of its

being the one-stop shop to go to, because what has arisen from the enterprise review and the discussions around it is that there is no wrong door. That makes sense, because it is helpful for the customer to get to somebody who can help them, regardless of which part of the service they touch first.

The Convener: You said that you helped 53,000 businesses last year, which you said was “a ... high volume.” How do you define “high volume”? What is that measured against? Is it the number of businesses in Scotland or the number of new businesses?

Hugh Lightbody: Business gateway has helped 53,000 unique customers, some of which have been people rather than actual businesses, because we help people to start businesses. The volume of people using our website and the number of unique customers accessing the service are increasing year on year. Essentially, we are measuring things against past performance and what is happening year on year with the service.

The Convener: Professor McEwan from Elevator, who gave evidence to the committee, told us:

“Business gateway’s shortfall is that it does not do a whole lot to create an entrepreneurial environment to encourage people to get to the start line. It is a responsive and reactive service—when someone wants business advice they can have it.”—[*Official Report, Economy, Energy and Fair Work Committee*, 27 November 2018; c 23.]

Do you agree with that? Is that a good or a bad thing, and if it is not good, what can be done to make business gateway a more proactive service?

Hugh Lightbody: In the past, business gateway perhaps paid more attention to supporting—or was more able to support—the development of an enterprise culture. We are still very much part of that, but as I have said, more organisations are now involved in that activity, and we work in partnership with them.

Young Enterprise Scotland provides a very good example of how we can embed the idea of entrepreneurship at the very early stages of a person’s development. Again with regard to local government and the education service, more work is being done through curriculum for excellence to change attitudes and to develop the culture of enterprise. We are certainly part of, and are helping in, that activity and, although we are perhaps not doing as much of that work directly as we once did, we are very much working in partnership with others to make it happen.

Jamie Halcro Johnston (Highlands and Islands) (Con): Good morning. Some of the evidence that has been presented to the

committee has highlighted concerns about variations in the business support that is offered by local authorities. How has business gateway's national unit tried to overcome such challenges?

Hugh Lightbody: The national unit has, with local government—particularly our operational network, which is principally responsible for day-to-day delivery of the service—produced a national service specification and a set of programme rules. They provide the consistent framework that the local areas operate within and deliver on.

The national unit and the operational network meet monthly to look at performance and what is happening; to consider common issues and challenges that we might all share, and what we might want to do about them; to update each other on opportunities; and to discuss things that have come up over the past month, such as approaches from other organisations and partners about what they want us to do.

Moreover, all our advisers have to meet a specific consistent standard. To ensure that that happens, we have the premier adviser qualification, which has been developed by SFEDI Enterprises Ltd—originally the small firms enterprise development initiative—and ratified by the Scottish Qualifications Authority.

Jamie Halcro Johnston: How do you monitor the national service specification? Are all areas meeting it?

Hugh Lightbody: Absolutely. We review through the operational network how areas are performing against that specification, and if any issues show up through quality assurance or whatever, we discuss those and help areas to try to resolve them. Such issues are also raised with and discussed by the business gateway board.

Jamie Halcro Johnston: You are not aware of any areas where those targets are being missed.

Hugh Lightbody: We are absolutely sure that the national framework and programme rules are being complied with, but an area might occasionally miss a target for a particular reason. We discuss that with the people concerned and work with them to try to resolve the issue.

Jamie Halcro Johnston: We have heard from a number of areas; I and other colleagues have visited the Highland Council office and the Shetland office, for example. There are business gateway groups throughout the country. How do you ensure consistency not only of service, but of relationships, with key stakeholders such as Highlands and Islands Enterprise, Scottish Enterprise and the new south of Scotland enterprise agency?

Hugh Lightbody: Highlands and Islands Enterprise is a very good example. Because of geography, delivery of the service is such that in many areas our local business gateway advisers are co-located with our Highlands and Islands Enterprise colleagues, so there is quite good synergy and join-up between them.

Jamie Halcro Johnston: Is that a real advantage?

Hugh Lightbody: I think that people in such places find that to be a real advantage: it has worked. There are opportunities to discuss things; when the business gateway service comes across a company, it can ask whether HIE can do something to help that company out. That works quite well.

10:00

Jamie Halcro Johnston: In Shetland and Orkney the business gateway services co-locate with HIE. Business gateway Shetland told us that it thinks that that is an advantage. Business gateway Highland does not co-locate. Why, do you think, is that the case, and would it be better if it did?

Hugh Lightbody: Co-location is happening in various parts of the country. However, to answer part of your question, there is, whether they are co-located or not, strong partnership working between the local business gateway services and the local agency, be it SE or HIE. There are also relationships with Skills Development Scotland and local relationships with business representative organisations including the FSB. There is, at local level, a lot of interaction that involves a lot of different players.

Jamie Halcro Johnston: Does business gateway have a particular position on co-location?

Hugh Lightbody: No, we do not have a particular position on co-location.

Jamie Halcro Johnston: You mentioned on-going support. One of the business gateway services that we spoke to said that an organisation might come to business gateway and have a very brief initial conversation, or might get some initial help, but there is no capacity to provide on-going support because of budgets and resources. In that case, how do you ensure that there is consistency across the country, and what more could be done proactively to provide better on-going support, instead of waiting for businesses to come back to business gateway?

Hugh Lightbody: I do not think that there would be a situation in which we would not help someone because of our budget—we are there to help businesses, so they will get adviser time. That is related to what they are trying to do and

their growth potential. With limited resources—resources are an issue—we need to focus on how we create the best opportunity. That is why there are criteria about what additional growth support a business might get. It is not about there not being enough money to work with the business, but about whether the business is hitting the buttons that it needs to hit in order to get the additional support.

Jamie Halcro Johnston: My point is that if a business were to go to business gateway for initial conversations and was helped, but then did not go back for more support, business gateway does not have the resource proactively to go back to the business and ask how it can be helped or monitored, or ask whether there is anything else that it could do to help.

Hugh Lightbody: I take your point. We share a customer relationship management system with SE. A new system came in about three years ago that is providing additional advantages as we develop it. We hope to develop what we call our contact strategy, which would give us the ability to follow up a business or person who has contacted us to ask what else we can do to help them—the aftercare aspect. We think that there is an opportunity, within the system, to do more of that.

Jamie Halcro Johnston: Does the fact that HIE does not share the CRM system cause issues for you?

Hugh Lightbody: It does not. The local areas have access to the CRM system in order to work with clients, and their relationship with HIE is such that there can be discussions about which clients can be helped.

Jamie Halcro Johnston: Would not there be advantages to sharing a system with HIE?

Hugh Lightbody: There would be advantages to sharing the system, which is part of the drive to take the project forward. Along with SE and SDS, which now share the system with us, we see the advantage of having a 360° view of the client. Getting HIE in alongside us is a technological challenge, so we need to look at how best we can make that happen. There is an advantage to being able to share information, either by using the same system or by joining two together. That is a technical solution.

Andy Wightman (Lothian) (Green): You mentioned that business gateway has strong partnership working. Lanarkshire Enterprise Services Ltd told us that the business gateway service

“has failed to engage effectively with other stakeholders in Scotland and there is currently no mechanism to share developmental ideas or address criticisms with other bodies”.

The Scottish Chambers of Commerce believes that the partnership working has been

“inconsistent due to the informal nature of some these relationships”

and it believes that it should be more formalised. What is your response to that?

Hugh Lightbody: There is a difference between a partner and a stakeholder. We work closely with our partners, which are organisations such as Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland. They are delivery partners: organisations that work together to deliver a service to the customer. The stakeholder side is organisations such as the Federation of Small Businesses and the Scottish Chambers of Commerce.

We have been doing this for 10 years now, and the service has matured and the relationship has matured at the local level. We do not see an advantage in having a formal relationship at the national level, because those relationships are happening at the local level. The other side of the coin is that, during the past two and a half years, we have been involved with those stakeholders in the enterprise review. If they believe that there is a need for some kind of formal relationship, that is fine, but we need to look at it in the round. The relationship would not be with just business gateway; it would have to be with the system as a whole.

As I said, the relationships already exist at the local level, but they also exist at the national level. For example, in January, we sponsored the Federation of Small Businesses’ annual awards lunch. The relationships are there.

Andy Wightman: Will you say something about the governance of business gateway? Your board has recently changed and there have been quite a few changes during the past 10 years. Where are you with that at the moment?

Hugh Lightbody: Until April this year, the overarching political governance within COSLA was through the environment and economy board, which has a very wide remit. It was felt that a more focused approach was needed for the business gateway service, given the amount of interest in it from various quarters. Since April, we have had a business gateway board of members drawn from all over Scotland, which has a political balance, a geographical balance and, as best we can, a gender balance.

Andy Wightman: How long has that been working for?

Hugh Lightbody: Since April.

Andy Wightman: You mentioned the enterprise review. Pamela Stevenson of the Scottish local

authorities economic development group talked about how its lack of involvement in the enterprise review was disappointing. COSLA said that there is “duplication, confusion and clutter” in the business support system, and added that

“the Scotland Can Do banner ... potentially adds to the clutter”.

Some of the concern about partnership working and engagement with stakeholders is also reflected in the fact that the whole business gateway system has been left out of the more strategic review that Government has been carrying out and is currently implementing. You have said that you are concerned about that. What improvements in the overall business support ecosystem across Scotland would you like to see to make sure that everyone who is engaged with it is broadly pulling in the same direction?

Hugh Lightbody: It is probably worth saying that we do not feel that we have been excluded from the review process, because we had political representation on the ministerial review group. Colleagues from the business gateway national unit, me and colleagues from SLAED were involved in the various workstreams in phase 1 and phase 2. We have certainly been involved, but the focus has very much been on the enterprise agencies, and that continues to be the message that is coming out. The focus was on getting the enterprise agencies to collaborate and align. There has been less of a focus on the system as a whole.

We feel that that might have been a missed opportunity in the development of the system and where we have got to. However, our partners, particularly Scottish Enterprise, HIE and SDS, have recognised that we have an opportunity to think through how we simplify the system and make it better.

What can we now do collectively to work through the opportunities? One thing that we can do is the single digital access point that has been talked about. We are working on developing a first version of that for March next year.

Andy Wightman: You have talked about the focus of the strategic review and said that you were engaged in phase 1, but it was not concerned with business gateway as such. You also talked about the importance of aligning the two enterprise agencies, the Scottish Further and Higher Education Funding Council and Skills Development Scotland. Is there not a similar argument to be made that it would be good to align business gateway and indeed all the business gateway services? Just from the name, most people assume that business gateway is the one-stop shop for all business support services in Scotland.

Hugh Lightbody: From a personal point of view, I would quite like that to be the case. One issue that came out of the phase 1 review was about the perception of clutter and confusion in the marketplace. A simple way of resolving that would be to have one door and direct people to it. The customer’s inquiry could then be triaged and they could be pointed to the right support. There is an opportunity there.

I cannot overemphasise the fact that we already work closely in partnership with the enterprise agencies, and we have done for 10 years, particularly on the growth support activity. There is already a strong degree of alignment and collaboration. Could it be better? Yes, I believe that it could. At the moment, because of the enterprise review, we are working together to look at how we make the whole system better for the customer.

Andy Wightman: When you say that you are working to look at how you make it better, what does that refer to?

Hugh Lightbody: Scottish Enterprise has commissioned and is leading on a piece of work that involves bringing in a consultant to talk to all the partners and get a sense of what is possible, what is ideal, what we could do and how we join things up to get the service to the customer in better and more effective ways. We are working with them on that.

Andy Wightman: Is that just about joining up business gateway services?

Hugh Lightbody: No, it is looking at everything.

Andy Wightman: Is it business gateway or Scottish Enterprise that has commissioned that work?

Hugh Lightbody: Scottish Enterprise has commissioned it.

Andy Wightman: When will it be completed?

Hugh Lightbody: We are looking to deliver in March next year.

The Convener: I am conscious that Jamie Fowler has the remit of customer service and partnership manager and that he has not been asked specific questions. Do you have any comments on that point about customer service that the chief officer has spoken about?

Jamie Fowler (Convention of Scottish Local Authorities): Thank you for the opportunity to speak, although I am really here to support Hugh Lightbody in making his contributions. I certainly agree with what he has said so far. We work closely in collaboration with key partners such as the enterprise agencies. We have structures in place through which we have regular meetings with colleagues from the enterprise agencies so

that there is alignment at strategic and managerial level and so that we are aware of new products and services that they are bringing out. We can then educate managers, who in turn can pass that on to make the advisers aware, so that they can feed that back to clients. The national unit's role is to support local authorities to ensure that they do the best job possible.

The Convener: Is that education a completely new thing? Is there any other aspect to it? What is being done to change things for the better?

Jamie Fowler: It is not new—we have always had that role. The national unit's role is to support the local areas and ensure that systems are in place so that we can have discussions and share best practice. We have monthly meetings of our operational network, which involves managers from across the network. We have a separate bi-monthly meeting with the Highlands and Islands managers that includes Highlands and Islands Enterprise representatives. We have structures in place to ensure close collaboration among the key partners.

As the enterprise and skills review recognised, there is a diverse landscape of partners delivering support products. I now keep tabs on about 170 partners that are delivering either several services or single project services to businesses in Scotland.

Gordon MacDonald (Edinburgh Pentlands) (SNP): You spoke earlier about the national service specification that is agreed with local business gateways. Can you tell us what information that contains?

10:15

Hugh Lightbody: It is rather a large document. I would be happy to send you a copy if you would like to look through it. It covers things such as brand guidelines, adviser standards and the qualifications that advisers are required to have, and the expectations on the services for start-ups and growth businesses. It is basically the manual of how to deliver the business gateway services.

Gordon MacDonald: Are expectations the same as targets? Is that document publicly available in relation to each of the 32 local business gateways?

Hugh Lightbody: Yes.

Jamie Fowler: Yes.

Gordon MacDonald: Is there an annual report for each one?

Hugh Lightbody: No. It is a framework document—the manual of how to deliver the business gateway service. It is not the same thing as targets, which are set by the local areas. They

relate to what local areas believe they can deliver with the resources that they have and to the opportunities and challenges in those areas.

Gordon MacDonald: I was able to find the business gateway annual review, which does not say very much. Are there annual reports for individual areas?

Hugh Lightbody: There are not annual reports for individual areas, as such, but the local delivery is scrutinised by committees in councils. If those discussions are held in the public domain they will be publicly available.

Gordon MacDonald: In evidence from the FSB, we heard concern that

“no data is published about what is happening in individual gateways”.

The Scottish Council for Development and Industry said:

“There has to be transparency. The data should be reported as part of a continuous improvement exercise”.

Is there any particular reason why targets and outcomes are not published by individual area?

Hugh Lightbody: It is a national programme, although it happens to be delivered locally. We report nationally on what the overall national performance has been. We do not produce regional performance data in that way because we are talking about a national programme and what it has achieved overall.

Gordon MacDonald: We visited Dublin, where, following recent changes, Enterprise Ireland now has a similar set up: all the staff in the local enterprise offices are employed by the local council. However, local enterprise offices produce an annual report and have a tie-in to the enterprise agency, with which they agree targets.

For example, I have here a 60-page report on Donegal local enterprise office, which contains a profile of the county, the opportunities for that county, the 40 targets and how the local enterprise office would support the achievement of those targets, and a review of the previous year. Why can that not happen for each of the business gateways in Scotland?

Hugh Lightbody: Is the Irish model all public sector?

Gordon MacDonald: Yes, as far as I am aware.

Hugh Lightbody: We have several areas where there is a private contractor. There is potential for commercial confidentiality issues.

Gordon MacDonald: That is minimal. The vast majority of the business gateways—at least 26 of them—are in house.

Hugh Lightbody: There are still four potentially commercially confidential contracts. Right from the get-go 10 years ago, the decision was taken that we would carry out business gateway as a national programme, which would report at a national level—in the same way that Scottish Enterprise reported at a national level when it ran the programme. We have continued to do that and we think that it makes sense.

Gordon MacDonald: What would we need to change in order for us to get a report on each of the individual business gateways? Would it be the contract in total?

Hugh Lightbody: We have provided to the committee the data at a regional level for the past 10 years, as we were required to do. You have that data and you can see it.

The issue for us over the years has been that there is quite a variation in the economic geographies around Scotland and there is potentially a risk that people start creating a league table and saying, “Why isn’t that area doing better than that area?”. We would end up embroiled in discussion and debate around all that.

At the local level, the delivery is scrutinised by local councils—by politicians at the local level. There is local oversight and local management of the delivery, but it is a national programme and we report on it at a national level.

Gordon MacDonald: But none of the organisations that could help to support business gateway is aware of those targets and those outcomes.

Hugh Lightbody: Not at the local level, no.

Gordon MacDonald: That is what I am talking about. How do those organisations know how they can support business gateway to achieve its targets locally if they do not have access to what those targets are?

Hugh Lightbody: Do they need access to those targets? With regard to the Federation of Small Businesses, for example, there is a relationship at the local level between the FSB and business gateway. Does the FSB need to know the targets?

Gordon MacDonald: Given the amount of confusion that everyone has talked about, the process would be better aligned if everybody knew what the targets were and what the outcomes should be.

Hugh Lightbody: As I said, that is a matter for local government. Business gateway is something that the Government has handed to local government to deliver, and local government runs through committees of politicians at the local level.

Gordon MacDonald: To move on to the topic of targets themselves, how ambitious are the targets, given that they have not moved in 10 years?

Hugh Lightbody: Given that resources have not moved in 10 years, either—in fact, local government finance and funding has gone down in that same 10-year period—the fact that we have been able to keep the targets as they were is a success and shows that there has been strong performance.

Gordon MacDonald: I can refer only to Edinburgh, because that is the area that I represent. In terms of the strong performance, the start-up target for Edinburgh and the Lothians over 10 years fell from 2,200 to 1,800, the local growth target fell from 495 to 380, the growth pipeline target fell from 200 to 95 and the account management target fell from 50 to 16. Does that strike you as being strong and ambitious?

Hugh Lightbody: We have to reflect on the economy over the past 10 years.

Gordon MacDonald: Edinburgh is booming in a number of sectors, including tourism, life sciences, financial technology and universities. Surely, therefore, there should be more ambitious targets to help to support growth in the economy.

Hugh Lightbody: That is something that we would have to look at with regard to the individual area. You could raise that with the people who are responsible in the area.

Andy Wightman: Business gateway is a national programme that is delivered locally. That is fine; a lot of that kind of thing goes on. However, your response to the question on Edinburgh’s targets implies that the setting of targets is entirely up to the people who are responsible for Edinburgh, North Lanarkshire, Aberdeenshire or wherever. How can it be a national programme if there is that degree of autonomy? At one level, autonomy is a good thing, but business gateway can hardly be called a national programme if it has such a great degree of autonomy.

Hugh Lightbody: To take start-ups as an example, we inherited from Scottish Enterprise a target of between 9,000 and 10,000 start-ups a year. Therefore, that is the range that we are trying to deliver nationally. Local areas set their own targets. The programme is locally delivered and there is local responsibility and local political oversight of the service, because that is how councils work. Certainly in the case of start-ups, what we do is ensure that the number is coming within the range that we want it to. That might require a conversation to be had. However, at the end of the day, we are not dictating to local areas what they should or should not do. That is up to them.

Andy Wightman: I understand that. The information comes in and you assess it and so on. However, you have said a number of times that it is a national programme. There are areas of Scotland that are better placed than others to grow businesses. As there is more potential in certain sectors in certain areas at certain times, does that not imply that there should be some level of direction in the national programme about where more support should be provided?

Hugh Lightbody: In the past 10 years, a number of other organisations have become operational and a number of other initiatives are under way. We work, partner and get involved with them. Unlike 10 years ago, we are not the only show in town, and that has an impact on what can be delivered.

Resources also have an impact on what can be delivered. A point was made about the growth pipeline, which we work to deliver in partnership with Scottish Enterprise and Highlands and Islands Enterprise. The challenge is that the resources for that are the enterprise agencies' and not ours. The agencies are the gatekeepers to the process and, sometimes, local government aspirations about who to support might not meet the policies of the enterprise agencies. When it comes to what we can achieve, what is in the growth pipeline goes up and down. It is about relationships, working with the agencies and trying to make it better.

John Mason (Glasgow Shettleston) (SNP): Gordon MacDonald and Andy Wightman have asked questions on the area that I am interested in. On the idea of national outcomes or targets, does the Scottish Government have any input on the target of 9,000 to 10,000 start-ups? Has the Government said that that number should be increased, or has it said nothing about that? How does the Government get involved?

Hugh Lightbody: We have regular meetings and discussions with colleagues in the enterprise division of the Government. We talk about policies, what is going on and how the whole system might work together. The Government does not say that it wants X, Y or Z, because this service has been passed to local government to deliver. The oversight and scrutiny is at a local level from local politicians.

However, we work closely with Government colleagues. We are working with them and with partners on the whole-system review that has come out of the enterprise review. We talk about what we should be doing to make the whole system better. From the enterprise review, it seems that we are looking for more start-ups, scale-ups and growth, and to work with more businesses. How do we all work together to make that happen? What does the system need to look

like and do and who needs to do what to achieve all the increased outcomes that we say that we are looking for? We are not there yet with that.

John Mason: Do we have a system, or do we have 28 systems? For example, in Aberdeen, which we visited, there are 1,150 start-ups or, at least, that was the target that was met in the past couple of years. In Glasgow, where I am from, the start-up target has fallen to 500. Therefore, can the Government or this committee say that Aberdeen city and shire are doing better than Glasgow? I take your point that we do not want to have league tables, but how does the Government or the committee know whether Aberdeen is performing better than Glasgow, or are we not too bothered about that?

Hugh Lightbody: There are a couple of things in there. As I said in my opening remarks, in the evaluation that we did in 2011, there was a lot of feedback from organisations such as the Federation of Small Businesses seeking greater flexibility at the local level. Local government has responded to that, because local circumstances and opportunities are different from area to area.

In Glasgow, for example, the start-up target has gone down. However, that is because Glasgow City Council has looked at the situation in its area and recognised that there are a number of other organisations now involved in that space and that the problem in Glasgow is more about the survivability of businesses and the succession or transfer of those businesses. If somebody who is running a wee business in Giffnock decides to retire and shuts the shop, they leave, instead of even thinking about how they might transfer that to someone else. Glasgow was concerned about that, and has therefore invested more resource into survivability and succession activity, rather than into start-ups, which is why its start-up target has been reduced. It is about local areas responding to local circumstances and opportunities.

10:30

John Mason: Giffnock, for better or worse, is no longer in Glasgow.

What is COSLA's role? Are you just a recording body? Does Aberdeen or Glasgow tell you what it is doing and you record that, or do you ever challenge it? Do you say, "We think that Glasgow should be learning from Aberdeen," or, "We think that Ayrshire should be doing better"?

Hugh Lightbody: It is worth talking about what the business gateway national unit does. Our role is to support the lead local authorities that are delivering the service. Principally, that support involves marketing the service, but it also involves recording and reporting performance and quality

assurance work. That is what we do for the local areas.

Do we challenge the local areas? Absolutely. As I said earlier, we talk with them about what is going on. We talk and work with the operational network every month, looking at performance. The governance of the organisation includes the operational network, which is very much operationally focused, and the business gateway board, which takes an interest in what is happening across the piece.

John Mason: So there is not a tension there—or do different people support and challenge?

Hugh Lightbody: No, it is me and my team.

John Mason: Is it not a tension that you encourage and support the local areas on the one hand but challenge them on the other? Does that work?

Hugh Lightbody: It works fine. We have very good relationships with all the local areas that deliver the service.

John Mason: I will leave it at that.

Jackie Baillie (Dumbarton) (Lab): It is widely accepted that, if we want to encourage economic growth, women, ethnic minorities, people with disabilities and people from disadvantaged areas are all important in terms of business start-ups. What is business gateway specifically doing to encourage start-ups among those people?

Hugh Lightbody: As a service, we have run a women in business programme across a number of areas in the past 10 years. That has been a fundamental part of what has been done. The enterprise review has put a particular focus on women and enterprise, and the business gateway national unit and colleagues in the operational network are working together with other colleagues, through the women and enterprise action group, to look at what those issues are.

We do not see a particular issue on the start-up side. At one of the meetings a few months ago, both Entrepreneurial Spark and we said that the problem is not on the start-up side, given that 47 per cent of business gateway start-ups last year were women-led businesses. We agreed around the table that the issue lies further down, in the early stages of growth and in growth more generally. We are working together to look at what we can do to address and resolve that issue. One of the concepts that we have discussed is a national women's centre. There is a lot of focus and attention on that at the moment, driven by the enterprise review.

Jackie Baillie talked about other groups. We have recently been approached by the Hunter Centre of Entrepreneurship, which has done a

piece of work that looks at the issues for black and minority ethnic entrepreneurs. We and other colleagues will discuss the potential in that area at a meeting in January. In a previous evidence session, Graham Smith from Glasgow City Council made the point that one of its advisers is dedicated to that area. We have an adviser in Edinburgh who was working with the Polish community to help start-ups. In Bute, our local business gateway office has worked closely with Syrian refugees to support them in starting businesses. Many of them had had businesses in Syria and wanted to start businesses in Scotland. We are working with colleagues in COSLA's migration, population and diversity unit and with Government colleagues who have approached us about issues for Gypsy Travellers.

We were also approached by Government colleagues about disabled entrepreneurs, and there is dialogue and discussion to be had to see what else we can do for them.

These discussions come back to us every now and again, and we talk to the local areas. Colleagues are working with all sorts of different groups. There is no barrier to support from the service, and many colleagues work with a range of people. In other areas, we have advisers who are particularly focused on social enterprises. A lot of activity is already happening within the network on a range of groups.

Jackie Baillie: The work seems to be a bit ad hoc and, having listened carefully to what you have said, I note that some of it is quite recent. To bed down the work in a more consistent way, is there anything in your national service specification about gender, ethnic minorities, disability and disadvantaged areas? Are those issues included in the training of your premier advisers? You have mentioned one product: the women in business programme. What other products are there? Do you measure all this at a local level as well as at a national level?

Hugh Lightbody: That is quite a lot of questions.

Jackie Baillie: Yes, but if you want to bed something in as important, those are the things that you need to do.

Hugh Lightbody: Yes.

Jamie Fowler: Those issues are not specified in the national specification. As we have said, it is a framework to allow the most appropriate service to be delivered in a local area. In areas where there is an existing partner, we have strong partnership working. For example, in the Highland area, we have very strong partnership working with the Highland Business Women organisation. We do not want to duplicate something that is already being delivered by another body. We have

done work in certain areas at a local level because we have relationships there, and we have identified such areas as places to do work when the need arises.

Jackie Baillie: However, with respect, that is one area of Scotland. Women are in all parts of Scotland, as are disabled people and ethnic minorities. If business gateway is a national programme, what direction are you setting from the centre in order for all the work to happen?

Hugh Lightbody: We need to remember that the service is universal and open to anyone. As I mentioned in my opening remarks, the interest from the Government in inclusive growth, fair work, underrepresented groups and so on is quite recent. We are responding to that interest as it comes forward. To take a different example, the Scottish Government's digital strategy from four or five years ago said that we needed to raise awareness of the opportunity of digital. Business gateway, with SE and HIE, had a role in that. We worked together in creating the digital boost programme, and that has been resourced by the Government. If we want to do more across a range of groups, we need to think about how that will be resourced. That is a challenge.

Jackie Baillie: All these groups exist in every part of Scotland. Given that business gateway is a universal service, surely the work should be resourced as part of your core business, not as an add-on.

Hugh Lightbody: It is resourced. As I said, there is no barrier to people accessing it. There seem to be particular challenges for some groups, for example with growth on the women and enterprise side of things. We are working together with partners to look at those challenges and consider how we address them.

Jackie Baillie: Does your premier adviser training cover what you need to do for women and what you need to do differently for ethnic minorities and for disabled people? Does it cover any of that?

Hugh Lightbody: It is embedded across the modules. There is no specific module in the qualification, if I can put it that way—it is part of all the modules.

Jackie Baillie: I would be interested in seeing how that is embedded in each and every module.

Finally, do you measure this?

Hugh Lightbody: In terms of?

Jackie Baillie: You quoted statistics for the number of women start-ups. Do you measure the same for ethnic minorities, people with disabilities and people in disadvantaged areas?

Hugh Lightbody: Where people are prepared to give us this information, we measure it. Sometimes, they choose not to tell us in the equal opportunities monitoring form.

Jackie Baillie: But you ask them about this.

Hugh Lightbody: Yes, but they do not necessarily tell us.

Jackie Baillie: Can you produce data for it?

Hugh Lightbody: We do not produce the data for it, no.

Jamie Fowler: We could, if the committee requested that we do so.

Jackie Baillie: I just think that you measure what matters to you as an organisation and that, if you cannot produce any data, it does not matter. That is the impression that you give.

Colin Beattie (Midlothian North and Musselburgh) (SNP): According to various submissions that the committee has received, about £15 million is spent every year on core business gateway services across Scotland. Surprisingly, the business gateway national unit was not able to provide the committee with any spend or budget information. Does the national unit—or, indeed, any other organisation—monitor levels of spend on business gateway at a national level?

Hugh Lightbody: I do not remember being asked for that information. The figure is about £16 million—about £14 million for actual delivery and about £2 million for the national unit. I apologise if we missed being asked for that information. We look at the spend and monitor the budget—in other words, what the total spend will be at national level. Obviously, we are interested in what that is and what is happening with it.

Colin Beattie: What do you mean when you say that you “monitor” it?

Hugh Lightbody: I mean that we work out what it is. Again, delivery happens at a local level, and we have no influence on what local areas do. That is up to them.

Colin Beattie: But do you measure budget against spend, whether the areas are still within their budgets, whether the money is being spent effectively and so on?

Hugh Lightbody: That is absolutely a local matter.

Colin Beattie: So why do you monitor the spend and budget?

Hugh Lightbody: To get an idea of how much is actually being spent on the service.

Colin Beattie: For what purpose?

Hugh Lightbody: So that we know where we are, really.

Colin Beattie: But you do not know that, really, because the local organisations are apparently autonomous.

Hugh Lightbody: They are autonomous. They are autonomous councils.

Colin Beattie: Okay. What do you mean when you say that monitoring the spend and budget tells you where you are?

Hugh Lightbody: We find it helpful to know that.

Colin Beattie: I am struggling to see the use of having a figure that does not really take you anywhere or does not do anything.

Hugh Lightbody: Other than, perhaps, to answer your earlier question about the total spend, which is—

Colin Beattie: Yes, but I had hoped to drill a bit deeper into the spend.

Hugh Lightbody: I am afraid that I cannot help you there.

Colin Beattie: Okay. Do you think that business gateway's funding should be ring fenced?

Hugh Lightbody: COSLA is not happy or comfortable with ring fencing, so the answer to your question is no.

Colin Beattie: Why is that?

Hugh Lightbody: Because it removes a local area's ability to determine how it will spend its budget.

Colin Beattie: So the money that has been budgeted is not ring fenced and can therefore be chopped, increased or whatever by the council. It can do whatever it wants with it.

Hugh Lightbody: That is right.

Colin Beattie: Leading on from that, do you think that the resources that are provided by the Scottish Government to deliver business gateway are sufficient?

Hugh Lightbody: It depends, I guess, on what we are being asked to do. As I have said, there are a lot of different things going on and a lot of different demands on the service. We are part of the wider discussion about how we make the service better. It would absolutely be nice to have more money to do these things, but—

Colin Beattie: But if it is not ring fenced it can be spent on anything.

Hugh Lightbody: Yes.

Colin Beattie: So, without ring fencing, even if the Scottish Government provided more money, it would not necessarily go to business gateway, even if it was intended for that purpose. However, you do not want that, because you want local government to decide how it spends its budget.

Hugh Lightbody: It is a challenge.

Colin Beattie: It actually sounds like a bit of a mess.

Hugh Lightbody: That is how the system has been set up.

Colin Beattie: I have to say that it does not seem very satisfactory, but thank you.

10:45

Angela Constance (Almond Valley) (SNP): Mr Lightbody, I will pick up on some of your earlier remarks to my colleagues. When discussing the business gateway external stakeholders group that no longer exists, you said that there was no advantage in formal relationships at that national level, as everything happens at a local level. You also said that there is no annual report at that national level. In evidence to the committee, Liz Cameron from the Scottish Chambers of Commerce acknowledged that COSLA as a membership body of course has an important role in monitoring and evaluation, but she posed the question of how independent that monitoring or evaluation can be. Susan Love from the Federation of Small Businesses said that the most troubling thing for her was governance, because it is simply not good enough. Is it not the case that, without formal relationships at a national level, you are simply marking your own homework?

Hugh Lightbody: Again, there is quite a lot in that. I think that I said that, given the local arrangements, we do not see the need for formal arrangements, rather than that there is any advantage or disadvantage in them. As I have said, the service has matured over the past 10 years, as have our relationships. There are connections at both the national level and the local level with the organisations that you mentioned.

As I said, monitoring happens through the scrutiny of local council committees and through the business gateway board at a national level. In 2011, we had an independent evaluation carried out. Because we work so closely with our colleagues in the enterprise agencies, it is difficult to unpick the impact that we have had versus the impact that they have had. We are therefore discussing with the new analytical unit that is part of the Enterprise and Skills Strategic Board whether we can work with the unit, given the evaluation and impact assessment work that it

does, to get a sense of the impact across the system.

Angela Constance: The independent evaluation that you referred to is now seven years old. However, you made a fair point with regard to your contribution to the skills review when you said that there is always a need for a whole-system approach. Is it not the case, though, that you are not practising what you preach in terms of business gateway at a national level by not working more formally and continuously with national stakeholders, particularly in terms of a contribution from stakeholders to that external scrutiny?

Hugh Lightbody: I would argue, as I have argued quite often in this meeting already, that the business gateway service was given to local government and that scrutiny of it is therefore for local government politicians. I suggest that external stakeholders should not scrutinise, in the way that I think you mean, a service that is very much local government's.

Angela Constance: The service is part of civic Scotland and I would hope that we are all subject to external scrutiny, formally and informally.

You have spoken a lot about local accountability and local oversight. I, for one, would never demur from the importance or central value of that. However, as Mr MacDonald highlighted earlier, without publicly available performance information or, indeed, a measurement framework at a local level to identify how services are reaching those who are hardest to reach in some of the groups identified by Ms Baillie, is what you have said not just another example of your putting your hands over your jotters?

Hugh Lightbody: I am not exactly sure that I understand the terminology there. It is a national programme—

Angela Constance: You are hiding your work. Nobody gets to see it.

Hugh Lightbody: We produce a review every year of the service's national performance.

Angela Constance: Yes, but where is the transparency on local accountability and local oversight in the context of a national service?

Hugh Lightbody: The transparency is at local level with the local council. I said that earlier.

Jamie Fowler: You previously heard from our colleague Pamela Stevenson on behalf of the Scottish local authorities economic development group, which produces an annual set of indicators. The business gateway performance feeds into those indicators and into the local benchmarking framework through the Improvement Service.

Dean Lockhart (Mid Scotland and Fife) (Con): I have a couple of follow-up questions on targets and measuring performance. According to the latest figures for last year, the level invested by business gateway across Scotland was £12.6 million, which was the lowest since business gateway was established. Are there any particular reasons for that decline in investment across Scotland as a whole?

Hugh Lightbody: I am not sure where you got that number from. As I said, about £14 million in total is spent by the local areas on start-up and growth activity. Because of pressures on local government finance, the money that a local authority has through its block grant for delivering services has reduced in some areas and councils have had to make savings, but they have augmented it by getting European money into the programme, particularly to support growth activity, so the spend is, broadly speaking, the same as it has been for the past 10 years, although it is augmented with European money.

Dean Lockhart: How about the number of companies assisted by business gateway? According to the latest number, that is also declining. Ten years ago, more than 10,000 companies were assisted, but the latest figure is about 8,700.

Hugh Lightbody: Last year, 9,129 started.

Dean Lockhart: We have different numbers, and that is part of the issue. There do not seem to be definitive performance targets and there is no transparency about targets.

Hugh Lightbody: There are definitive performance figures in the annual review that the national unit produces. That is the definitive performance. Performance varies from year to year—particularly start-up performance—depending on issues such as the strength of the economy in Scotland, what the job market is doing and whether people have an appetite for starting a business.

When we look at the performance of the start-up activity, we have to recognise that local government was given the service to manage in 2008, just at the point when the financial crisis kicked in. The programme was very much focused on growth, although, understandably, there was not a lot of growth happening at the time. However, a couple of years after that, we saw quite a spike in the number of people starting a business, and we helped more than 11,000 people two years running. Anecdotally, there seems to be a lag between a recession and people wanting to start their own business. It is cyclical; it moves up and down.

Dean Lockhart: On the topic of policy alignment, was either business gateway or

COSLA consulted by the Scottish Government about its new economic action plan, which was announced earlier this year?

Hugh Lightbody: There was not a huge amount of consultation on it.

Gordon MacDonald: On a point of clarification, you told one of my colleagues that the COSLA national unit has no influence on what local business gateways are doing. Is that correct?

Hugh Lightbody: Absolutely.

Gordon MacDonald: The COSLA website states, under the heading “Business Gateway National Unit”:

“Operations—support with the consistent delivery and day-to-day management of the service across Scotland, and support with shared resources”.

How does that chime with what you have just told us?

Hugh Lightbody: The national unit supports the local areas in managing and delivering the service at a local level. As I said, that principally involves marketing the service, performance reporting, quality assurance and systems support such as support for the customer relationship management system. We support the areas, and they then manage and deliver the service at the local level.

Gordon MacDonald: The website has a list of bullet points on local engagement, marketing, operations, performance monitoring and quality assurance, and the bullet point for operations specifically includes “day-to-day management”.

Hugh Lightbody: We help and support the local areas in their day-to-day management.

Gordon MacDonald: In what way do you help?

Hugh Lightbody: As I said, we help through marketing, quality assurance and so on.

Gordon MacDonald: That is a separate bullet point.

Hugh Lightbody: It is part of what we do to support their day-to-day management.

Jamie Fowler: We support managers in delivering the service. If the local areas have questions about how the service is to be delivered through the national service specification or the programme rules, such as whether they can support a client in a particular area, we can provide guidance.

The Convener: You may wish to write to the committee to clarify or add to the evidence that you have given. That is always open to witnesses. In principle, you indicated that you would be willing to respond to further questions from the committee if we send them to you in writing. It is likely that the

committee will write for further information and clarification.

Thank you for coming to the committee to give evidence.

10:55

Meeting suspended.

11:00

On resuming—

The Convener: To continue our business support inquiry, we are joined by Derek Mackay, the Cabinet Secretary for Finance, Economy and Fair Work; James Muldoon, head of entrepreneurship and enterprise support policy with the Scottish Government; and Richard Rollison, deputy director for innovation, industries and investment with the Scottish Government. I welcome all three of you.

We will move straight to questions. One of the key actions in phase 2 of the enterprise and skills review is to develop

“a more coherent, collaborative and streamlined system of business support, with a single digital access point”.

I have a couple of questions on that. Why was business gateway not included in the review?

The Cabinet Secretary for Finance, Economy and Fair Work (Derek Mackay): It was before my time as economy secretary, but the purpose of the review was to bring together all the national agencies—the enterprise agencies, the skills agency, the funding council and so on. The aim was to bring cohesion and alignment between the national enterprise and skills agencies. I understand that there was engagement with business gateway, but it is not on the new Enterprise and Skills Strategic Board. It was involved, but the review was more about calibration of the national agencies.

The Convener: I realise that you were not the minister at the time and were not involved in the decision but, with hindsight—perhaps not your own—would it have been better to include business gateway?

Derek Mackay: Maybe it would have been even more helpful. It is timely that the committee is undertaking an inquiry into how business gateway will be involved in future. Should business gateway have a role right now in central momentum and coherence, alignment and co-ordination on enterprise and skills? I think that there is a role. The strategic board is probably larger than we would want with an ordinary board, but I see a role for business gateway. I saw some of the evidence that the committee received earlier, so I know that you have had a flavour of

business gateway's view that its role is very much local. However, if the point is to have a more cohesive and truly aligned approach, I take the view that there should be more involvement.

The Convener: Should business gateway be the single access point?

Derek Mackay: No, I would not say that business gateway should be the single access point. Some businesses or entrepreneurs will go to business gateway, but others might go to Scotland can do, Highlands and Islands Enterprise or Scottish Enterprise. However, we should have a single portal or point of entry, and we are absolutely working towards having that co-ordination. It must have the necessary and relevant signposting. The essence of your question was whether business gateway should be part of that national coherence, and I think that it should. However, I would not leave it with business gateway.

The Convener: One of the criticisms is that some of the more recent initiatives have added to the cluttered landscape. The fact that businesses approach different organisations rather than going to a single point of contact, such as business gateway, is partly a result of the existence of that cluttered landscape. How would you respond to that?

Derek Mackay: I think that people will still choose different organisations to go to, but having a single point of entry is extremely important. The calibration work that we are doing for the enterprise and skills review is bringing together the enterprise agencies. I would prefer it if everything was in the one place, but you asked whether that should be business gateway, and my answer is no. The enterprise agencies have been tasked with taking that forward, and that is what we are asking them to do. If business gateway wants to be an even closer partner in that process, that is great—I would warmly welcome that, as it would bring coherence across the 32 local authorities. However, we are getting on with bringing together the different levels. It is right to say that people should be signposted to and informed about every potential source of support and funding and that business gateway should co-ordinate that.

The Convener: I want to move on to a slightly different topic. The enterprise and skills review made recommendations. Could you update us on progress on those recommendations and the likely implications for business support delivery in Scotland?

Derek Mackay: We all love information technology projects, but the plan is that the single portal should be ready for April next year. It has been covered in the economic action plan and the programme for government. It is a complex

project, but I have been given assurances that we should have the portal ready by next spring.

The Convener: Will that be sufficient to overcome the difficulties that businesses have at the moment in knowing how to access support?

Derek Mackay: I think that the portal will be a substantial step forward. If we have that point of entry, I want it to be absolutely comprehensive. A range of supports are available, from advice and signposting to financial products. The financial products can change, too. I am keen that we are agile and fleet of foot so that we can provide bespoke and tailored economic intervention packages when they are required. You mentioned the criticism that people did not know where to go; if there is a very high-profile place for them to go, that can unlock the range of support that is available.

Andy Wightman: Earlier, we heard from COSLA. At the heart of our inquiry is the tension between local service—as the minister knows, I am a great fan of that—and national priorities for business support. Mr Lightbody talked about a national programme.

We would usually go to the local government finance statistics to find out how much money is being spent on business gateway, but there is no specific line for that in the financial returns. The Scottish Parliament information centre has helpfully managed to pull out some figures, which show that about £15 million is being spent on the business gateway programme, £12.5 million of which is part of the core local government settlement. According to table 6.15 in your draft budget, £1.7 million of Scottish Government funding that is outwith the core settlement is added to that.

Who do you think should be accountable for the spending on business gateway services?

Derek Mackay: Local government.

Andy Wightman: Who is accountable for the £1.7 million that you provide outwith the core local government settlement?

Derek Mackay: That goes to local government for it to spend.

Andy Wightman: But surely you are accountable for that, given that you allocate it as a discrete pot of money that is outwith the local government settlement.

Derek Mackay: Substantial amounts of money are allocated to local government for particular functions, but local government is responsible for its overall budgets.

Members will be familiar with the fact that the current arrangements for business gateway came about in connection with the signing of the

concordat, which involved a lot of de-ring fencing and the removal of administrative and monitoring arrangements. You might argue that that was good or bad, but it is clear that local economic development became a local government function. Business gateway undertakes that work and is responsible to its local authorities.

We do not have a national monitoring regime for business gateway. That was part of the deal, so that is the way it is.

Andy Wightman: Sure. However, the Scottish Government provides £1.7 million—that is shown in table 6.15. What is that for?

Derek Mackay: I do not have the budget table in front of me, but I can come back to you with detail on that.

Andy Wightman: That would be useful.

Derek Mackay: That will be just one element of support to local government for general economic development. I am happy to provide more detail on that.

Andy Wightman: That line of the table is specifically headed “Business Gateway”, which is why I have drawn attention to it.

Derek Mackay: We will come back on that.

Andy Wightman: Business gateway was not part of the enterprise review. You said that you would welcome business gateway being more aligned with future developments and I am sure that the service will take that on board. Given that, according to COSLA, business gateway is a national programme, should there not be some consideration at a strategic level about how it fits into the business support ecosystem across Scotland?

Derek Mackay: I see some value in what Mr Wightman is saying. Business gateway has been described as a national programme and, arguably, it is a national policy and a national principle that we want to support local economic development. However, business gateway is delivered locally, as the member has said. Many parts of the public sector function and deliver in that way.

In response to the enterprise and skills review, the challenge was to ensure that all the national agencies were coming together to give cohesion, alignment, purpose and focus around sustainable economic growth. That review brought together the skills, enterprise and funding councils and the strategic board is there to help that happen.

In my engagements as economy secretary, I have asked businesses what they think about the support environment generally. Some companies and entrepreneurs seek no support whatsoever, some go to Scottish Enterprise and others go to

business gateway—it depends on the organisation and the nature of the support that it wants.

The purpose of the strategic board was to give greater alignment and cohesion to the national organisations. There was a sense that each of the 32 local authorities, however they procure and deliver the business gateway in that local economic development function—some were closely aligned with the planning departments and some were not—felt that they wanted to get on with the national mission because the national organisations were not co-ordinated enough and did not have that cohesion. We were told through the review that we should bring together the national organisations, because that needed to be done.

I am told that the 32 local variations around business gateway need not hold up that essentially national mission and that we should continue to allow the 32 local authorities to do what they want to do around local economic development. I am not saying that that is the wrong decision. However, I believe that there can be greater involvement from business gateway if we are to have a holistic approach to business support in every part of the country.

From my point of view, what has changed is the sense from Scottish Enterprise that pursuing the high-growth or high-value projects was well worth while. I want to see Scottish Enterprise continue to take a stronger role around local economic growth and sense of place; I know that the chief executive shares that view. There is a change in the balance with the enterprise agencies right now; the south of Scotland enterprise agency will emerge and that is about a sense of place, while Highlands and Islands Enterprise already has a sense of community purpose.

Addressing the national mission and connecting that to local support is important, so there is a role for business gateway. However, what you witnessed this morning is how closely local authorities guard their local economic development and business gateway function. I am not criticising that. We have been asked to deliver national cohesion, alignment and purpose, so that is what we are doing. That means more consistency. This morning, you heard that local authorities quite like to have that variability. That is fine if that is what Parliament and local authorities choose to do and what businesses say that they want. However, I am describing the national cohesion that I am trying to achieve as the Cabinet Secretary for Finance, Economy and Fair Work. I hope that that helps to clarify the current position.

Andy Wightman: That is very helpful. Thank you.

11:15

John Mason: I want to touch on two issues, the first of which is European funding. The committee has visited a number of places, including Lanarkshire, the Highlands and Aberdeen, and we have heard about the importance that people who are involved in business gateway and wider business support attach to funding from the European regional development fund and other EU sources. They have told us that they are worried about what might happen after Brexit. Can you say anything about how that is going to work out?

Derek Mackay: Not really. Do we still have a Westminster Government operating this week?

In all seriousness, I have tried repeatedly to get clarity from the UK Government about post-Brexit funding in relation to economic development, structural funds, farming and so on, but it is hard to get clarity right now.

The amount of information that we get depends on which ministry we speak to. The finance minister in the UK Government to whom I speak most often is the Chief Secretary to the Treasury, with whom I have raised questions about a range of specific funding streams. However—I say this with respect to the minister—I have received absolutely no certainty about the period after Brexit, other than an assurance from the Government that it will honour some commitments in relation to which some funding streams have been committed. We have no certainty about the post-Brexit arrangements. I cannot give the committee any more clarity than that which I have received from the Treasury so far, which is pretty vague. Of course, the position will be determined by the negotiations and arrangements, and we will understand the situation only after that point. I am afraid that I can offer you no more than that right now.

As you would expect, there has been lobbying around the kind of schemes and funding streams that business and others like to be put in place. Of course, the committee would take an interest in previous funding streams such as structural funds. However, because of the precarious position with regard to the negotiations between the UK Government and the EU and what the UK Government has been able to tell me, I can offer you no more clarity.

John Mason: Would the Scottish Government be totally dependent on the UK, via a shared prosperity fund or whatever, for any funding that could then feed through to business gateway in place of the European funding?

Derek Mackay: The two things that I have asked for are that there should be no detriment to our finances—over the most recent five-year

period, we have benefited from about £5 billion-worth of financial support from the EU, overall—and for us to have autonomy about how we spend that money.

On the issue of a shared prosperity fund, some UK Government ministers have not even heard of such a thing. It is interesting that the situation is as vague as that. There is no clarity and there are no arrangements in place. However, we should have no detriment to our finances and we should also have the ability to define the structures that we think are right for our economy. We have had no detail on that.

John Mason: The second issue relates to something that we have already discussed and which I think is becoming the major focus of our discussion this morning: the balance between how much we do centrally and how much is done locally. I am not sure that I have an answer to that. One specific issue is the fact that the target for business start-ups has been around 10,000 for a long time, and we are seeing a varied picture locally—some areas are going beyond the number of start-ups that they used to have and some areas are falling behind. How important is that figure of 10,000 start-ups? Should it be changing? Does it really reflect Scotland's entrepreneurial ability, or is it a figure that we should be relaxed about?

Derek Mackay: Just as Mr Mason has touched on that figure and asked about national and local issues, I must ask whether it is right for me to set the target for business gateway. I see that Mr Mason just nodded then shrugged, so I am not sure what to take from that.

The Convener: That is a question for me.

Derek Mackay: If the committee forms a view on the issue, I will take a close interest in that. Although it is true to say that the number has been static, we must remember that there have been economic challenges. However, the Government wants there to be healthy growth and survival rates for businesses and—of course—more of an entrepreneurial culture.

We would all seek reassurance that as much support as possible is going in to allow people who want to build and develop businesses to do so, and the Government, our agencies and business gateway should provide as much advice and financial support and as many contacts and networks—whatever it happens to be—as possible, so that that can happen.

As members are well aware, I published the economic action plan fairly recently. In that respect, Mr Lockhart and others have asked me about new targets, but I am not proposing any such thing; instead, I want new actions and new support. I want to recalibrate our efforts, but I am

not necessarily wedded to new or different targets for their own sake. I recognise that the financial environment has been quite challenging—and if it was challenging before, it sure is challenging now, given the uncertainty that business faces. I am not sure that I should give a view on whether a self-imposed business gateway target is the right way to go, but we should absolutely create the right conditions to build as many businesses as possible and make them as successful as possible.

There are other areas on which I would put more of a focus—for example, exports or, indeed, women in enterprise, given the interesting research that has been done on gender and business support. There are things that I am certainly interested in, but that does not necessarily include meddling with the targets.

John Mason: My colleagues will ask about the gender side of things, but I have one more question. On the target that I have mentioned, you might know if you have seen previous evidence sessions that I have tried to compare Aberdeen city and shire with Glasgow, and that the answer that I have got is that while Aberdeen city and shire are emphasising start-ups—not exclusively so, but that is a big part of what they do—Glasgow, it seems, is putting more emphasis on survival, as you have just mentioned, and support for existing businesses. Are you relaxed about the fact that areas are clearly emphasising different things? Is having those different emphases actually quite a good thing?

Derek Mackay: What I should make clear to the committee—and this is not just about business gateway—is that I think that, right now, all local authorities should be looking at all of their functions in relation to economic growth. We need to grow our economy and our businesses and give more support in that respect. It is not just about cohesion and alignment; the fact is that if we do not generate economic growth, we will all have to deal with the consequences of lower receipts. Unemployment might be at a record low and gross domestic product, although subdued, might still be outperforming GDP in the rest of the UK, but we all need to stimulate and support the economy at this time. Therefore, it is right that local authorities get to determine the right local interventions to support the economy.

I could point to a wider range of measures, including city deals, innovation and other partnerships, but I suspect that local authorities understand the balance between focusing on start-ups and sustaining what other sectoral support they provide. We absolutely need to do both right now, but local authorities are looking at all of their powers—their leadership role, their regulatory function and so on; the fact is that it is not just

business gateway that leads to business succeeding in a local area. I make that point because business support goes wider than the gateway; there is certain other support that councils provide. Some businesses will never go near the business gateway and will go to, say, the planning department instead.

A local authority's economic function is wider than simply providing the particular support route that we are discussing; and it is certainly the case that local authorities can judge what works for them.

Jackie Baillie: I want to take the point slightly further. I regard such activity as being about not meddling with targets but trying to put in place a shared agenda, for exactly the reason that you highlighted: the importance of economic growth. We are a small country and we can get together and make things happen; I simply wonder whether we should be looking at an agreed role for business gateway, as part of the overall jigsaw for support for business. Do you see that as the way forward?

Derek Mackay: Jackie Baillie has just made a very helpful suggestion; I just wish that I had thought of it first. There is certainly something in what she has said. I am taking a very close interest in what the committee is doing, because I think that it is necessary to look at how business gateway is performing—and how we can ensure that it is performing. Business gateway is part of the more cohesive, more aligned and more purposeful national approach that I am trying to deliver, and I think that there is room for dialogue.

I would not want local government to feel threatened by that. As Jackie Baillie described, it should feel that we are partners in that economic growth. Some people have argued that they feel that the enterprise agencies sometimes focus on the bigger projects, and while that has brought value—jobs, success, foreign direct investment and other elements—there is an appetite within the enterprise agencies to look further at smaller-scale entrepreneurship and that sense of place. I sense a shift in that direction, and I welcome it, because it fits with my view on economic development.

All economic development—local or not—happens somewhere; it all has a sense of place. Therefore, if local government is not threatened by that, we could have a discussion on that. I would welcome such an arrangement.

Jackie Baillie: That is very helpful. I do not know if you heard some of the earlier exchanges—for example, it seems that everybody would accept the important contribution to overall economic growth of business start-ups among women, ethnic minorities, people with disabilities

and people from disadvantaged areas. However, that contribution is not in the national service specification; I am not clear that it is in the premier adviser training; and it is not measured in a way that feeds into the creation of different products and policy change. Given the sensitivities and given the amount of money that the Government puts in, what can it do to encourage a wider understanding of that shared framework, how we measure and what is important?

Derek Mackay: I am happy to share what we have and what we are doing with business gateway and, in discussing its role in what is going on nationally, to make that a big theme for the business gateway, because there are clear economic benefits from having that wider, more diverse participation in business support and job creation.

The most meaningful social policy is a job. If we create quality, purposeful jobs, it is transformational for those involved and it is good for the economy and society. If we look at companies that receive financial support, how many of them are run and led by men? Why is their number disproportionate to the population figures? Are there more male entrepreneurs? I do not see why that would be the case.

We should look at more of the data, then we should look at the actions, specifically those in the “Scottish Framework and Action Plan for Women in Enterprise”. Let us ask ourselves why fewer people from an ethnic minority background or with a disability come forward for support and how, if they do come forward, we can help them to flourish. We can only get to a level playing field if there is additional support. Sometimes, the problem is that the system has not been designed in a fashion that attracts and encourages folk and then enables them to benefit. We need to look at all of that and then take the necessary actions, which are modelled around having dedicated women’s centres for business. I am attracted to that model, so I will look at it further; and I mentioned such themes in my economic action plan.

I am happy to share that with business gateway if it senses that that would be appropriate—there would be many benefits from doing that. There are also many opportunities.

I take a close interest in the matter and I will happily work with business gateway if it wants to be part of that journey.

Colin Beattie: We have already touched on the fact that delivery models vary across Scotland—broadly, there are in-house, contracted-out and blended, or hybrid, models. Given the inconsistencies in quality and performance across

Scotland, does the delivery model need to be reformed?

Derek Mackay: It would be controversial for me to say that business gateway is inconsistent—one person’s inconsistency is another person’s local diversity or variability. The model is not necessarily the issue; it is whether it is in house, contracted or blended, or a hybrid, as Mr Beattie said. When I engage with businesses, I ask how they find business gateway and how the enterprise agencies have been, and the response might depend on the person who is working on the case or on the area or the business prospects. There is not a particular model that the Government would favour, because the model does not necessarily determine success—or otherwise.

I have looked at the evidence around business gateway, which has been described as being patchy and variable, and I do not see that the delivery model is the issue. I am interested in the committee’s views—you will have seen far more evidence than I have—but I do not have a preferred model.

11:30

Colin Beattie: One of the big concerns is how we ensure a standardised measure or level of service provision, when there are so many inconsistencies—I keep using that word—of delivery model.

Derek Mackay: I understand that. That is the dichotomy when we agree that something should be local, but then people ask for more consistency and more of a national, standardised approach. Someone has to make up their mind, I would argue.

Good practice should be shared and business gateway’s engagement should be about what the national elements are that should operate locally and what are the consistent local elements that should be standardised nationally? I am interested in that, but I have no preference for what the model should be. I would only point out that some of the best local authorities in respect of their economic development function—those who provide the best support for new and emerging businesses, especially if planning is required—connect their regulatory function with their business support function. That is better than a business getting support from one place, such as business gateway, then finding that what they want to do is not permissible or will not get planning permission or regulatory support from another part of the authority.

There is something about bringing together the function within a local authority. It is good when, sometimes, the local authority planning function is aligned with the business support function.

Therefore, if the committee is asking about which model seems to work best, it is one that has alignment within the local authority.

Colin Beattie: Whatever the model, the business gateway works autonomously in its area—the local authority determines the funding and there is no ring-fencing. Is there a way—I am grasping here—to get the local authorities rather than business gateway to provide publicly some measurement of the success of the areas under their control?

Derek Mackay: They certainly should do that. It has been a while since I looked at the indicators around community planning, but what replaced the national bureaucracy and monitoring in 2007 when business gateway became a local government function was community planning partnerships and a single outcome agreement that described what the partners in a local authority area—so, wider than just the local authorities—would do, the outcomes and the indicators by which they would be judged. I hope that the 32 local authorities look at the indicators and the outcomes in relation to economic development and how well business gateway is performing.

I am not the only parliamentarian round this table who has come from local government and who would know that local government committees and local government leadership are entitled to hold to account the managers, performance and services that they procure, and to publish that data, whether through the annual council report or the community planning partnership report—the single outcome agreements, as they used to be. The indicators should be published and the information should be available. Councils are also audited. If local elected members are not taking an interest in business gateway, or the local economic development function, that would be of concern.

Gordon MacDonald: The 2017 annual review of business gateway gives no performance reports on a regional basis—estimates of the jobs created and supported, spend information and so on. In its evidence, the FSB has said that no data is published about what is happening in individual business gateways, and the Scottish Council for Development and Industry has said that there has to be transparency and that the data should be reported as part of a continuous improvement exercise. You have already stated that there is no national monitoring of business gateway, but should there be? Should not we have some kind of annual report of how each of the individual business gateways is performing?

Derek Mackay: It is fair to say that there will be a degree of national monitoring of a number of local government functions' performance. However, the nature of the business gateway deal

means that, since 2007, individual business gateways have had the local economic development function and local authorities are held to account for what they do around business gateway. Of course there have been reviews, but having heard some of this morning's evidence, I think that it would be in business gateways' interests to look at their monitoring and performance reporting and to perform an exercise that would show the progress that they think that they are making.

I am not saying that the Scottish Government should compel them to do that; the question is whether I think that there is a case for that. Arguably, there is a case for it, but that is for local authorities and business gateways to determine. After all, if there is a national unit, maybe it could co-ordinate it.

I say again, though, that as cabinet secretary, I am not asking for a new set of performance arrangements, and neither is the Scottish Government. If the committee chooses to make such a recommendation, so be it. Do I see a case for reporting those figures? I think that it would help the national picture, would it not?

Gordon MacDonald: I certainly agree with that, but COSLA told us earlier this morning that it has no influence over what local business gateways are doing. The information that COSLA provided to this committee about what 19 of the business gateways are doing showed that there has been growth in the targets on start-ups in 12 of the 19 business gateways and that there is local growth in 14 of the 19. However, the concerning thing for me is that, bearing it in mind that the cabinet secretary has said that we need to grow our economy and that we all need to stimulate it, when we come to the growth pipeline, 17 of the 19 business gateways have seen their targets reduced and 15 of the 19 business gateways have seen their account-management target reduced. Given what you have said about stimulating the economy, somebody has to put pressure on the business gateways to improve their performance. I accept that it is not just business gateways that support the start-up of new businesses, but the trend seems to be going the wrong way when it comes to the growth pipeline and account management.

Derek Mackay: Again, I ask Mr MacDonald to reflect on the fact that it is important that I, as the cabinet secretary, should not try to hold the business gateways to account for what is, in essence, a matter of local accountability. However, I have raised on a number of occasions with those whom I meet in local government—either the presidential team, the resources spokesperson or group leaders, as and when appropriate—how important economic

development is right now, for the reasons that we discussed earlier. I have impressed upon them the importance of economic growth, development and supporting companies, and the importance of partnership work between the public, private and third sectors—I have certainly made that a priority. In one of my first meetings in my role, I raised the issue of economic growth with local government. That is about partnership working, which we have been doing around the city deals.

Therefore, there is a range of areas in which we talk about economic development. Do I forensically challenge them on their business gateways? No, I do not, because that would be seen as a challenge to their autonomy, although we would certainly challenge each other on the economy.

People have commented a couple of times that the national unit has no influence over the local business gateways, but I would imagine that there is leadership, co-ordination and a sense of national delivery there, and surely there is a desire for success in the 32 local authority areas as well. There might not be formal instructive mechanisms, but surely the 32 local authorities want their business gateway to work, and I imagine that COSLA influences individual local authorities in that regard.

I would like to think that business gateway and local authority leaders will be very interested in the committee's findings and the evidence that is being presented. I am certainly interested in it. I want a more aligned, coherent and purposeful set of arrangements to support our business environment, so that it can grow and prosper. I am sure that business gateway will look at the evidence that you produce, and I suspect that there is a bit more influence there than has been suggested.

Gordon MacDonald: You say that you want a more coherent, joined-up process for business support. When we visited Enterprise Ireland, we were told about the set-up there in recent years. All local enterprise offices—whose staff are employed by the local authority—must have a local development plan agreed with Enterprise Ireland and they have to achieve more than 40 targets over a three-year period. Would it be helpful if business gateway had to produce a development plan for a three-year period—or whatever the timescale happened to be—and agree targets with HIE, Scottish Enterprise or the new south of Scotland agency, when it comes?

Derek Mackay: One area that we are developing is regional economic partnerships. Those are largely borne out of the growth deals that we have—there are resources there and we are making economic interventions at scale. We

also have new economic tools at a regional and local basis.

I do not think that we want layers of plans on plans, or necessarily to have new targets for their own sake. There is a potential issue in how targets are apportioned even within the 10,000 start-up target—that is, how that figure is allocated and how it is composed. I do not necessarily want extra layers of bureaucracy, when we are trying to strip out bureaucracy. Do I think that there is room for closer alignment between what the plan is for place and economic development? Yes. There will be local plans and there are growth deals; those arrangements will be in place.

There is an opportunity to have closer alignment in all that, but the thing that I have found about the spontaneous and organic nature of business is that you cannot necessarily plan where the new business might come from or where the growth opportunity is. We need to be quite agile in our business support.

Do I think that the two areas could be more closely aligned? Yes, potentially. The local economic development function should be seen as being as important as the planning function in providing appropriate support—that is, providing the right development in the right places.

As for new targets, again, it is more for the committee to explore that than for the Government to impose new targets or suggest that there should be further targets on local government. I know that this is a specific inquiry, but do you remember what we moved away from in 2007? There were myriad complex monitoring arrangements and targets in place. In the spirit of the historic concordat—I have not heard that mentioned for a while—we should remember that there needs to be a degree of local autonomy, not necessarily new bureaucracy.

On economic development, there is a bit of a call to action to stimulate local economies. If there are suggestions about how we do that better, I am certainly interested. Look, I will be getting on with the enterprise agencies, the funding council, Skills Development Scotland, the growth deals and all the other interventions that we are tasked to get on with as a consequence of the enterprise and skills review. There is an argument for business gateway looking at what is going on and being part of it.

Dean Lockhart: Business gateway's annual budget to support start-ups across Scotland is about £15 million. Given that that is the equivalent of just 3 per cent of the budget for the enterprise agencies, is that an appropriate level of investment? I know that there are other interventions to take account of, but it is the primary gateway for business start-ups.

Derek Mackay: I think that Mr Lockhart has answered his own question: you need to take account of the other interventions. If you look at the other funding lines that are changing or increasing, you will see that the growth deals, for example, are massive interventions. Businesses, universities, innovation centres and so on benefit from them right now.

Dean Lockhart: Such interventions tend to be more sporadic, however. It is not—

Derek Mackay: Do you mean growth deals?

Dean Lockhart: No. I mean the interventions in terms of start-ups through those other initiatives, which tend to be more ad hoc, whereas business gateway is the central platform for business start-ups.

11:45

Derek Mackay: I am just making the point, which Dean Lockhart has also made, that there is much wider support for businesses: business growth opportunities in areas where we know we can stimulate the economy, such as innovation, come partly through those other funding streams. Innovation is particularly important. We even have UK Government funding streams—for example, the industrial strategy funds.

We are involved in a host of funding streams that support business growth, start-ups, innovation and an entrepreneurial culture. If the business gateway number was static and nothing else was going on, we would be concerned. However, many other things are going on and there is much more than business gateway to support the business community.

It is not for me to say to local government how much it should spend at local level. It determines that, and I really should not express a view. However, do I think that the economy requires more financial support and assistance to stimulate and support businesses right now? Yes, I do—and I make that point as the finance and economy secretary. Dean Lockhart has seen the economic action plan, in which we have committed to getting on with things. However, I really should not express a view about how local government chooses to spend every part of its budget. There is a question for local government about whether its spending is adequate and is providing enough support.

We should bear it in mind that business gateway support is more advisory than it is about financial products, whereas the Scottish Government, through our enterprise agencies, provides a lot of the financial products. I want to ensure that the business gateway is fully equipped to direct businesses and entrepreneurs to the financial

support. A good point has been made about alignment between business gateway and all the other business support mechanisms. Again, only business gateway can say whether it has all the support that it requires from the Scottish Government and our agencies. It is for business gateway to say whether we are spending enough.

Dean Lockhart: I have a follow-up question on a related point. The business start-up rate and the business survival rate in Scotland are among the lowest in the UK, despite the many interventions and a higher pro rata spend on enterprise here than there is in the rest of the UK. In your new role as economy secretary, have you had time to look at the underlying reasons for why the business start-up rate and the survival rate are not as high as they should be?

Derek Mackay: I have certainly engaged with business, which has led to the economic action plan. However, we want to do more, which is why we are doing more on entrepreneurial support and why we are looking at the financial packages. The enterprise agencies are absolutely focused on the issue. If we are making comparisons, I point out that the nature of businesses and start-ups will be quite different in, for example, London from those in Scotland. There is also possibly a culture issue that we need to tackle in terms of people taking an entrepreneurial approach and starting their own businesses. Many will fail, but it is still worth supporting them, because many will flourish and succeed.

There is on-going support and there will be more support for start-ups and for sustaining businesses. I am particularly keen on scaling up businesses, because many businesses are successful but never get to the next level. We want to support such businesses and to raise their aspirations. That is about networking, knowledge and financial support. There is also a specific strand of work on exporting.

I accept that there is a challenge and that we want to improve performance, which is why we are trying to do more on the issue. I suppose that the issue connects to the question about why the business gateway targets have been static. Although the targets may have been static, the economic circumstances and the environment in which businesses operate are anything but static, right now.

Angela Constance: We have heard repeatedly that the business gateway is delivered and scrutinised locally. That is an important point, but it is still a national service that the Scottish Government funds. Is it—given that—acceptable that the business gateway external stakeholder group no longer exists and that there is therefore no formal role for the Scottish Government in the current governance structure, despite the fact that

there was such a formal role for the Government in the early days? Is that a good, bad or indifferent thing for collaborative and partnership working between the Scottish Government and local government on economic growth and development?

Derek Mackay: That is a very fair question. My response is connected to what I said to Jackie Baillie about whether I want to see greater involvement from business gateway in national efforts. To answer Angela Constance's question, I say that I want to see that and am open to it. Local authorities now deliver business gateway, so if COSLA wants to restore the national group, I would welcome that because I think that it would have a role. Instead of having another body that would add to the list of meetings that business representative organisations have to go to, those organisations would probably welcome that role simply being part of something that already exists. I would not like to give local authorities the sense that the Scottish Government is trying to interfere or take over, but I am open to having a national group that would provide national cohesion, because I see that there is a case for it. Having looked at some of the evidence that the committee has unearthed, I think that business gateway should respond to the suggestion.

Angela Constance: I will follow up on that point. The discussions about the external stakeholder group were not about creating meetings for the sake of it—they were about the importance of governance at national level, notwithstanding that there must be local accountability. You will have heard COSLA say earlier in the meeting that it feels that there is no

“advantage in a formal relationship at the national level”

However, the committee received evidence from Liz Cameron of the Scottish Chambers of Commerce, who said that there is a need for a national group, although she is, I imagine, a busy person. As a membership organisation, COSLA has a very important role in monitoring and evaluation, but she questioned whether that, in itself, would be sufficiently independent. Susan Love from the FSB felt that the governance arrangements at national level are “troubling” and, frankly, not good enough.

Derek Mackay: That evidence is concerning. I recognise that such people are all busy, and that a range of forums and national meetings go on, but if the business community is saying that there is a requirement to have a national sounding board, or that level of national engagement, it should be taken seriously. I have regular meetings with the business community and local government and, as I indicated earlier, there may be more of a role for the strategic board, although I recognise that the board is already quite large.

If the committee's work creates an opportunity to engage further with business gateway, COSLA and SLAED—I am not referring to the band, even though we are approaching Christmas—and if there is an opportunity to create a national forum, I would be happy to facilitate that or to see how I can integrate it with something that already exists. That is my positive offer. The purpose would not be to challenge local government's rights and responsibilities or its autonomy on this matter, but to bring about the cohesion that Ms Constance is probing at.

Angela Constance: During the meeting, you have spoken a lot about the need for alignment across the agencies at local and national levels in respect of policy, service provision and interventions. What is your evaluation of how well connected business gateway is to economic strategy, the city region deals and other national programmes and policies that relate to inclusive growth? Is there a need for more support, direction and engagement from the Scottish Government?

Derek Mackay: I think that the word “direction” might alarm local government, depending on how it was interpreted. I would like deeper engagement. We are making a lot of headway with the alignment of our national agencies, which is to be welcomed. Perhaps, as the enterprise and skills review said, that was not always the case. We are making progress with the strategic board and actions through the economic action plan.

In essence, would I like business gateway to be closer to all that? My evaluation is that I would. I recognise the arrangements for local accountability, but I can see only good coming from closer alignment with business gateway. I am open to more support and evaluation if that is wished for. Business gateway could play a greater role in what we are doing at national level.

Angela Constance: Is that an acknowledgement that, currently, business gateway is not well enough aligned?

Derek Mackay: To be fair, I note that the question was originally about my evaluation of the situation. I regularly meet local authority leaders, business people and all the relevant people in the economic environment that you would expect an economy secretary to meet. My engagement with business gateway is not in-depth or intense. I see the reports, of course, and I am advised that arrangements at local level between business gateway and the enterprise agencies work well.

However, Angela Constance asked for my personal evaluation. I would like to see more engagement with business gateway in the economic mission that we are undertaking right now. That is my honest evaluation. However, as members of the committee do, I see reports that

say that business gateway is getting on and giving support. Equally, I have seen criticism from others who say that support is variable and that there is no standardised service, so there is certainly a question.

The Convener: Thank you, cabinet secretary. That concludes our questions.

11:57

Meeting suspended.

11:58

On resuming—

European Union (Withdrawal) Act 2018

Recognition of Professional Qualifications (Amendment etc) (EU Exit) Regulations 2018

The Convener: Agenda item 3 is consideration of the Recognition of Professional Qualifications (Amendment etc) (EU Exit) Regulations 2018. We have with us Derek Mackay, Cabinet Secretary for Finance, Economy and Fair Work, who is joined by Nigel Robinson, senior policy manager on the regulation of healthcare professionals, and John Paterson, a divisional solicitor, both of whom are from the Scottish Government. I invite the cabinet secretary to make a brief opening statement before I open up the session for questions from the committee.

Derek Mackay: Now for something completely different.

I seek the committee's agreement to consent to the UK Government legislating on our behalf on matters that intersect with devolved competence.

The regulations in question are being brought forward by the Department for Business, Energy and Industrial Strategy to mitigate the worst-case scenario of withdrawal from the European Union without a deal. In the absence of the EU directive on the recognition of professional qualifications, the regulations will continue the statutory powers of competent authorities to assess and recognise the non-UK qualifications of people who wish to practise regulated professions in the UK.

The statutory instrument will maintain the crucial system of principles for the recognition of non-UK qualifications for more than 100 regulated professions. Officials have been working with their UK counterparts since February to reach agreement on the draft text, which will be available shortly, should the committee be minded to agree to consent.

12:00

The regulations will maintain the current arrangements as closely as possible once the EU treaties cease to apply. The primary difference is that the competent authorities—usually regulatory bodies—will no longer be compelled to offer alternative routes to registration to applicants whose qualifications clearly fall well below minimum UK standards. That will not preclude competent authorities from offering such

measures when they deem it to be appropriate, but it will be for them to decide.

Anecdotal evidence suggests that the impact of the change on workforce supply will be minimal, because the administrative burden of assessing non-equivalent qualifications—as well as subsequent appeals—does not reflect the low success rate of such applications. The statutory compulsion for regulators to offer temporary and occasional routes into regulated professions in the UK will also be withdrawn, because it would no longer be appropriate to offer such a facility without an alternative reciprocal agreement being in place.

The current regulations cover the social work and social services workforce, and I note that those professions have now been consolidated in the Department of Health and Social Care regulations that are before the Health and Sport Committee today.

Although the UK Government has responded to requests to move back the laying date for the instrument, I appreciate that I am nonetheless asking the committee to consider the consent notification in considerably less time than the agreed 28-day period. Given the complexity of reaching official agreement across the broad scope of the regulations, I ask for the committee's forbearance in this instance. I am happy to answer any questions that the committee has.

The Convener: Thank you, cabinet secretary.

John Mason: Your introductory comments were helpful, cabinet secretary. You explained that, in effect, there will be no change, or at least any change will be very technical. However, there will be a change in relation to the temporary arrangements for people coming in and when there is a divergence between the qualifications that we would expect people to have and those that they actually have. Is it definitely right for the regulations to be category A, or should they be category B, given that we are changing a few things along the way?

Derek Mackay: We believe that the regulations should be category A, because the principles are largely the same, with the exception of what I have pointed out.

John Mason: That is fair enough.

Colin Beattie: What are the main professions within devolved competence that will be affected by the statutory instrument?

Derek Mackay: Under devolved competence, teaching is the main profession of interest, but we can provide the committee with a full list of professions. As I said, the regulations on social care are going to the Health and Sport Committee.

Colin Beattie: It would be interesting to see a list.

Derek Mackay: We will provide it.

Colin Beattie: What consultation has the Scottish Government carried out with representatives from the organisations?

Derek Mackay: For teachers, we have consulted with the General Teaching Council for Scotland and, for care services, we consulted with the equivalent national body.

Nigel Robinson (Scottish Government): It was the Scottish Social Services Council.

Andy Wightman: I want to revisit the cabinet secretary's claim that there will be very little impact on labour supply. What is that based on? Is it just based on the fact that the professions are highly regulated currently and that most people in them are British citizens?

Derek Mackay: I will turn to officials for more of the detail, but we know what affects labour and workforce supply: quite simply, it is the immigration caps or the immigration rules. That is the issue that affects supply; it is not the technical issue about whether someone's qualification will be recognised. That will surely be tested before someone makes the decision to move. The immigration system, which includes caps, is the reason for the changes in immigration numbers.

Nigel Robinson: Non-equivalent applications place a considerable administrative burden on some of the regulators, which are compelled to assess non-equivalent qualifications, regardless of how far below UK minimum standards those qualifications fall. The regulators are also compelled to offer a route of appeal, although the success rate for such applications is extremely low. Certainly, the Scottish Social Services Council was content for that avenue to be removed.

Andy Wightman: That is helpful.

The Convener: The next question is from Angela Constance.

Angela Constance: Mr Robinson has answered my question.

The Convener: As there are no further questions, I thank the cabinet secretary and our other two witnesses for coming.

12:05

Meeting continued in private until 12:40.

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