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## **ECONOMY, ENERGY AND FAIR WORK COMMITTEE REPORT : BUSINESS SUPPORT**

I thank the Committee for their work and welcome this report as a valuable and insightful document.

In my evidence, I stated that I welcomed your focus and would look forward to reading your contribution on this subject. I have made clear before, and will reiterate again, that the answer as to how we best support our business base does not come from one voice. We all share a single outcome here; that our businesses are best supported towards furthering the enormous social and economic contribution they make to our society. As per our Scotland CAN DO approach; it is through breadth and diversity of opinion that we will ensure the right choices are made.

I note the Committee's focus on the role of Business Gateway, placing emphasis on structural concerns raised in evidence sessions. In particular, I acknowledge questions posed in relation to the accountability of Business Gateway and how it is aligned to the wider enterprise support system.

The Scottish Government is absolutely committed to Business Gateway being an fully-integrated part of our single-system approach for business support. The Enterprise and Skills Review did not explicitly involve Business Gateway and that is a matter you note. That Review was a discussion about improving national systems and as such would not have been the right forum to account for the local nuances of the Business Gateway offering.

This does not mean that Business Gateway and Local Authorities were not an important contributor to that discussion. Nor does it mean that they are not a crucial part of the on-going implementation of that work. The insight offered from the frontline and of early-stage businesses is crucial to ensuring progress is grounded in the real needs of the business base.

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It is worth further noting that Business Gateway and Local Authority officials are contributing significantly to the development of the overall single-system approach that will offer seamless support for business. The scale of opportunity in realising this outcome should not be underestimated.

While we know that much collaboration is on-going and that the system is becoming ever more effective, we also know that no part of this single-system approach is beyond the need for continuous improvement. I recognise that many of the points you raise about Business Gateway do need to be addressed.

That is why I met with Councillor Steven Heddle, on Wednesday 27 March, in his capacity as Environment and Economy Spokesperson for Cosla. It is why we agreed that we can do things better and that we agreed to co-produce solutions that will allow Business Gateway to most effectively be a core part of our single-system approach to business support. This work will progress without prejudice of a predetermined destination, will be guided by customer insight and evidence and will respect local accountability and local discretion,

I should be delighted to keep Committee informed as to the progress of this undertaking.

As ever I attach the Scottish Government's response (Annex A) to specific recommendations raised in the Committee's report on the Business Support Inquiry.

**DEREK MACKAY**

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Recommendation	SG Responses
<p>52 (p. 22)                      Given the policy drift from the original rationale for Business Gateway, the Committee seeks clarification, from the Scottish Government and relevant partners, on Business Gateway's role and remit within Scotland's business support landscape and where accountability for determining Business Gateway's remit sits.</p>	<p>The Enterprise and Skills Review concluded that the division of responsibilities between national agencies and locally delivered Business Gateway was right. As such the position of Business Gateway as the entry point to the public enterprise support system remains in place.</p> <p>The shared entry point (SEP) prototype is due to go live and be tested with customers from April. It is right that the development of this tool is utterly guided by evidence and customer insight. As such no predetermination has been made as to branding or identification of this product.</p> <p><i>Business Gateway</i> is a key contributor to this work which will allow businesses to easily access the right support at the right time from the right providers. This will include directing people who want to start and grow businesses to the relevant local <i>Business Gateway</i> office.</p> <p>The Strategic Board provides a single point of strategic focus and influence across the</p>

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<p>56 (p.23)  As highlighted above, the Enterprise and Skills Review recommended that a single digital access point should be developed to address some of the concerns about businesses being passed to and fro between the respective agencies, and to streamline the service. This single digital access point is currently being developed and the beta system is due to be introduced in Spring 2019. However, given that the intention for this portal is to act as the access point to business support services, which was originally one of Business Gateway's key roles, it leads us once again to highlight the need for a review of Business Gateway's role within the support ecosystem, as per our recommendation in the previous section.</p>	<p>enterprise and skills landscape, including through its Strategic Plan. The plan tasks the agencies to work more closely with Business Gateway to create an environment where the agencies work in collaboration with Business Gateway to shape support services across Scotland and support businesses start-ups.</p>
<p>77 (p. 27)  The Committee asks the Scottish Government to review the Irish model and consider whether this model, or aspects of it, are applicable in the Scottish context to overcome the current accountability and alignment challenges. The Committee asks to be updated on the progress and outcome of this review.</p>	<p>We acknowledge that there is always room for improvement and there are potential lessons to learn from successful models of public enterprise support in other parts of the world.</p> <p>Scottish Government officials are already in contact with their equivalents in Enterprise Ireland and will bring relevant learning to bear on future development of our business support landscape.</p>

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<p>110 (p. 34) The Committee recommends that Business Gateway has core targets that align with the strategic direction of the Scottish Government's national priorities and Economic Plan. Additional targets should also be set to reflect local economic circumstances.</p>	<p>We welcome any suggestions which may help the public enterprise support system better serve our businesses while remaining aligned to national priorities and delivering a service which reflects local realities.</p>
<p>111 (p.34) The Committee recommends that Business Gateway review the current key performance indicators and targets in collaboration with stakeholders such as FSB and Chambers of Commerce and the analytical unit. There must be external input to ensure that targets are sufficiently challenging and ambitious.</p>	<p>We recognise that external stakeholders such as FSB, SCC and the wider Scotland CAN DO eco-system can play a positive role in helping Business Gateway to set targets which provide sufficient challenge and an appropriate level of ambition.</p>
<p>113 (p.34) The Committee recommends that there should be external monitoring of Business Gateway's performance against targets by an independent body. The Committee seeks clarity on whether the analytical unit could offer its assistance in analysing Business Gateway's performance data.</p>	<p>We are committed to supporting Business Gateway in finding more effective ways of driving continuous improvement within which targets can play a role.</p> <p>We will work with local authorities and the Strategic Board to establish the most effective way of monitoring Business Gateway performance in a way which accounts for local needs and fits in with national strategic goals.</p> <p>We note the Committee's concerns about transparency regarding Business Gateway. We will work with local authorities to establish more effective ways of promoting transparency and displaying accountability, taking into account the Committee's recommendations and respecting local accountability and discretion.</p>
<p>115 (p. 34) The Committee recommends that local authority level Business Gateway targets are</p>	

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<p>published alongside an annual report to bring clarity and transparency to the local authority policy decisions behind these targets. It is vital that local circumstances are reflected as direct comparisons between local authorities will not always be appropriate. We do not want to create a 'league table' of performance but there is a clear need for improved transparency and accountability.</p>	
<p>131 (p.37) As with target and performance information we found a lack of transparency in relation to Business Gateway budgets. We find it unacceptable that financial information on Business Gateway is not recorded and published in a consistent manner across local authorities. We believe that each local authority should publish its spend on Business Gateway alongside what the focus and priorities are for that spend.</p>	<p>In the context of respecting local accountability and discretion, we will work with local authorities and Business Gateway to ensure there is adequate transparency and consistency regarding budgets and what is being prioritised in any spending.</p>
<p>132 (p.37) The Committee notes the variance in spend on Business Gateway services in different areas across the country. The spend has not increased in the last decade. We believe that the Business Gateway budget must be scrutinised; however, such scrutiny cannot be done in the absence of published information.</p>	
<p>133 (p.37) The Committee calls on the Scottish Government to update Local Financial Return Guidance to include how expenditure on</p>	

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<p>Business Gateway should be recorded and bring consistency to these statistics.</p>	
<p>134 (p.38) As outlined above, alongside target and performance information, the Committee recommends that Business Gateway spend should be published by each local authority in an annual report. This would allow regular scrutiny of the Business Gateway expenditure to ensure accountability and value for money.</p>	
<p>140 (p.39) The Committee recommends that alongside the regional breakdown of annual spend on Business Gateway services, additional services and programmes being funded through other money, such as ERDF, should also be quantified. The impact of the withdrawal of ERDF should be monitored and reflected in local authority budget decisions.</p>	<p>We recognise the significant contribution which European funding has made to business support programmes in Scotland and will continue to press the UK Government to ensure that all lost EU funding is replaced in full.</p>
<p>141 (p.39) We said in our conclusions on the inquiry on European Structural and Investment Funds that the current allocation to Scotland under ESIFs should be considered the baseline for future funding levels under the UK Shared Prosperity Fund. We re-iterate that recommendation here and highlight the importance of this funding in delivering local business support services.</p>	

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<p>166 (p. 44) The Committee recommends that the Business Gateway National Unit should implement a continual professional development programme to refresh training and up-skill staff.</p>	<p>We agree with these recommendations. Ensuring that business advisers across the public sector are able to share best practice and undertake common Continuing Professional Development is important. This CPD will start in the year ahead and ensure customers get the effective support required. Business Gateway advisors will be included in this work.</p>
<p>167 (p. 44) The Committee also recommends that the Business Gateway National Unit implements a forum for peer-to-peer learning and sharing of best practice between advisers. This would encourage further alignment and collaboration in line with recommendations set out above.</p>	
<p>175 (p.46) The Committee recommends that the Scottish Government, and relevant partners, develop a more collaborative and coordinated programme of activities to support and further develop a culture of enterprise in Scotland. In particular, the Committee would like to see activities where there is greater coordination and integration between those working at a national level (e.g. enterprise agencies) and a local level (e.g. local authority economic development). This recommendation should be considered within the context of our earlier recommendation for the Scottish Government to investigate the applicability of the Irish model in the Scottish context.</p>	<p>The development of the single-system approach amongst public sector partners is has significant potential to further improve the business support environment. This will co-ordinate product development, allow local and national activities to share information and allow for the shared digital entry point.</p> <p>More broadly we are continuing to work with public, private and third sector partners through Scotland CAN DO, a shared vision to make Scotland a world-leading entrepreneurial and innovative nation with wider benefits for all. Since its launch in 2014, the proportion of people actively trying to start a business has doubled and the Global Entrepreneurship Development Index (GEDI) ranks Scotland as having the 5<sup>th</sup> most effective business support environment in the world. This is above the rest of the UK and improves on our 2013 ranking of 13<sup>th</sup>. <i>Entrepreneurial Scotland</i> are leading efforts to develop the CAN DO approach further, seeking to inspire more people from all walks of life to create, lead and grow successful businesses and exploring the most effective way to link individuals and organisations to network of support for entrepreneurship and innovation in Scotland.</p>

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<p>196 (p.50) There are good examples of initiatives being undertaken by Business Gateway, and others, to address under-representation. However, the approach to mainstreaming equalities across the service must be improved. The Committee recommends that specific modules on diversity are included in the Premier Adviser Training Programme.</p>	<p>We are committed to ensuring that enterprise is seen as a valid and viable option for all. This includes continuing our efforts to better serve the needs of women and ethnic minorities. It is important that enterprise and skills partners, including Business Gateway, work together to ensure advisers are adequately trained to do so and such shared CPD will be evidence driven.</p>
<p>197 (pp. 50-1) The Committee recommends that a strategic approach to targeting and measuring engagement with under-represented groups is required. The indicators needed to monitor inclusivity should also be reviewed. The Committee asks the Scottish Government for clarity on how this will be achieved.</p>	<p>We will work with agency and local authority partners to ensure a consistent and appropriate approach is developed on this issue.</p>
<p>199 (p. 51) The Committee recommends that the enterprise agencies should work with Business Gateway to develop campaigns designed to engage people from under-represented groups in the business support system.</p>	<p>We agree that it is important to engage people from under-represented groups in business and are undertaking work with the enterprise agencies and Business Gateway to improve how the business support system engages women and minority ethnic groups.</p>
<p>200 (p. 51) The Committee recommends that the Scottish Government creates a National Head of Women in Business to coordinate national policy and work towards the establishment of a</p>	<p>The 'Women In Enterprise Action Group' is chaired by the Minister for Business and is committed to developing the concept of a 'women's business centre' in the context of the Scottish business support ecosystem.</p>

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National Women's Centre for Business.	
<p>201 (p. 51)  The Committee recommends that in future work undertaken to streamline pipeline support, emphasis is placed on improving representation among companies receiving public support.</p>	<p>We will continue to work with Business Gateway and the enterprise agencies to ensure that there is effective representation of diverse groups among businesses receiving public support.</p>
<p>202 (p. 51)  The Committee highlights its previous recommendation in its Gender Pay Gap inquiry report that: <i>The Committee asks the Scottish Government and its agencies to review the funding streams available to new and existing female entrepreneurs. Of particular concern to the Committee is the suggestion that male entrepreneurs are more successful in accessing capital than females. It is important to establish whether this has been the experience of female-owned account managed companies and Business Gateway clients, and recommends that Scottish Government and its agencies undertake research in this area.</i></p>	<p>Access to finance is an important consideration in tackling the gender gap in enterprise. Research being undertaken by Professor Sara Carter in the Women In Enterprise Action Group will highlight and recommend how this issue might be alleviated. We will share such findings with all business support partners.</p>
<p>203 (p. 51)  The Committee seeks clarification from the Scottish Government on what work is being undertaken throughout the education system and within the Curriculum for Excellence and</p>	<p>We are working with Education Scotland, Young Enterprise Scotland and other partners through Scotland's Enterprising Schools, an e-platform which supports teaching professionals to confidently embed enterprise within the Curriculum for Excellence. This platform highlights the benefits of entrepreneurial learning in schools</p>

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<p>by Youth Enterprise Scotland to encourage entrepreneurship. The Committee also requests further information on the impact that this is having.</p>	<p>and provides links to resources and providers. While it is too early to see the full impact of this work which started in 2015, there are encouraging indicators: the early-stage entrepreneurial activity rate for young people is at a high and matches that of people over 30 with our youngest entrepreneurs, aged 18 to 24, leading other UK nations and approaching the top quartile of other innovation-driven economies.</p>
<p>211 (p.53) As set out previously, the Committee notes the alignment and collaboration achieved between both local and national levels in the Irish model and asks the Scottish Government to investigate how this can be replicated in Scotland to address the issues outlined in this section of the report.</p>	<p>We note the Committee’s observations regarding the Irish model and will assess any potential lessons which can be applied to enterprise support in Scotland.</p>
<p>219 (p.55) As set out above, the Committee believes that the accountability issues around Business Gateway as a national programme funded by the Scottish Government are unacceptable. We ask the Scottish Government to clarify the accountability structure for Business Gateway. Here we reference the questions raised by the FSB in evidence: <i>One of the ultimate questions that has come up consistently about delivery is this: if we believe that there is inconsistency and that we are not, in an area, getting the service that we think we should be getting, who do I go to about that? Who do I speak to in COSLA? What will it do? What is the Scottish Government going to do? Is the local authority</i></p>	<p>We recognise that there are valid structural issues to be considered as we develop the single-system approach with Business Gateway as a core partner. That is why we are committed to co-producing with Cosla and others real improvements that ensure the needs of the customer are central.</p>

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<p><i>going to do something? The sanctions for failure to meet contract are completely unclear to me.</i></p>	
<p>221 (p.55) The Committee recommends that the Business Gateway Stakeholder Group is re-established to encourage collaboration and wider alignment discussed earlier in the report</p>	<p>As noted the development of the single-system approach puts evidence and customer insight at the heart of all decision making on improvement. Agencies and Business Gateway are committed to this approach.</p>
<p>228 (p.58) The Committee recognises the benefits of stakeholder collaboration and regional centres of entrepreneurship. We believe that local Business Gateway offices should look for opportunities to improve collaboration with stakeholders, be it through co-location or other means, and learn lessons from best practice models. Again, this would encourage the alignment that is needed in the delivery of support to businesses across the country.</p>	<p>The Enterprise and Skills Review has a collaborative focus with the potential for productive links to be made through developing Regional Economic Partnerships enabled by City Region and other Regional Growth Deals.</p>

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