



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 22 January 2025

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

3rd Meeting 2025, Session 6

CONVENER

*Colin Smyth (South Scotland) (Lab)

DEPUTY CONVENER

*Michelle Thomson (Falkirk East) (SNP)

COMMITTEE MEMBERS

- *Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
- *Murdo Fraser (Mid Scotland and Fife) (Con)
- *Jamie Halcro Johnston (Highlands and Islands) (Con)
- *Daniel Johnson (Edinburgh Southern) (Lab)
- *Gordon MacDonald (Edinburgh Pentlands) (SNP)
- *Lorna Slater (Lothian) (Green)
- *Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Carolyn Currie (Women's Enterprise Scotland)
- Vikki Manson (Federation of Small Businesses)
- Duncan Thorp (Social Enterprise Scotland)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament
Economy and Fair Work
Committee

Wednesday 22 January 2025

[The Convener opened the meeting at 09:00]

Decision on Taking Business in
Private

The Convener (Colin Smyth): Good morning, everyone, and welcome to the third meeting in 2025 of the Economy and Fair Work Committee.

The first item of business is a decision on whether to take item 4 in private. Are members content to take that item in private?

Members indicated agreement.

City Region
and Regional Growth Deals

09:00

The Convener: Our next item of business is the penultimate session in our inquiry into city region and regional growth deals. I am delighted to welcome our panel: Carolyn Currie, chief executive, Women's Enterprise Scotland; Vikki Manson, deputy head of policy for Scotland, Federation of Small Businesses; and Duncan Thorp, policy and public affairs manager, Social Enterprise Scotland. As always, I appeal to members and witnesses to keep questions and answers as concise as possible, although I will probably break that rule straight away.

My first question, though, is straightforward, and it is about setting the scene. How have your organisations and members been involved with city and regional growth deals? In particular, how were your organisations or members involved at the start of the process in identifying projects that have benefited from growth deals? Also, what has been your involvement, if any, since the growth deals were originally agreed? As I have said, that is a very straightforward, simple question to kick off with.

Carolyn Currie (Women's Enterprise Scotland): I have a very short answer to it: involvement has simply not happened. Our organisation has not been proactively contacted about the deals or been involved in the majority of the work. Our members have very low awareness of the deals, and any contact or involvement has been minimal.

The Convener: Have you or your members been in touch with the growth deal teams at all?

Carolyn Currie: In one instance, yes. We hoped that some positive work that would have made a difference was going to materialise as a result, but unfortunately that has not been progressed. That is fairly characteristic.

The Convener: Vikki or Duncan, would you like to come in?

Vikki Manson (Federation of Small Businesses): It is a bit of a mixed bag. I am not sure whether committee members are aware of this, but we have three development managers in the Federation of Small Businesses, and one of our development managers sits on the regional enterprise council—the REC. He has had quite a lot of involvement in scrutinising the joint committee on the Edinburgh deal. We have had a little bit of engagement with our development manager on the Moray deal, and he has had quite a lot of input. The perspective of our members is

that a lot of them are not aware of the deals and have not had a lot of involvement, especially at their inception, so, as I have said, it is a bit of a mixed bag.

The Convener: A number of colleagues will probably ask about the projects that have been set up as the deals have gone through, but what you are saying is that, right at the start, there was no involvement of your members.

Duncan Thorp (Social Enterprise Scotland): The situation is similar for us—the best way to say it is that it is a mixed picture. There are some good case studies of members getting involved on the ground, but a lot of the time, there was a lack of awareness of how to get involved, the opportunities that were available and that kind of thing. There are some good examples, too, though. Again, it is a very mixed picture.

The Convener: Can you give us any examples of members who have been involved?

Duncan Thorp: I can give you some good examples to start with. Edinburgh Social Enterprise Network was quite closely involved with various mechanisms and forums as part of the Edinburgh city region deal. The network gave us good feedback about opportunities for members—procurement opportunities and so on. That is a good example, but there are others that are less good.

Daniel Johnson (Edinburgh Southern) (Lab): I have a brief supplementary question about the flip side of that. If the deals were not talking to you, who were they talking to? You can base your answer on fact or on your sense of and feelings about dialogue. Were they talking to other big organisations or to Government?

Carolyn Currie: If we look at the shape of all the deals, there is no doubting the ambition for them and the innovation that people are seeking to deliver. However, in pursuit of that, they may have talked to larger industries without much of that filtering through to the smaller businesses—certainly the smaller businesses that we work with would say that; indeed, I think that the larger ones would, too. There has also been a focus on particular industry sectors that are not those in which women are well represented, which means that there is less opportunity for our members. There has been perhaps a narrow focus on economic development, and much less focus on the inclusive growth aspect of that economic development.

Vikki Manson: I echo what Carolyn Currie has said. Small businesses feel that the engagement has been with larger businesses. There have been sessions with the community to understand what they want, but there is a gap with regard to small businesses.

Duncan Thorp: We take a similar view. I assume that the main engagement focus for the city region deals has been on big public sector organisations and big businesses.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Can you expand on that? I am looking at the evidence that we received from the supplier development programme, which 23,000 people have registered with. The Edinburgh and south-east Scotland regional deal had 1,400 people attending a meet the buyer event. In your submission, Vikki, you say:

“We recently obtained data which shows incredibly encouraging procurement figures for one of the CRDs. The deal in question shows that local spend averaged at 75.2%.”

I know that you said that there is a mixed picture, but where is the good practice? Is it specific to certain areas?

Vikki Manson: Our development manager procured that data just prior to my submitting our consultation response. It is an exceptional example of local supply chains being used in one of the deals. Good things are definitely happening as the deals progress. In terms of measuring success, there has been a lot of progress and that has led to smaller businesses becoming more heavily involved in the supply chain. It is encouraging to see that happening in some of the deals; lessons are being learned, and it is definitely not all doom and gloom. When I referred to small businesses not being involved, that was more at the inception of the deals. As the deals progress, there is more of a focus on small businesses—not in all the deals, but in some.

Gordon MacDonald: Can you say which deal that 75 per cent figure that you have given relates to? Do you have numbers for all 10 deals that are currently up and running?

Vikki Manson: That figure is specific to the Edinburgh deal and came from the benefits realisation programme. I did my own bit of research and looked at a selection of deals ahead of today’s meeting. Unfortunately, many deals do not give procurement figures, but I know that the Scottish Government has put measures in place to look at obliging everyone to report them in future, which is something that we hope would happen. That would be only a positive thing, as it would allow us to start to really understand how many small businesses are involved in the local supply chain.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning. I want to broaden the discussion out a little bit. The city deals were intended to deliver economic growth and provide a broader economic opportunity, but there is also an issue with the extent to which the businesses that you

represent were able to benefit directly from the on-going work. Can you give me some reflections on that?

You have all suggested that, whether it be in relation to small businesses or women, no direct opportunities have been coming through from the city deals. How do you see the broader advantages of what is being delivered? For example, infrastructure projects are part of a lot of the city deals, and clearly they will have a broader economic impact that will benefit business.

Carolyn Currie: Perhaps I can give a general overview to set out some context.

The deals absolutely demonstrate a commitment to inclusive economic growth, which is my area of expertise; indeed, most of them reference inclusive economic growth in their deal literature. Some are considering, or are starting to consider, how women's economic needs can be better met, for example through skills development. However, the majority of deals do not refer to women.

There are some projects that target women. Good examples would be the West Lothian woodworking initiative in collaboration with Equate Scotland, and the Clackmannanshire inclusive skills ecosystem, which will target women and people with a disability. Moreover, the Moray early years science, technology, engineering and mathematics project will, as I infer it, focus on girls.

However, there are evident challenges with delivery. Despite that statement about the alignment with inclusive growth, progress has been very uneven across all the regions. The challenges include very limited measurable outcomes and very limited balancing of economic growth with objectives for women, who are, of course, a majority population group.

Some deals clearly prioritise inclusive growth for women, but others lack the clear measurable commitment to addressing gender disparities. Moreover, a majority of deals lack robust mechanisms to ensure that benefits reach women, which risks the focus being on only headline economic growth rather than broader inclusion.

There is also variability in how inclusive growth is monitored. Only 17 per cent of deals actually defined inclusive growth, zero per cent had an inclusive growth budget, and only 8 per cent set a target in any shape or form for inclusive growth. There is scope for a lot of improvement.

In addition, a recurring issue is the absence of gender disaggregated data to assess the impacts of growth deal projects on women. Without robust monitoring and evaluation frameworks, it is very difficult to evidence success or identify areas

where additional intervention is needed. Improved reporting frameworks are an area that requires to be focused on if we are to track progress effectively and make adjustments where they might be needed.

I will also highlight that women remain underrepresented in the leadership and decision-making process of the deals. That gap risks overlooking women's voices and priorities in shaping the initiatives—again, with implications for impactful inclusive growth delivery.

As I have mentioned, there is a noted focus on high-growth sectors such as technology, advanced manufacturing, and renewable energy. Obviously that is great for innovation, but unfortunately, many might unintentionally exclude women. They are markedly underrepresented in those industries, and broader strategies are required to upskill women and support their transition into those fields in order to achieve the inclusive growth ambitions in those deals.

I hope that that gives some context.

09:15

Vikki Manson: There are definitely wider economic benefits. One of the main comments that came back to me when I was preparing for today's meeting was on the flexibility of deals when it comes to potential future changes. When a lot of the deals were created, certain new key priorities had not emerged, such as community wealth building and sustainability, and the deals were not built in such a way that they had the necessary flexibility to incorporate them. We need to look at the deals on the understanding that other things might emerge in the future, so that we can ensure that they have the required flexibility.

One example of that is the closure of the Grangemouth refinery. The comment that I was given was that the industry and Petroineos had been sending signals for a while but those signals were not recognised by Government. The closure of the refinery will derail some of the key components of that deal, as £10 million had been allocated for the 10-year future energy-related projects that aim to support the Grangemouth economy. Obviously, that support will need to go much wider now, so we definitely need to think about how we incorporate a bit of flexibility into the deals with regard to other economic issues that might arise.

Duncan Thorp: It is fair to point out that the big infrastructure projects that involve job creation and so on benefit all of us—the whole of Scotland and its economy. Obviously, those impacts are direct and indirect. There were a number of contract opportunities for some of our members in some parts of Scotland, but I would say—and I am trying

not to be too negative here—that they were quite limited, particularly for small businesses and organisations. There might simply be a need for awareness raising and for certain mechanisms to be put in place, but I think that, next time around, and as we continue the current city region deals, there are a lot of opportunities to improve things. As has been mentioned, things have improved as the deals have gone along, and there have been lots of learning points.

As Vikki Manson has said, community wealth building and so on are fairly new things compared with the city region deals, and they involve other economic tools that must be levered into the existing deals. That is another challenge. Going forward, we need to open those opportunities up more widely to more types of business—smaller businesses, smaller organisations and small social enterprises.

Murdo Fraser: I have a follow-up question—perhaps you can answer in reverse order, starting with Duncan Thorp. On the selection of projects in each city deal and how those were chosen, if we were doing this again, how would you set up the deals differently to try to address some of the concerns that you have raised?

Duncan Thorp: I would start earlier by consulting people before anything was set up. That is a general good rule of thumb for any project.

Murdo Fraser: Did that not happen? I remember lots of conversations taking place around city deals and people making bids for their projects.

Duncan Thorp: That is a fair point, but it depends who is being spoken to. Is it just the big public and private sector organisations? Are small organisations being involved? I am sure that they were involved in some cases, but a lot of our members are small social enterprises and community-based organisations that do not necessarily have the capacity or time to engage very well, so they need to be told quite early on in processes, before anything is set up, that there might be opportunities.

Vikki Manson: I echo a lot of what Duncan Thorp has said. There should be earlier and more meaningful engagement with small businesses—we do not understand exactly who the engagement was targeted towards at the inception of the deals. I know that the FSB bangs on about this all the time, but the burden of the day-to-day running of small businesses overtakes everything else for those involved in them. There has to be a creative way of engaging with those businesses, because they will not be out there horizon scanning and looking for different things that are happening. As I said, a lot of them had no

awareness of the deals, and I think that, even today, if you asked a lot of our small business members whether they know what a city deal is, they would not be able to answer that question, so there definitely needs to be more targeted engagement with the small business community.

Carolyn Currie: There should be more targeting, full stop. If you are setting out to accelerate inclusive economic growth, as the deals aim to do, it is essential that you define what you are trying to achieve. The majority of deals that I have looked at simply do not define inclusive economic growth. There needs to be clear targeting. Inclusive economic growth might mean different things to different communities, which might identify different needs.

From my perspective, and from that of the members and businesses I work with, women are the majority group in the population, so I would expect every city deal or regional deal to have some sort of target or ambition for women in the economy, particularly given the status quo. The gender pay gap in Scotland is widening, and the number of established women-led businesses is declining.

The city growth deals are mechanisms that could make a substantive difference to equality and inclusive growth in Scotland. At the moment, they are at serious risk of not delivering, but there is an opportunity. We should not underestimate the ambition to make a difference. At the moment, however, that ambition is disconnected from the delivery, and the delivery is suboptimal.

The Convener: Michelle Thomson has a supplementary question.

Michelle Thomson (Falkirk East) (SNP): All of you have spoken compellingly, particularly Carolyn Currie, in setting out the context vis-à-vis women. I will lay down a gentle challenge to all three of you. Given your understanding of your respective roles and how the potential for inclusive economic growth could be increased, what have you proactively done to draw the attention of particular targeted city and region deals to your existence and to your compelling messages?

Carolyn Currie: Thanks for that really good question. To set the context for our operation, we are a small not-for-profit community interest company, and simply keeping the lights on is a major challenge for us in this economy and context. Although our lights are still on, our colleague organisations in Wales have closed due to funding issues, as has one of our colleague organisations in England, which now operates only internationally and no longer in the United Kingdom, due to a lack of accessible funding. Our capacity to be involved and to constantly scan the horizon is severely limited.

Bearing that in mind, however, we proactively engaged with one deal. As an organisation, we have a vision for women's business centres according to a local regional model that would, potentially, align very well with the city region deals and which has delivered a lot of growth in the United States and Canada. In engaging with one of the deals on our vision to establish a women's business centre, we ran an extensive consultation with scores of women business owners, who told us exactly the difference that such an initiative would make to their day-to-day lives and their economic opportunities. As a result, we have a blueprint for that model and we have evidence of the benefits and the growth that it would bring. However, that initiative has not been progressed since the consultation; it has been set to the side through the city region growth deals and other mechanisms such as the UK shared prosperity fund.

That experience is consistent with the experiences of our colleague organisations across the UK. We used to be able to access some of the European funds. The new routes to develop and deliver funding are not reaching organisations such as ours, and that is a serious failure of the aim to fund through local regions. It is not just the initiatives that are not getting through; the routes for organisations such as ours are also failing.

Michelle Thomson: You have taken another opportunity to put further commentary very effectively on the record. On the point that I asked about, aside from capacity—which, of course, is linked to funding—is there more that you feel you could have done if all things had been equal? I ask that because many of our evidence sessions are starting to feel like groundhog day for me, as we hear similar messages, and there is a commonly held understanding at the front of people's heads that we need to do this, but something always seems to happen. That means that key groupings—not just women in business but small and medium-sized enterprises—are not necessarily thought of in the way that they should have been thought of. Is it simply an issue of capacity and funding, or is it more systemic?

Carolyn Currie: You have to have capacity in order to deliver, so capacity is definitely a key point. It is, indeed, a systemic issue. It is no coincidence that two of the biggest funding streams available are simply not delivering for women: the UK shared prosperity fund and the city region growth deals. As I said in my evidence, we simply do not think about inclusive economic growth as a core objective when we set up economic development initiatives. Despite the good, clear intentions in the narratives and in the policy—I am sure that we all share an ambition for the proposals to happen—that policy is not being enacted because nobody is making inclusive

economic growth a target or a set of measures with a distinct budget. There are serious structural inequalities in our economic development system that have still not been overcome.

Michelle Thomson: I would like to bring in Vikki Manson and Duncan Thorp on that point and on my earlier challenge as to what they have proactively done, knowing what they know about the challenges.

Vikki Manson: As I am sure most of you are aware, we are quite a small team in Scotland. We have three development managers, who do a lot of work in their regions. We deliver a lot of networking events across Scotland, which provide a really good opportunity for us to engage with our members and prospective members. We held an event in Edinburgh yesterday, and more than 90 people were in attendance. As I say, those are opportunities for us to speak to our members.

Our development managers are instrumental in communicating opportunities for small businesses, and they do a fantastic job. We try to engage with our members across consultation responses, but it is difficult to get small businesses on board and to get them to understand what is being asked, because of their capacity.

Michelle Thomson: If you do not mind, I will make the same point again. In response to my question, you have described all the good work that you are doing with your membership organisations in pushing outwards, but my challenge is for you to say what, having identified and become aware of the city region deals that are under way in various locations, you have proactively done, on behalf of your members, in relation to those deals. That is my question.

Vikki Manson: Our development managers will be part of quite a few different groups, as I have said. Our development manager for the east of Scotland sits as the chair of the regional enterprise council for the Edinburgh deal, and he brings forward our members' views in that capacity. Our Aberdeen and Highlands development manager has fed into the Moray regional deal, and our other development manager, for Glasgow and the south of Scotland, has had input into the Falkirk and Grangemouth deal.

Michelle Thomson: Given that, and your earlier commentary about how you do not feel that the perspective of SMEs is understood—you have given various examples—what, then, is the issue? Has there been an issue with how representation has been given? Indeed, you have clarified that for me—thank you. Have SMEs not been listened to? Is it more complex than that?

Vikki Manson: There is probably a mixture of reasons. The key issue has probably been that the initiative has been a little too late. In the inception

and creation of the deals, input has not been sought from small business representatives. It is only as the deals have progressed and grown that that input has been given.

Duncan Thorp: That question is definitely a fair one. I will give a similar response, in the sense that we are a small team, too. We have limited capacity to engage, and there is a lot out there to engage with, given that there are a lot of economic initiatives. City region deals are very important, as is community wealth building. There is a range of things for us to engage with, so we have to pick and choose what we engage with.

Our organisation's engagement with city region deals has been quite limited and not very active, to be honest. It is more our members and our local networks that have engaged directly with the deals in their areas. I am happy to be honest and say that, as a national organisation, we would happily engage more with city region deals, but within the limit that has been identified—the capacity issue. We are national bodies, but we are small organisations in terms of staff numbers and so on, and there are a lot of different but overlapping economic initiatives out there.

09:30

The Convener: Kevin Stewart has a supplementary question.

Kevin Stewart (Aberdeen Central) (SNP): My question is about governance. Vikki Manson pointed out that one of her managers chairs the regional enterprise council, but the governance of city region deals differs across the board. There is a weird and wonderful picture out there. Glasgow has a cabinet of elected members, whereas, in my patch in the north-east, there is a mixture of elected members and business folk. Are any of your members involved in the top layer of governance of city region deals?

Vikki Manson: I can ask my development managers to feed that information back to us, but I am not aware that anyone has been involved at that level.

As I said, I looked at a selection of city region and regional growth deals in preparation for today's meeting, and I agree that there are many different governance structures. A lot of work is going on and there will be reviews of governance in the year ahead, but that is still an issue.

Carolyn Currie: To my knowledge, none of our members is involved at that level. I am 99 per cent certain about that. We have not formally asked the question, but I am virtually certain that that is the case. It is certainly true that, when we cast an eye over the gender balance of the governance, we see that there is an imbalance.

Kevin Stewart: I will come back to that point in a second, but does Duncan Thorp want to respond to the question?

Duncan Thorp: It is highly unlikely that our members are involved in that way. There is lots of engagement, but not at that level.

Kevin Stewart: Let us look at the gender aspect. I will not say what I have looked at but, given what you have looked at, what is the split between men and women in the upper echelons?

Carolyn Currie: I have not analysed every governance structure. I just do not have the capacity to do that. However, I have looked at the most recent reports that have come out and spoken to our members, and the lack of engagement shines through as an area that requires improvement. A majority of the latest reports on the deals contain no reference to women whatsoever in their summations.

Good governance involves exchanging best practice, but there does not seem to be an awful lot of cross-deal collaboration, sharing and learning. In the interest of inclusive economic growth, it would be valuable for governance to bring those activities to bear across the deals. A more standardised—I cannot think of a better word—approach to governance might help to unlock wider benefits through the sharing of best practice. Given that the current structures and challenges are preventing the acceleration of inclusive economic growth through the deals, the sharing of best practice would be a really good approach to help to make a difference.

Kevin Stewart: I am going to correct you, because it isnae "Mohray"; it is "Murray". A couple of you have mentioned that there seems to be much more engagement with the Moray set-up. Is that because it is a smaller deal that is based in a smaller area? I know that that is a difficult question to answer. You are smiling, Vikki, so will you have a stab at answering it?

Vikki Manson: I spoke about that with our development manager, who has had a lot of involvement with that deal. There probably is an element of it being easier to establish relationships in a smaller geographical area. He said that there were much better, integrated conversations going on across a lot of different organisations, local authorities and the Government on the Moray deal—Mohray?

Kevin Stewart: Murray. [*Laughter.*]

Vikki Manson: Murray—I am from Aberdeen, so I should know that.

Our development manager spoke about a project in the Moray deal that had collapsed. He said that three big workshops were organised and that a lot of people were involved, with a lot of

relationships built through that. The size of the area was definitely an element in that regard—I do not know that it was the main reason, but it certainly contributed to it.

Kevin Stewart: I am going to set you a challenge. The Argyll and Bute deal has just come into play. What will you and your organisations do differently to try to influence that deal for the benefit of your members and for inclusive growth?

Duncan Thorp: Again, that is a fair question. For Social Enterprise Scotland, it is about empowering local members to do that. We are a national organisation but, at a regional and local level, we empower members and give them the right information to seek to engage with those processes, as we always do. That would certainly be our approach.

It is also about giving people the capacity to engage with those processes. I am not saying that they will not engage, but there is an issue in that they are already running their organisations and businesses—that is their day job. In order to enable them to get involved with various policy initiatives—as I mentioned, there are many of those, of which community wealth building is the latest—we will give them information and empower them, and help them to engage, but it will be up to them to do that at a local and regional level.

Vikki Manson: My answer is similar to Duncan Thorp's. We now have the benefit of hindsight from other deals to understand why things have gone wrong, so we are looking at how we can improve our engagement and deliver that messaging and information to members. Getting in there a little bit earlier is also important. The FSB, too, has a challenge with capacity—we have one person who deals with the whole of the south and west of Scotland. Therefore, the onus is on our members a little bit to engage with the process. We can provide them with information, but the issue is whether they have the capacity and the drive to follow up.

Kevin Stewart: But surely there is a massive opportunity to help to shape the future of city region deals mark 2.

Vikki Manson: Absolutely, and there is a great opportunity to use the lessons from other deals to improve the engagement process.

Carolyn Currie: Women's Enterprise Scotland started an initiative in the isles and Argyll last year. Sadly, it has not been re-funded, but, as a result of the work that we did, there is a small informal community of women who have started up a business and are seeking to grow it. Our aim would be to work with some of those fledgling businesses and other organisations that are based in Argyll—Inspiralba is a good example—to try to

build relationships through which we could highlight our concerns. The Argyll deal is one of those that does not currently mention women at all, so we hope that—even just from today—that message might get through and open up the opportunity for dialogue.

For context, however, it is difficult for us to do more, given our capacity. There is a massive appetite among the businesses with which we work, and in our organisation, to do more, but keeping the lights on day to day is a massive challenge. We are trying to be strategic and find the capacity to get some messages out, but, in reality, that is a day-to-day challenge.

Kevin Stewart: I get the points that you have made about funding and keeping the lights on, but do you think that mentioning that overly much actually sends the wrong message to other organisations in the city region deal areas with regard to whether they should be involved? I am playing devil's advocate.

Carolyn Currie: I understand exactly what you are saying, and I think that it is sometimes interpreted like that. In fact, this is the first time that I have come to the committee with that particular message, because it is so bad and so brutal out there.

We are all aware of the economic challenges. We are trying to deliver inclusive economic growth in the current economy—we have an ambition for that and it has never been needed more. However, if I sit before the committee today and do not highlight the reality of our position, and the position of organisations like ours, we are in danger of saying, "Yes—we'll put resource into this and do all we can to make it a success", when the reality is that we simply cannot commit in that way with our current funding.

That is the point that I am trying to make. I do not think that anybody doubts that there is a collective ambition to make a difference and to focus first on inclusive economic growth, but we are here to talk about the reality, and that is currently an important part of the day-to-day reality.

The Convener: Are the challenges unique to city region and regional growth deals, or do you encounter such challenges every time in respect of initiatives coming either from Government or from local councils? There are so many funds out there, including levelling up funding, and regeneration funds from the Scottish Government—there is a host of initiatives. Are the issues unique to city region and regional growth deals, or do you face more or less the same issues with all those initiatives?

I will wait to hear what you say about that before I come back with my second question. Duncan, you had your hand up—do you want to start?

Duncan Thorp: Yes—to be honest, that is one of the crucial issues. The bigger picture is that there is a lack of integration and co-ordination among the various economic initiatives. As I have said repeatedly, there are a lot of them out there. There is the national strategy for economic transformation, community wealth building and the city region and regional growth deals. That is one of the issues at the national, regional and local levels. For a small organisation, social enterprise or business that is doing its day job, it is extremely difficult to engage with all those initiatives, even though they might want to do so. They are, by default, part of the process and landscape of economic growth, creating jobs and so on. However, it is difficult for them to engage with the processes.

The Convener: I do not want to put words into anyone's mouth, but is the solution, therefore, not so much engaging on the initiatives as engaging with the organisations? In that way, when they come to develop levelling up fund bids or growth deals, they will know what you want before they get to that point. They do not have to consult on every single bid—it is about consulting before they get to that point, and that is what helps to drive things forward. Is that the case?

Duncan Thorp: I think so, but it is the bodies themselves that are initiating those things—local authorities, for example need to co-ordinate better on what they are doing before they go to organisations. That is the what is needed, rather than just launching another thing. Initiatives are good and positive: we are immersed in community wealth building, and we love it—it is great. Nonetheless, it is just one of many things, and the bodies need to co-ordinate better before they go out to speak to organisations such as ours.

Vikki Manson: I would echo what Duncan Thorp said about that being a wider issue, for sure. If you went to our small businesses and asked them about a particular deal or consultation, they probably would not understand. There are some that are excellent and are reaching out, and know how to access everything that they need. However, I think that microbusinesses, for instance, would struggle to understand where to access information. A lot of the landscape is quite overwhelming—the funding is not all in one pot, so there is not a one-stop shop where they can go to find what they need.

I know that we have spoken about this before, but I reiterate that the burden of regulation on small businesses is massive, and it is an on-going issue for them. When I speak to some of our members, they say that there might be three or

four regulations coming at them from different areas. Again, it is really difficult for them to understand exactly what it is that they need to do or change, or how they need to prepare.

The FSB's most recent survey, in 2023, looked at the administrative burden on small businesses and found that they spent the equivalent of one working day per week on administrative tasks. We have another survey coming out this year that will look at the issue again and go into a bit more depth to understand where the issues are and how we can reach businesses. We are constantly mulling over the questions how we reach them and get the information to them, and how we can make the process easier for them, but we have not yet found the exact answers.

The Convener: When I was the chair of an economy committee on a council it was the usual people who came to all our consultation meetings and it was difficult to reach the thousands of other businesses out there. There is a challenge in trying to reach the organisations that are making some of the decisions.

Carolyn Currie, do you want to come in?

09:45

Carolyn Currie: Engagement right at the start is a win-win. It is good to have expert input right at the start, which also builds awareness for us so that we can activate awareness plans. That would be a constructive change that would certainly make a difference.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I was going to ask some questions about cohesion, but what we have heard so far is making me rethink that.

Duncan Thorp spoke about lack of co-ordination among the various layers, initiatives, projects and programmes. Give me a flavour: do the three of you feel as if you are on the outside of the growth deals, looking in? I think that you are going to say yes to that, but I want to probe why that is and why it is taking you so long to get inside.

Duncan Thorp: In a sense, we are on the outside. We are policy people and are immersed in the same policy initiatives as you. We are part of steering groups and I feel that we are listened to and regularly consulted. That is less true of the city region deals; we are not immersed in those in the way that we are immersed in community wealth building.

Willie Coffey: Do you want to be, or were you invited to be?

Duncan Thorp: Where we have capacity, we want to engage because there are massive opportunities for our members. That is largely

about empowering members to do that for themselves at a local or regional level, which is really important. We certainly see the opportunities.

Willie Coffey: Are any of you on any of the regional growth deal boards? Do you have a seat at the table and if not, why not? Have you pushed the door open to ask for a seat at the table? Have you tried and been rejected or have you not asked? What is the position?

Duncan Thorp: Edinburgh Social Enterprise Network has been involved in the Edinburgh city region deal, which is a good example.

Vikki Manson: As I said, one of our development managers sits on the REC for Edinburgh, but there is probably more that we could do. It varies from deal to deal, depending on what stage they are at in their timeline.

Willie Coffey: Carolyn, are you a member of any of the growth deal boards in any shape or form?

Carolyn Currie: The picture is similar for us. We targeted one deal and tried to engage, but that just did not work out or come to fruition. We definitely have an aspiration to be involved, to help and to be engaged, because it would be massively beneficial for our members, but also for the regions.

It is tricky because the issue keeps recurring and is part of the reality of structural inequality in Scotland. It is often not intentional, but we approach economic development in a particular way. Everyone is keen to innovate and to make a difference to their local area, but inclusive growth, and gender equality in particular, get missed from the focus on making a difference. We forget about embedding inclusive economic growth as we shape things. I do not believe that that is intentional, but it happens repeatedly.

Willie Coffey: I will give an example. I do not know whether you have any association with the Ayrshire growth deal, but one of the most successful components of that deal has been the Halo project, which was conceived and has been delivered for many years by a friend of mine, Marie Macklin. The project web page does not say anything about women, but it does not mention men, either. It is an absolutely brilliant, first-class project. What could or should that project have been if it had thought about inclusive growth from a women's perspective? It might be unfair to ask you that if you do not know the project, but what could have been done differently?

Carolyn Currie: The Halo project is an absolutely amazing initiative. The web page might not mention women, but Marie Macklin and I have

spoken about the potential for a women's business centre there.

Halo is amazing because it embodies community wealth building and inclusive economic growth. The project consulted the community and women in that community, and although it might not say "women's business centre" on the door, it is open to dialogue and we share an ambition to make that happen. It was a seminal moment in my life when I walked through the door when Halo was first built.

That is the great difference that inclusive economic growth—in fact, all economic growth—can make, because those buildings and new places inspire a much wider desire to make a difference, which is what Halo did for me. It might have taken 14 years and a lot of work behind the scenes for Marie to deliver that amazing initiative, which is changing and transforming lives, but it is possible to do that. I hope to do something that is similar in many ways, but for women as a targeted part of the population, and Halo gives me hope that that can happen.

Willie Coffey: That is a really positive message.

Carolyn Currie: It is important to say that that is also sustainable. We sometimes question the sustainability of initiatives because the business plan is slightly different to what we might be used to. There was a big dream for that building and it is already sustainable because businesses and others in the community bought into the idea and supported it. There is incredible learning there for everyone.

Willie Coffey: Going to the Halo project was a seminal moment in my life too, because it occupies the site of the former Johnnie Walker plant in Kilmarnock and a phoenix has risen from those ashes.

Is the dynamic that happened at Halo missing from some of the other growth deals, and do you hope to see that sort of thinking being transferred to the development of growth deals elsewhere?

Carolyn Currie: I do not think that aspiration is missing, but it has fallen off the table for some, although it is absolutely evident in others. It was clear that West Lothian had a real desire to focus on women and on skills transformation, as do the deals in Clackmannanshire and Moray, where the science, technology, engineering and mathematics initiative is absolutely amazing. There is evidence that the desire exists—I suspect that that desire is alive around this table—but it has not yet found the mechanism or scope to appear in solid form in the deals. That is why we are all here today to try to learn and to make a difference.

Willie Coffey: I have a final question. You spoke about bigger and smaller projects. The

growth deals have tended to focus on big engineering or infrastructure projects and have, perhaps by implication, excluded smaller and more localised businesses. Is that gap being bridged at all, or should it be bridged much better? Do we need economic osmosis to allow smaller businesses and enterprises to gain from growth deal investment? There is a total of £3 billion that must be spent wisely. Do you want to see a downward spread of the benefits from growth deal investment?

Duncan Thorp: It is understandable that we are investing a big chunk of money in big infrastructure projects because they are really important and benefit us all, but spending small amounts of money on small community-based organisations has huge economic and social impacts. If more of the large amount of money that you just mentioned went to small community-based organisations, as well as to those infrastructure projects, that would have huge economic impact.

Willie Coffey: Are you talking about direct, rather than spin-off, investment?

Duncan Thorp: Yes.

Willie Coffey: Vikki Manson, what would you say about that?

Vikki Manson: I am thinking about procurement and the local supply chain. A lot of good work has been done to engage with smaller businesses in streamlining the process, but there is still a lot to do.

We have spoken about artificial intelligence, renewables and all the big buzzwords of the moment, but we also need to think about the bread-and-butter companies, such as the smaller construction companies, those that make products and apprenticeship providers. They are really important. It is important to try to target them as well and not to lose sight of the importance of such organisations.

Willie Coffey: We must also directly invest, rather than hope for trickle-down benefit.

Vikki Manson: Yes—absolutely. There are good examples of that.

Carolyn Currie: That is the point: we should invest directly instead of hoping for a trickle-down or kind of osmosis to happen, especially in relation to some of the infrastructure projects. Transport, for example, is important and cuts through many of the other strategic projects because it gets people to places where they can benefit. However, equally, there are gendered aspects to transport—how women use it is different to how men use it—and it would be good to understand that that has been accounted for and thought of, as many projects are mobilised.

In some of the deals, there is also a blend of investment in the infrastructure projects that will move people to places where they could benefit from new economic development that is happening there. However, how we move them and how they access those resources have various gendered aspects that are important to consider if we are to maximise those resources to reach their full potential.

Willie Coffey: Thank you very much for those comments and for what you said about Halo, Carolyn. It was worth hearing.

The Convener: I will bring in Jamie Halcro Johnston. I apologise for missing you earlier, Jamie.

Jamie Halcro Johnston (Highlands and Islands) (Con): I do not bear a grudge, convener. That is okay.

Good morning. Some of the areas that I was going to focus on have been covered enough, but I have a question that follows on from some of the responses to Willie Coffey's questions.

You talked about direct investment rather than trickle-down, and we talked earlier about procurement costs. For some of the deals, we do not have as much information on procurement. I do not know whether you have information on the Inverness and Highlands deal or the islands deals, but where you have procurement figures, are they for direct procurement or for procurement using subcontractors? Is business going to some smaller businesses or social enterprises, but not directly? What is the experience?

Vikki Manson: I do not have figures for the Highlands and Islands, but I have a little bit of information from the Glasgow city deal. The most recent annual report reported that a total value of £447.7 million was awarded in tier 1 contracts, £85.6 million of which was awarded to small and medium-sized enterprises. That is a really good example. That was across 146 contracts. Of that, £54.5 million was awarded to SMEs that are based in the Glasgow city region. That keeps that wealth in the local economy.

There are some good examples: the issue is that they are isolated. I did not see that information in the majority of reports. We need that information in every annual report every year so that we can understand where the contracts are being awarded. At the moment, that information is just not available, unfortunately.

Jamie Halcro Johnston: Do you not have that information for the Inverness and Highlands deal?

Vikki Manson: I do not. I can look for it, but I do not think that it is available.

Jamie Halcro Johnston: What would you expect the figure to be, given that small businesses are the backbone of the Highlands and Islands economy?

Vikki Manson: I would expect a higher number in the Highlands and Islands. I hope that it would be a higher number. In the Moray deal, engagement is better; there are better links and relationships. I expect the situation to be better in the smaller regions.

Jamie Halcro Johnston: But we are not sure.

Vikki Manson: We are not sure.

Jamie Halcro Johnston: Duncan Thorp, I ask you the same question about social enterprises. A lot of island or remote and rural communities are used to having to look after themselves to some extent, so do you expect to see higher figures in those areas? Do you have any anecdotal evidence that that is the case?

Duncan Thorp: I do not have specific statistics on that. We do not gather those stats. Some such things are happening in the city region deals, but they are limited. The Highlands and Islands is the same as everywhere else in the sense that there are limited contract opportunities in the process. However, it is a perfect example of a region where social enterprise is thriving and doing what needs to be done effectively because rural and remote communities, when compared with urban communities, have to do it.

On procurement, there is a mixed picture. I do not want to keep coming back to the phrase “mixed picture”, but there is one. In the past few years, progress has been made on opening up procurement to small organisations, social enterprises and businesses, but far more needs to be done. To be honest, we need to get to a situation in which big organisations default to using small and local ones in procurement. We are doing a lot of work on that with our Buy Social Scotland programme. It started with getting small social enterprises into private sector supply chains because that is sometimes easier, but it has expanded out to public sector supply chains.

A lot of work is happening and a lot of work has happened. Things have got better, but there is still much potential.

10:00

Jamie Halcro Johnston: I represent the Highlands and Islands and have worked in the region for a long time. There has always been a concern not only that small businesses are often unable to compete but that they are not really made aware of procurement opportunities.

I think that awareness came up earlier. Carolyn, do you want to add anything? I do not have a specific question, but do you want to comment on the breakdown?

Carolyn Currie: I echo what my colleagues have said. Awareness is a big issue—it is probably the biggest—for our members.

The deals have ambitions for technology, digital and net zero. I have some statistics from our research that might help give context to how women engage or the issues that they have with those sectors. For example, in the research that we conducted in 2023, almost half said that they did not have the skills that they needed to develop a digital or technology strategy for their businesses or to use digital tools effectively. Three quarters of those who said that they needed support to develop that digital or technology strategy said they had not been able to access that support, so it is a key gap. Eighty-one per cent underlined that investing in digital or technology would benefit their businesses.

There is a clear need to invest in those areas. We just need to align things better to meet that need and make a difference.

Jamie Halcro Johnston: Does that relate to online selling, for example, or is it across the board?

Carolyn Currie: It definitely relates to online selling. E-commerce is a dark art and it changes all the time. It can be difficult for people to have confidence that they are adjusting as they need to. It is a huge opportunity for retail and, in particular, for people who aspire to run businesses from more remote or island locations. However, it goes into other business areas—it is not just e-commerce, although that is a big proportion of it.

On net zero, a majority of women reported that they had not been able to access support to set a plan and reduce emissions. Some of the work in the city region deals could make a big difference on that because only 13 per cent said that they had been able to do it successfully. On our wider net zero ambitions, 21 per cent claimed that the question whether they were engaging effectively with net zero had nothing to do with their businesses. There are awareness issues in some of the key sectors of our economy where some of the work on the deals could make a big, wider difference.

Jamie Halcro Johnston: The committee and others have heard before about the awareness issues, particularly for small businesses, around net zero. It is also interesting that you talk about e-commerce. The Deputy First Minister and Cabinet Secretary for Economy and Gaelic talked about how one of the e-commerce schemes has been

cut because there was greater awareness, but what you said rather suggests otherwise.

I will cover one other area. There has been a lot of talk about the flexibility of the schemes. The Inverness and Highland deal had money diverted out of it into other areas—for example, the Corran ferry. What might the impact of that be, given that, particularly for smaller businesses, consistency of funding and plans is important? Does it have any impact? We all recognise that things sometimes need to change with the deals and there has to be flexibility, but how does that impact smaller businesses in particular?

Vikki Manson: If the smaller businesses are already embedded in the process or in the supply chain and money is then diverted, it will have quite a significant impact. As I said, different factors will come into play over the duration of the deals, so we have to create flexibility within them rather than making them rigid from the starting point and not having the flex to incorporate new priorities, such as community wealth building, which is huge now. That flexibility was not embedded in the Glasgow city deal at the beginning, so funds have had to be diverted to make it work. We have to think about how we do that for existing deals and for any future ones.

Duncan Thorp: It is a processes issue. If you are already involved in the supply chain and procurement, it is relatively straightforward. However, the majority of organisations that we represent do not get involved in procurement in the first place because the processes are so complex. The ones who are involved need that consistency, but once they are in the supply chain and have gone through the processes, it is easier.

Jamie Halcro Johnston: Carolyn, do you want to add anything?

Carolyn Currie: I would just echo those points.

Gordon MacDonald: You have talked about the massive opportunities that are available to your members in the 10 existing city deals and the two new ones that are on the table. Once your members win a contract, how do they go about fulfilling it? These days there is an awful lot of discussion about value engineering, which is about trying to produce a project that was envisaged 10 years ago under today's cost pressures. For example, there is the pressure on the tender price as general inflation pushes up the cost of labour and materials. If we look at the Glasgow deal, we can see that £100 of purchasing power now needs to be £135. I am keen to understand how your members cope with general inflation and construction inflation when they are trying to fulfil what they signed up to a few years ago.

Duncan Thorp talked about massive opportunities, so I will go to him first.

Duncan Thorp: It has become extremely difficult. Inflation has created massive problems for small organisations. I am sure that you hear that all the time from small businesses, small charities and so on.

We are calling for public authorities or private sector businesses to include in contracts or funding—whatever it might be—an inflationary uplift to cover those costs, because they have a hugely negative impact. Again, that is not new information, but we need to work out what we can do about it. Public authorities have a responsibility to increase funding to reflect the increase in the contract value.

Vikki Manson: As Duncan said, we talk about cost pressures a lot of the time, and there is a ceiling to what small businesses can absorb, after which the situation is not sustainable for them. A mechanism has to be incorporated so that the tender price rises with inflation.

Carolyn Currie: It is just brutal out there. Cost pressures for business are becoming really hard to bear. There is no realistic margin for those businesses in some tenders and contracts. Our members generally tend to be undercapitalised when they start up, compared with others. They did not get their fair share of some of the business relief funds during the pandemic, so they have gone into the cost to business crisis undercapitalised. There is a direct correlation between that and the fact that the number of women-led businesses and employers is dropping.

Our research shows that businesses are reporting that they are simply unable to cover the increase in their costs. There is only so much room for putting up prices while still being able to attract revenue and apply successfully for tenders, and, sadly, that is being played out in business closures, cash-flow problems and the inability to survive. One woman-led business in the construction sector has recently shut.

Gordon MacDonald: Another aspect of the situation is the ability to attract the right mix of skills and labour to fulfil a contract. Unemployment in Scotland is lower than in the rest of the UK, so are businesses able to attract the right quality of staff to fulfil a contract?

Vikki Manson: Skills are a key area that we are looking at this year, because the issue has definitely become more prevalent. We have had discussions with other organisations and with the Government about how the whole atmosphere is changing from primary school onwards. It is about how we consider the skills that we need for the future and the different structures that we need to allow for that evolution. From what our small

businesses have reported, huge skills gaps definitely exist. That has a cost attached to it—it is another cost implication—because finding the right skills costs more.

We have spoken about absorbing costs for contracts, but we must also think about other things, such as employee and energy costs and business rates—there are so many different things in the mix. Costs are also involved with regard to the introduction of new regulations—I have been working on consultations in relation to a few areas—and with upgrading systems and training staff. There is a wide picture of the cost impacts on small businesses.

Gordon MacDonald: I will not mention national insurance increases—[*Laughter.*] Does Duncan or Carolyn want to add anything?

Duncan Thorp: The process of attracting and retaining staff is a bit different for social enterprises, because a lot of people are driven by, and attracted to, the social purpose. Pay in social enterprise and third sector organisations is always an issue, as it is in small businesses—again, it is about those really tight margins, prioritising social mission versus profitability and so on. I pretty much echo what Vikki said about skills. How we upskill our staff, for example, is an on-going issue.

Carolyn Currie: I echo that skills are absolutely crucial, which is why they are at the heart of many of the city deals. It is recognised that the situation needs to change. It is about working in close collaboration with the colleges and the universities to enable people to get finely honed skills that they can immediately apply to business. We need to be slicker and quicker with that process—that really is the sweet spot. With regard to our skills agenda, the relationship with business and the need to get people capable much more quickly have never been more important, because the cost matters. It is about that balance.

The Convener: Lorna Slater joins us online.

Lorna Slater (Lothian) (Green): Thank you, convener.

I note what was said earlier about sharing best practice, and I am really interested to hear specifically about the lessons that have been learned from the existing deals. Many of them are now quite mature, so the committee has been talking about what another tranche of deals would look like. Overall, it seems that quite a lot of positive has come from those deals, but if we were to do this again—if we decided that it is worth while for multiple levels of Government and industry to work together to create such deals—what would you do differently and what would be the same? Is it worth doing again? What lessons have been learned? What would we keep and what would we change for next time?

Duncan Thorp: A general review of the city region deal model would probably be worth while. In some ways, city region deals have achieved really great things, such as big infrastructure projects, but there might be a way of reviewing the processes behind them, as well as their structure.

I mentioned the big issue of the lack of integration with other economic initiatives. Any review of city region deals or consideration of how processes can be improved needs to take account of the bigger picture of all those other economic initiatives—particularly in community wealth building. From our perspective, it is also—again—about how we improve engagement with small social enterprises, small community organisations and so on.

Vikki Manson: There are lots of examples of really great benefits that have come from the deals and that are absolutely worth repeating.

There are two areas that I would suggest changing. The first is engagement with small businesses and microbusinesses—trying to get their voices heard from the outset so that they understand what the deals are and are involved in the whole development process. The second is the measurement of success. We should ensure that benefits realisation plans are embedded in every deal and that there is a requirement to report on them, which I know that the Scottish Government is working on. We should ensure that there is a robust reporting environment so that we can properly outline the economic impact of the deals on the cities and regions, with information published regularly so that we can understand that impact.

10:15

Carolyn Currie: The city deals have been integral in the construction of a range of different assets and infrastructure that could have huge benefits for our communities.

From the perspective of inclusive economic growth, the progress from the city regional deals really has been suboptimal and there is a lot of scope for improvement. On the specifics that could be improved, we should cast a gender lens across all the investment to define what we mean by inclusive economic growth right at the start. We should have a clear strategy and set a clear budget for that inclusive economic growth. We should have gender-disaggregated data available as part of our measurement of that; indeed, we should have a suite of measures that reflect whether we are achieving the specific inclusive economic growth targets. Those improvements would make a huge difference to the deals and to the potential economic return and impact that we could realise from the current investments.

The Convener: That brings us to the end of the public evidence session. I thank the witnesses for joining us and contributing today. We kept you a wee bit longer than we promised, but that was because a lot of good points were being made, so thank you.

10:17

Meeting continued in private until 11:59.

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