



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 19 March 2025

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

9th 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:

Kate Forbes (Deputy First Minister and Cabinet Secretary for Economy and Gaelic)
Stephen Garland (Scottish Government)
Dr Poonam Malik (New Deal for Business Group)
Ivan McKee (Minister for Public Finance)
Judith Young (Scottish Government)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 19 March 2025

[The Convener opened the meeting at 09:15]

Decision on Taking Business in Private

The Convener (Colin Smyth): Good morning, and welcome to the 9th meeting in 2025 of the Economy and Fair Work Committee. Our first item of business is a decision on whether to take items 4, 6 and 7 in private. Does the committee agree to take those items in private?

Members indicated agreement.

Employment Rights Bill

09:15

The Convener: Our second item of business is consideration of a legislative consent memorandum on the Employment Rights Bill, which is United Kingdom Parliament legislation. I am pleased to welcome Ivan McKee, the Minister for Public Finance, who is joined, from the Scottish Government, by Stephen Garland, the unit head of the fair work division; Megan Lawson, a lawyer; and Jo Mitchell, a procurement policy manager.

I invite the minister to make a brief statement on the Scottish Government's position.

Ivan McKee (The Minister for Public Finance): Thank you very much, convener. Good morning, committee. Thanks for inviting me to give evidence.

The Scottish Government remains clear that devolving employment law and industrial relations would be the best way to protect workers' rights in Scotland, but, while those areas remain reserved to the United Kingdom Parliament, the Scottish Government will, as it always has, seek to drive up fair work standards through all available mechanisms, including public procurement.

For example, in 2015, we introduced statutory guidance under the Procurement Reform (Scotland) Act 2014 on the selection of tenderers and the award of contracts to provide guidance to public bodies on how to evaluate fair work practices, including payment of the real living wage, through procurement. In October 2021, we announced a new policy of mandating payment of at least the real living wage to workers involved in Scottish Government contracts, and we have encouraged other public bodies in Scotland to follow suit. Our commitment to driving fair work through procurement has been reinforced by a range of guidance, including interactive e-learning that we published in December last year.

Public bodies across Scotland are applying fair work in contracts, and the annual report on procurement activity for 2021-22 reports that, across 95 public bodies, a combined total of more than 2,000 suppliers are committed to paying at least the real living wage and delivering regulated contracts.

The Scottish Government's ability to act in this area is constrained by the devolution settlement. However, the Employment Rights Bill confers some limited powers on the Scottish ministers, and it is for that reason that an LCM is required for those provisions. We look forward to working closely with the UK Government to build on our fair work principles and maximise the positive

impact of the Employment Rights Bill across Scotland.

The Convener: Thank you very much, minister. I am happy to open up the meeting to questions from members.

Lorna Slater (Lothian) (Green): I have two questions. The first one is a bit technical and is to help my understanding. One of the bill's provisions expands employers' duties to prevent the harassment of staff. I would like to better understand what those duties are, specifically in relation to MSPs, as employers, and our staff being exposed to social media. My staff look after my social media, which exposes them to some unpleasantness. What duties does the bill confer on us, as employers, to protect our staff in such situations?

Ivan McKee: I will refer to my officials on that question, because, as you were right to say, it is quite technical. Stephen Garland, are you able to give any information?

Stephen Garland (Scottish Government): That part of the bill sits outside Mr McKee's remit. In relation to further provisions, we expect a lot of the detail to be included in secondary legislation, which will be subject to consultation. We do not yet have timings in that regard, but the consultation will provide an opportunity for all Scottish stakeholders to contribute to that process. I can come back to you with any further details on that.

Lorna Slater: Thank you. That would be much appreciated.

My other question is a more general one. Is the minister content that the bill will not impinge on Scotland's ability to diverge in policies covering devolved areas?

Ivan McKee: I do not believe that it will, but we will have to see. Clearly, a lot of secondary legislation will be introduced by the UK Government. I think that we will be able, by way of regulations and the code, to put in place measures in the devolved procurement space that are at least as comprehensive as the measures that the UK Government intends to put in place. I do not think that the bill will constrain us in any way from doing anything.

Lorna Slater: Thank you.

The Convener: Since the LCM was lodged, amendments have been made to the bill in the UK Parliament, so the Scottish Government intends to lodge a supplementary LCM. Could you give us an update on those amendments? In particular, from your discussions with your UK counterparts on the amendments, is there any suggestion that the supplementary LCM might not recommend consent?

Ivan McKee: Not that I am aware of. We are comfortable with the powers that the bill will confer on the Scottish ministers. I do not know whether my officials want to make any further comments.

Stephen Garland: I am not aware of any changes that would affect the LCM.

The Convener: Do you have any idea when the Government expects to lodge the supplementary LCM?

Stephen Garland: It should be lodged fairly soon. We understand that there is active consideration about lodging it in the Parliament as soon as possible.

The Convener: Thank you.

Kevin Stewart (Aberdeen Central) (SNP): Good morning, minister. I have a general question. In your discussions with the UK Government on the bill, has the Scottish Government taken the opportunity to reinforce its wish that all employment law be devolved to this Parliament?

Ivan McKee: We take every opportunity, including this morning and in our engagement with the UK Government, to reinforce our position that, as I said in my opening statement, the best way to protect workers' rights in Scotland would be for employment law and industrial relations to be devolved to the Scottish Parliament.

Kevin Stewart: Has there been any movement from the new UK Government to allow for the devolution of employment law?

Ivan McKee: Not that I have seen so far. Other colleagues are engaging on that matter, because my remit covers procurement specifically. To the best of my knowledge, there has been no movement to date, but, as you know, we are forever hopeful.

Kevin Stewart: I am sure that you will keep trying.

The Convener: As there are no more questions from members, I thank the minister and his officials for joining us. That brings the evidence session on the LCM to a close. I briefly suspend the meeting to allow for a change of witnesses.

09:22

Meeting suspended.

09:35

On resuming—

New Deal for Business

The Convener: Our next item of business is our final evidence session on the Scottish Government's new deal for business. I am pleased to welcome Kate Forbes, Deputy First Minister and Cabinet Secretary for Economy and Gaelic; Judith Young, deputy director in the Scottish Government's strategic economic and business engagement division; and Dr Poonam Malik. Dr Malik and the Deputy First Minister are co-chairs of the new deal for business group.

As always, I appeal to members and witnesses to keep questions and answers as concise as possible. I invite the Deputy First Minister to make a brief opening statement.

Kate Forbes (Deputy First Minister and Cabinet Secretary for Economy and Gaelic): Thank you very much, convener. I thank the committee for providing the opportunity to discuss the new deal for business programme.

Thriving businesses are key to Scotland's prosperity, and their success is critical to delivering the Government's objectives. We are an unashamedly pro-growth Administration that is committed to working with business. Over the past 24 months, the new deal for business programme, which was designed to enhance the relationship between business and the Government, has been front and centre of our approach, and I am proud of what has been achieved collectively.

Before I go any further, I put on the record my huge and sincere thanks to Poonam Malik for her role as co-chair of the new deal for business group and for her commitment in providing her time and thoughts in co-chairing the group. I know how much parliamentarians value the input of business leaders, so we owe Poonam and many others like her a great debt of gratitude. I hope that that does not embarrass her too much while she is on camera.

Over the past few years, we have built good, strong relationships between business and the Government that recognise that Government actions and policies exist for a reason but that those actions have an impact on business. We need to understand the impacts of Government choices on businesses and work in partnership with them to minimise or mitigate those impacts.

The new deal for business programme was designed to kick-start systemic change and, although it was time limited, we always accepted that fully realising the change that we all want would take longer. Delivering the "New Deal for

Business Group Implementation Plan"—our road map—for the past 18 months has fundamentally altered for the better how the Government engages with business. I am pleased that we have seen real change in the culture of Government, improved relationships with the business community, new tools and processes that support evidence-based policy development and better outcomes for all, and genuine enthusiasm and a new willingness to work together. I was heartened to hear, in the committee's earlier evidence sessions, a clear acknowledgement that the desired change in culture across the Scottish Government is already happening.

I am delighted by those tangible improvements, which will be set out in more detail in the new deal for business group's final report, which is to be published next month. However, I am not complacent. This is just the start, and I look forward to continuing to improve how we work with business and to building on the momentum through the means that are available to us.

Inevitably, there will always be things on which business and the Government do not agree, just as there are differing views within the business community. However, we see the successful conclusion of the new deal for business programme as an opportunity to double down even more strongly on how we work hand in glove with business. Together, we can deliver successful outcomes, minimise adverse impacts and maximise the opportunities for businesses to contribute to creating a fair, green and growing economy as the new normal.

I am very happy to take questions.

The Convener: Thank you very much, Deputy First Minister. I will kick off with the first question. Why was the new deal for business needed? What failures in the relationship with business did you want to fix?

Kate Forbes: The new deal for business was established to deliver more effective engagement with business on policy objectives. Having been the economy secretary through part of Covid, I was conscious that there was a risk of the relationship with business being very tense. In many cases, businesses had been shut down for months on end and their sales had fallen off a cliff. Some business owners had not taken wages for almost two years. There was constant questioning and querying of why the Government was taking the decisions that it was taking.

Off the back of that, we entered a cost of living crisis in which businesses were dealing with spiralling energy costs and higher costs in other areas, with consumers struggling to contribute to the same volume of sales.

Therefore, the relationship between business and the Government was particularly strained. Businesses saw the Government introducing various policies and legislation and were asking where they featured in conversations and consultations.

The point of the new deal for business was to reset the relationship, to ensure that there was systemic change internally in the Government so that it took account of the impact on business, and to ensure that implementation was done through partnership, with business and the Government working collaboratively and collectively.

That was the issue that the new deal for business sought to resolve, and you can see from the overarching outcomes how that work was captured. I am happy to go into more detail on any of that.

Convener, I assume that, if anybody else wants to come in, they will indicate and you will bring them in.

The Convener: I will ask the same question to Dr Malik. What is your view on the relationship before the new deal for business was established?

Dr Poonam Malik (New Deal for Business Group): I thank the committee for inviting me to give evidence.

As the cabinet secretary has said, business, industry, the Government, the public sector and citizens are important pillars, and there needs to be coherence between them in order for there to be a growing economy and for society to work smoothly. In Scotland, we all want our economy to be growing and thriving.

The relationship between business and the Government does not require them to agree on every decision, but the communication must be clear and there must be trust and openness. The cabinet secretary outlined the conditions for realising that relationship. Businesses expect engagement and an open and transparent relationship. The outcomes might be different, because the Government has to take account of the much wider context, whereas businesses have to create new jobs, pay taxes and pay their employees to be good citizens.

During the in-between period over the past number of years, the two pillars of society were not always working in parallel. There was that feeling among the communities, and there was the realisation—which is the first step when working towards anything—that the relationship was tense. That was a good start. As a result, we wanted to do something about that, and the business community welcomed the setting up of the new deal for business group, which has recommended and implemented action to ensure change.

We will probably go into much more detail on that later.

The Convener: My question is for both Dr Malik and the Deputy First Minister. You have talked about processes and the need to change them, but what are the tangible, business-related outcomes, as opposed to the processes, that have come from the new deal? What has significantly changed as a result of the new deal?

Kate Forbes: That is a great question. We are talking about a cultural change, and sometimes that can be difficult to pin down. However, I have very specific examples of how the culture has changed.

First, we have earlier, more effective engagement with business on policy objectives—we bring people in at an earlier point in discussions. At one of your evidence sessions, there was an indication that there had been change in relation to last year's programme for government and in the budget, for example. Business felt consulted at a much earlier stage and then could see tangible evidence of asks being reflected back in the budget and the programme for government.

Secondly, there were specific sub-groups. The non-domestic rates sub-group, for example, was brought in at a critical point in the parliamentary calendar so that we had an opportunity to hear back from it. The regulatory review sub-group provided specific advice to ministers and officials on a number of different issues, such as heat in buildings, minimum unit pricing, single-use cups and legislation on non-surgical cosmetic procedures, and a refreshed business and regulatory impact assessment and guidance were co-produced.

09:45

Those are just some of the different systemic and process ways in which there has been change. Ultimately, the test is whether there is a culture change across Government so that different parts of Government no longer work in silos.

The economy directorate has always understood that the business community, which is not homogeneous, is a key stakeholder. If you are working in health policy or environmental policy, you have a lot of stakeholders to take into account, and business may not be your first consideration. Through the new deal for business, we have changed things so that there is a means of bringing in business stakeholders at an earlier point.

For example, when I came back into government last summer, one of the first groups

that I chaired was a group involving the new deal for business group, which heard from public health experts on improving health outcomes. I cannot recall that happening previously, but we did it to break down silos.

Those are some tangible examples of how process has changed to deliver a cultural change outcome.

The Convener: I suppose that the challenge from one of our witnesses was how you measure that. These are not specific policy changes that you have made. You argue that you have changed culture and processes, but it is about deliverable outcomes.

Did you say that you will be publishing a report on the work of the new deal for business?

Kate Forbes: Yes. Do you want details of that?

The Convener: Yes, it would be helpful to get that. Will that set out those measurable outcomes?

Judith Young (Scottish Government): I am more than happy to come in on that, convener. Good morning, everybody.

We will be publishing a final report on the new deal for business towards the end of April—it is just going through its final iterations with the group and it is very much co-owned by all members of the group. It will cover the actions that have been taken in response to our six overarching outcomes for the new deal for business and the various metrics that we have established that are designed to begin to capture some of the change.

We had a specific sub-group that looked at business metrics—what metrics were available, how we publish them and how we would continue to do that going forward. We have begun to measure new things around business sentiment and views on the Scottish Government, Government policy and alignment in a way that is different from what we were doing prior to the new deal for business. It is not perfect, because we are trying to measure something that is relatively intangible, but we have a benchmark from which we can move forward in terms of measurement.

Dr Malik: When we set out to work with the group, we did a sprint for the first month and a half. Since then, I always say that it has not been a sprint but a marathon to achieve the cultural change.

We kept the parameters and focus narrow on cultural change, the policy cycle and the aspects of regulation that affect businesses. We already had a national strategy for economic transformation, which had enough measures and matrices. We did not want to create any more specific outcomes and measures because part of the result of the group's actions and our work as

Government and business working together will lead to increasing change.

On Judith's point about sentiment, we have evidence from the Diffley Partnership survey. In September 2023, 32 per cent of the 550 businesses that were surveyed said that the Scottish Government cares for or understands business. In December 2024, 655 businesses were surveyed, and 48 per cent of them said the same thing, which is clearly an improvement. Similarly, over the same period—this is tangible in terms of the numbers—businesses were asked whether tangible measures had been put in place and whether business sentiment had improved. In September 2023, 27 per cent of businesses agreed with that statement, whereas in December 2024, 42 per cent of businesses agreed.

In that way, we can see that business sentiment is measured; specific measures on growing the economy, investment and the number of jobs created are measured as a wider part of that. However, that was not what we set out to measure in the new deal for business group.

The Convener: Thank you—that was helpful.

I will bring in Kevin Stewart and then the deputy convener.

Kevin Stewart: Good morning to the witnesses. I want to tease out your comments on cross-Government working.

Public health and the economy have been mentioned. I want to look at pharmacies. I visited a pharmacy in my constituency a couple of weeks ago. Discussion, of course, was about health issues and how pharmacies have been delivering more services. That conversation got into non-domestic rates and the hike in employer national insurance contributions, although that is an issue that is reserved to Westminster. It sometimes seems that there are no linkages between the likes of the health portfolio and the economy portfolio, and little policy changes can often make a huge difference to how a pharmacy operates and keeps its head above water.

My question is for the Deputy First Minister and Dr Malik. When policy decisions are being made in other portfolios, are people thinking about the impact on the economy as well as the impact on whatever policy area that portfolio covers—health, in my example?

Kate Forbes: They are to a greater extent as a result of the new deal for business than perhaps was the case previously. Your example is about implementation of laudable policy. Wherever a policy originates from—and a laudable policy often originates in Parliament if there is consensus; such policy does not exclusively originate in the Government—our responsibility, I believe,

irrespective of where we are in Government, is to bring into the conversation at an early stage those who will be most impacted and then to consider implementation of that laudable policy.

I gave you a list of different issues that the regulatory review group has been looking at. You could argue that none of those—legislation on non-surgical cosmetic procedures, heat in buildings and single-use cups—sits explicitly in the economy space, but those on the front line of implementation in those areas are largely in the business community. As with your pharmacy example, if they have to change their approach or their practices, or try to mitigate some of the impact, they need to be brought into the conversation much earlier.

We have trialled that with the new deal for business. On public health inequalities, for example, and some of the policy suggestions around health outcomes, alcohol, foods that are high in fat, salt and sugar and so on, rather than talking to business at the end of the process, we bring them in at the beginning to understand how a laudable policy aim can be implemented by those who will ultimately be tasked with that.

Your pharmacy example is brilliant because pharmacies are on the front line. They are the place where citizens interact with a policy change. It does not lead to the best outcomes if pharmacies are not brought in at the beginning and are left to implement at the end. The new deal for business has tried to change that—successfully, I think.

Dr Malik: Thank you for that question, Mr Stewart. Health is my area, so I am particularly close to the sector.

Over the two years of the new deal for business group, we have had three changes of cabinet secretary, which might have been unsettling for business. On the business side and with Government officials, we have provided stability, and all three cabinet secretaries are now on the new investment and economic growth sub-committee. As a result, they have a better idea of the new deal for business principles, how their particular portfolio may impact businesses or how it might be important to understand businesses' insights in relation to any changes.

Businesses do not like surprises and, as you said in relation to the example that you gave, economic conditions are tough. We do not have control over employer national insurance contributions at the moment, and there are changes in non-domestic rates and other expectations on businesses. That is difficult for businesses, and operational costs are high. Every business, including pharmacies, which are independent organisations that we have been

supporting, has to manage. However, through the regulatory review group, rather than landing a change in policy on businesses suddenly, as part of that revival, if you like, anything that Government officials or Parliament are considering should be discussed. That is how it should be introduced.

Let me give an example. At the last new deal for business group in December, we discussed health and care policy. Colleagues from the directorate came and spoke to business leaders, who can provide insights into that area. Similarly, cross-directorate and cross-portfolio regional policies are expected—I do not want to use phrase “hoped for”, because hope is not action. We are looking for action that will be embedded into each policy-making decision. Government officials have created that new policy cycle.

Kevin Stewart: The hike in employer national insurance contributions was one of the top things on the agenda for Michies pharmacy. I will not go there today—we all know how damaging the NIC hike is. I want to look at some other issues. Sometimes, they are not the fault of Government per se, but we have not set the parameters well enough when it comes to dealing with business.

Bureaucracy gets a lot of business folk down. It seems that bureaucracy grows to a greater degree in certain parts of the country, and in certain public bodies, than in others. Let us stick with the pharmacy scenario, where data sharing is often a problem—Dr Malik may be more aware of that than me or anyone else. If somebody has come into a pharmacy for treatment to save them going to their general practitioner, data sharing can often be a problem. That is particularly the case in some parts of the country, although not in others.

How can we cut down on that bureaucracy, particularly if it has been built up by public bodies that seem to apply their own rules? How do we get this right for everyone and save business a huge amount of difficulty? Perhaps the Deputy First Minister could answer that first, and then Dr Malik.

Kate Forbes: The point that you are making is close to my heart. How do we ensure that any of the systemic and cultural changes that have happened in Government do not remain in Government? All the various public sector arms also need to appreciate and recognise what we have tried to achieve through the new deal for business. There needs to be an understanding that all parts of the public sector are also in the business of economic development.

When I came back into government last summer, I realised something. I will take energy transition as an example—it is a completely different sector, but it is, I know, an area that is close to Mr Stewart's heart. A lot of public bodies

do not see themselves as part of the energy transition, but they could make or break it. Marine Scotland, the Crown Estate, the various local authorities that have responsibility over planning, the Scottish Environment Protection Agency, NatureScot and so on are all key.

10:00

This could also be applied to your pharmacy point, Mr Stewart, but organisations and public sector bodies have a duty to protect data according to the law, and to protect citizens and patients. At the same time, we have to ensure that organisations and bodies can operate as efficiently and effectively as possible. Pharmacies are a good example, because they are semi-autonomous and, in many cases, independent. If you were to introduce regulation and bureaucracy that led to them all shutting down, that would be providing the patient with a poor service at the end of the day. It is about finding that fine line in implementing laudable policy in a way that does not completely inhibit an autonomous, independent organisation such as a pharmacy from working.

That is where we are trying to create the culture change. Often, the issue is with the implementation rather than the core policy itself. We all know the various regulations and legislation that underpin data sharing, but there is a lot of freedom there, too, to put the patient at the heart of systems and to create systems that operate around the patient and enable greater data sharing.

Separate work is going on in Government. Neil Gray and I have co-chaired a number of groups involving economy and health to try to lead to some of that culture change, but I will not pretend that it is not a work in progress.

Kevin Stewart: Thank you. Dr Malik, do you have anything to add?

Dr Malik: The cabinet secretary is right that the economy is not just one directorate's job. The economy is the job of every portfolio and every parliamentarian because, ultimately, if we do not have a growing economy, we do not have a country that is thriving, and we cannot create jobs that bring in tax to spend on public services.

From a citizen's point of view, health is wealth, because if a person is not healthy, we will spend more on treating and reacting rather than preventing. Having a good electronic, connected record system for patients—for citizens—would be the ideal scenario. It would be the best that we could have. Naturally, that will require the public's consent and awareness. It will also require engagement with businesses, because they are semi-autonomous and independent. If something

ultimately saves business money and allows the business to be run effectively, most business leaders will choose to do it. Similarly, patients and citizens may be worried about the safety of their data, but if it is handled properly and there is a fool-proof system, most patients will agree to share their data because that will mean that they do not need to travel millions of miles—they can probably get their data and their medication close by if their general practitioner and pharmacy are connected.

That can be done. There are countries that are moving towards such linked services, and we ought to be working towards that, too. That will require resources and work, but it is in the interests of the nation and the people. You are right that we need to have those links. We need to have a better system. We need to work towards agreeing that with patients and businesses, and to provide resources because it all requires funding.

Kevin Stewart: Thank you very much.

The Convener: I thought that that was going to be a quick supplementary from Kevin Stewart on the back of my question. I was going to bring in Murdo Fraser, who wants to follow on from my questions on tangible delivery. I will bring him in and then come back to the deputy convener—unless your question is a supplementary, Michelle.

Michelle Thomson (Falkirk East) (SNP): It is a supplementary on the Deputy First Minister's opening statement.

Murdo Fraser (Mid Scotland and Fife) (Con): Go ahead.

The Convener: Okay. I will let the deputy convener in first.

Michelle Thomson: Thank you for indulging me, Mr Fraser.

Deputy First Minister, I am heartened to hear what you have to say about a change in culture and the use of that term. You make a bold statement, because culture is extraordinarily difficult to change and it takes sustained intensive effort. We have already touched on silos, which would be the obvious issue. How do we work on that? We have had some evidence on that.

Given your limited capacity—you have a huge remit—what is your plan to ensure that the focus is sustained and cascaded through the depths of Government? What measures have been put in place to ensure that economic growth and all that it enables stay at the top of the agenda?

Kate Forbes: That is why I said that this is just the start. I totally recognise your point about the bold statement on culture change and why I probably did not say in my opening remarks that it is job done, tick, because—

Michelle Thomson: Because we would not have believed you.

Kate Forbes: Yes. You believe everything else I say, though.

It is an on-going process. In terms of the change, the new deal for business has, first, made sure that the processes take into account the impact on the economy. Whether it is through the regulatory review group or the refreshed business impact assessments, there is a test that officials need to answer before they introduce anything. There is that process point.

The second thing is to get people thinking in a different way about implementation. We are doing through the Cabinet sub-group, which I have introduced. It is a part of Cabinet that is focused on economy and investment. That goes to the point that I shared with Kevin Stewart. Everybody is involved in the job of attracting investment or, sometimes, pushing investment away. We have had some useful conversations in that group—it is quite free flowing—among cabinet secretaries as they think through the impact that their decisions on transport, housing, social justice or health have on investment in the economy. That forum, starting at the top, takes into account not just whether a decision is right or wrong but what impact it has on the economy and investment. My hope is that that then filters down from those Cabinet-level conversations.

The third thing is the test of whether the approach is having an impact. I hear feedback on that pretty quickly. If businesses are up in arms about something—for example, if the pharmacy that Kevin Stewart mentioned is unhappy with something—that gets back to me pretty quickly and we realise that it has not worked in the way that it should have.

The caveat is that not all stakeholders will always agree with what Government does, irrespective of how Government does it. In some areas, you have to make binary choices about proceeding with a policy that may not be completely popular among one demographic. That will always be a challenge. The key there is to have no surprises, to explain the decision that we have taken and to look at any ways of mitigating that. That was certainly the case in the budget, where some parts were positively received and some were less positively received, but there was a reason behind those decisions—for example, it was about additional resources for something.

That is the approach. However, this is not simple and straightforward. Government is engaged in the business of trying to achieve multiple objectives, and sometimes we just need to be honest and own up to the fact that objectives sometimes come into conflict with one another,

and you have to come down on one side or the other.

Michelle Thomson: We understand that. I want to follow up on the point about cascading within the siloed, complex and ever-shifting organisation that is Government. Beyond the process elements that you outlined, such as business and regulatory impact assessments, and in relation to embedding that depth of leadership, to what extent will directors general be measured and rewarded—or otherwise—based on not just following process but continuing to drive the cultural shift down through their direct reports?

Kate Forbes: That is critical. It is probably the biggest question in terms of culture change, because cabinet secretaries can be on board and can see the opportunity but, ultimately, they are partly dependent on the advice that they receive. They get advice on process implementation, who is saying what, who is happy and who is not happy. The engagement needs to happen at official level, too.

Talking about officials, I will ask an official.

Judith Young: On the role that DGs and the executive team have had, a couple of sessions at the executive team have involved detailed consideration of the new deal for business and what it means across the piece for different directors general. In August 2024, ahead of the programme for government, we looked across the piece and mapped all the policy interventions that were coming down the line through the PFG. We looked across the piece, taking a helicopter view, to create a matrix of those things. We then brought that to the table so that there could be a full understanding of the impact on other areas of doing something in one area and how to align and ensure that, in the decisions that we make, the left hand is not doing something that does not line up with what the right hand is doing.

I think that a good understanding of the importance of the new deal for business is cascading through the organisation. We are working from the bottom up and from the top down. The most practical example is that officials in my division are now regularly contacted by officials from other policy areas and other DGs asking for advice. They might say, “I need to take this policy intervention. How do I engage with business? When do I engage with business? Can you help me with that?” We have a supporting role, and we will continue to deliver that as we come out of the new deal for business implementation phase and move into mainstreaming that work as the work of the business relationships division to support other parts of Government.

Michelle Thomson: I have a quick follow-on question, and I want to hear from Dr Malik as well.

One good bit about Scotland is that everybody knows everybody and, sometimes, one of the downsides is that everybody knows everybody. In a business context, how can we avoid groupthink and always keep the perspective fresh, particularly on the significant drivers of change?

A witness at one of our sessions, Tony Rodgers from Emtelle UK Ltd, had what I think all members felt was an entirely refreshing approach. It felt to us that Government will often go to the same old same old, not because they are not good—I am not dismissing anybody—but because that is easier. It is quite hard work to find the voices with a fresh perspective. Often those voices are from businesses that are taking risk and that are quite small—they could be spinouts from a university.

Given that we need to be at the head of the queue with some of the drivers, what are your plans within this cultural shift to embed that fresh perspective in Government? After you have answered, Deputy First Minister, I will bring in Dr Malik.

Kate Forbes: I constantly ask that kind of question, because I often hear it said that the business community thinks X, Y or Z, but that completely fails to recognise that there can be disagreement among our wonderful businesses on different things. With subject area policies, some businesses might benefit from a policy change and some might not. Therefore, getting a fresh perspective really matters. Trade associations and organisations often speak on behalf of a group of businesses, but even they recognise that issue. For example, by its nature, the Federation of Small Businesses represents lots of small businesses in different sectors, which means that there are different views on different things.

10:15

Bringing in a fresh perspective is important. That is why I do not believe in continuing with particular groups indefinitely, because you want to bring in perspective. It is also why I strongly believe in engaging with businesses on a one-to-one basis. During Covid, I remember inviting officials to engage with businesses that had approached me and that bucked the trend—they were saying a different thing that was not part of the norm. We heard particular messages and then we would engage with small businesses that were saying something totally different. We engaged with them one to one rather than always viewing them as a group.

I am aware that many have said that Tony Rodgers—if I have remembered his name correctly—had a fresh perspective. I am happy to

engage with him and others like him on their solutions and suggestions.

Michelle Thomson: I will finish off with a question for Dr Malik. What do you see as your role going forward? It may not be you personally, but what you have been able to bring has been generally recognised and very much valued. How will that work continue so that we have freshness of perspective and a sound voice, and so that we keep focusing on the shift in culture?

Dr Malik: That is a key question, because next month will be the two-year anniversary of the new deal for business. When we brought it about, the word “new” was there, but the deal for business needs to go on forever because, as we have said, there are two pillars for society and economic growth, and we cannot let one drop over the other. As a result, I welcome that.

In Scotland, 99.3 per cent of businesses are small and medium-sized enterprises. Large businesses are only 0.7 per cent, and they bring in about 59 per cent of the turnover. There must be mechanisms to engage with SMEs, but the reality is that, as part of the new deal for business, we could not have 99.3 per cent of businesses round the table—that would have become unwieldy. That is why we included three small businesses. The challenge is that, because they are firefighting every day, the reality is that they have to take care of their business rather than coming to committee meetings and contributing. That is why the committee has heard from some people that businesses dropped out of the process. The simple reason was that they said that running the business was proving too difficult. Larger businesses have resources to provide a delegation.

There must be ways and means to engage with businesses. Judith Young outlined that there was engagement by the Government. In the service of the nation, for both the years, I have met DGs to discuss the importance of the process. The cabinet secretary has also engaged, and the policy cycle and new deal principles have been shared.

On the business front, that was part of the initiative that we needed to take. When we were setting out the membership of the group, I recognised that the trade organisations come to the front and say, “We represent X number of businesses, so we are the prime candidate for that,” but you are absolutely right that we also want to hear directly from businesses—that is key.

The committee has also heard some people say that the new deal for business has diluted the relationship or engagement with four, five or six existing business groups. The reality is that, in those cases, you are hearing from members who

are representative rather than directly from businesses. The beauty of the new deal for business is that—for anyone who understands economics—there is an opportunity cost to it. If members or business leaders come around the table, they have to agree and hold each other's feet to the fire. If I drop one initiative, I have to take up something else—there is a cost to it. Not everybody can fight for their portfolio or their sector. That is what happens when people lobby for their individual sector or individual trade organisation.

That is why a strategic forum that sits above the trade bodies and membership organisations is key—it means that we are not lobbied by a particular force that is able to confront. You have to agree in a common forum and say, “We agree to take this initiative forward, whereas something else needs to drop off.” In future, there must be ways to engage directly with businesses. There is value in having that insight and fresh perspective from, as you mentioned, spinouts and other SMEs, and from a diverse variety of businesses.

Michelle Thomson: I will leave it there. Thank you.

Murdo Fraser: Good morning, cabinet secretary. Good morning, Dr Malik—it is nice to see you. Dr Malik and I shared a very interesting visit to Sidey, in Perth, for Scottish apprenticeship week. We might come back to that in a minute.

Cabinet secretary, in your opening remarks you talked about how the Government has built good, strong relationships with business. The deputy convener referenced the evidence that we got from Tony Rodgers, from Emtelle UK Ltd. Emtelle is a Scotland-headquartered manufacturing company with international operations employing hundreds of people. I will quote from the *Official Report* what he said to us.

“I have no interaction with the Scottish Government whatsoever. I had never heard of this new deal and had no idea about it. Quite frankly, when I have approached the Scottish Government, it has been very difficult, as a businessperson in Scotland, to make any sort of contact or inroads, or to make any kind of representation of a case.”—*[Official Report, Economy and Fair Work Committee, 26 February 2025; c 2.]*

That is a direct quote from what he told us. Does that suggest that there is still an issue? Emtelle is a business in the tech sector—a high-growth sector—that you would have thought should be precisely at the heart of what the Government is trying to do, yet Mr Rodgers told us that he has never even heard of the new deal.

Kate Forbes: Yes, yet he is doing very well by the sound of it. There is a balance here, and the Government should not be, and need not be, deep in the weeds of every single business. As Dr Malik said, there are thousands of businesses out there,

and many of them are doing extremely well. Often, when they get in touch, it is to acknowledge something that is not going well. When businesses are prospering—when they are succeeding, recruiting, employing and contributing to economic growth—perhaps the less involvement they have with Government, the better it is for them.

Wearing my investment hat, I would make the point that we are taking a different approach to inward investment and to high-growth businesses. There are several things that we are changing and have changed in the past few months. First, we are taking a far more professional approach to investor relations. Rather than waiting for a business to approach us as and when it needs Government support or intervention, we are taking a far more strategic and targeted approach to that relationship. I can share a little bit about how we are doing that, if it is of interest.

Secondly, we are being really clear about where in Scotland the biggest opportunities for growth are and where investment is required. Until recently, we did not have a pipeline of all the highest-growth private sector-led and public sector-led opportunities—in many cases, because the private sector deals with seeking investment and so on itself. There has been a shift on the investment side of things, and I imagine that that quote could be replicated for a number of other businesses that, frankly, are running their business and not necessarily reading up on every Government report that is published, probably with good reason.

Murdo Fraser: To be fair, Mr Rodgers told us that he would have welcomed engagement. Have you reached out to him?

Kate Forbes: I have not reached out to him, but I will happily reach out to him.

Murdo Fraser: Thank you.

On that point, the Fraser of Allander Institute publishes a Scottish business monitor every year, and its most recent report, in October, told us that 9 per cent of those who responded agreed that the Scottish Government understands the business environment, whereas 62 per cent disagreed. The same survey, in October 2024, said that just 6 per cent of businesses believe that the Scottish Government engages effectively. That figure was down from 8 per cent the previous year, and there was a net figure of minus 62 per cent. That suggests that there is a gap in terms of people believing that the Government is engaging properly with businesses.

Kate Forbes: Yet the Diffley Partnership “Understanding Business” survey showed that around 48 per cent of 600 businesses surveyed said that they believe that the Scottish Government does understand their concerns. I

take what the Fraser of Allander Institute reports as a reason to double down, work harder and be as open and as engaging as possible, but I also take into account the Diffley Partnership work and the improvement that Dr Malik outlined a moment ago.

We will keep focusing on the feedback that we get in all different forms. I assure anybody listening that we are nothing but accessible. I am accessible on a Friday morning in my constituency, with a surgery when businesses can drop in, and my diary shows that I am accessible in engaging extensively across different sectors. We are listening.

I think that what businesses often define as effective engagement is not just the listening and the accessibility; it is seeing their asks reflected in policy. I was encouraged by the feedback on the programme for government and the budget. We did not deliver everything that business wanted—we were open about that—but we did see some very positive commentary, particularly from the Scottish Retail Consortium on the programme for government, which acknowledged that businesses do not want surprises. There were no surprises. A number of the initiatives do not sit in the economy directorate but were, nonetheless, music to their ears.

Murdo Fraser: That leads me neatly on to my next question, which is about specific outputs. We took evidence from Leon Thompson from UK Hospitality. He said:

“Direct access to and engagement with ministers and cabinet secretaries has never really been the issue. The bit that has not always been there has been the Government’s understanding of the need to act in a way that supports our businesses. What we should be taking from the experience of the past two years and the new deal is the need for all our ministers and cabinet secretaries to be focused on economic growth and to have a clear understanding of how that fits with their portfolio responsibilities, so that everybody is moving in the same direction.”—[*Official Report, Economy and Fair Work Committee*, 26 February 2025; c 51.]

I am sure that you would agree with that. However, the fact that he told us that a few weeks ago suggests that he thinks that it is not happening.

Kate Forbes: Sorry—who said that?

Murdo Fraser: Leon Thompson from UK Hospitality.

Kate Forbes: I have spoken to Leon Thompson several times, and I understand the particular frustrations in hospitality and tourism. It has been a pretty tough period. However, taking Leon Thompson as an example, my diary and that of Richard Lochhead will confirm that there is extensive engagement with that sector. The question is whether we can do more to relieve

some of the pressures on the sector. I imagine that, if you drill down into what some of the pressures are right now, those will include the massive hike in energy costs and the pressures of employer national insurance contributions going up. There will also be a number of other points that businesses in the sector will wish to make.

We do what we can to relieve some of those pressures. We certainly understand and engage extensively with those businesses on what their issues are. Government then has to make choices, in the round, about how to deploy resources as effectively as possible. That is where I take a more balanced approach that is open and transparent about the ways in which we can meet some of those asks but that acknowledges that, in some cases, we may not be able to meet those asks. That is the case for every Government. Yes, the Government has a focus on economic growth, but we also have to focus on getting to net zero, on having resilient public services and on ending child poverty. We need to balance all those objectives, and it would be foolhardy to say that those objectives do not sometimes come into conflict with one another.

10:30

Murdo Fraser: I asked about outputs. As you have taken hospitality as an example, what are the specific outputs in hospitality that the new deal for business has delivered?

Kate Forbes: Businesses’ number 1 issue was the cumulative impact of regulation that, at times, felt as though it was all coming at the same time. So, what have we done? We have established a regulatory review group. We now have a built-in process that looks at the potential regulation coming down the line and ensures that there is a means of understanding, internally in Government, the cumulative impact of policy and regulatory decisions on businesses. That is why there was positive commentary about the programme for government and the budget in terms of there being no additional regulations at a time when, as one business told us, there was a list of different regulations that businesses were trying to comply with all at the same time.

Generally, businesses are not anti-regulation. However, when there is a cumulative impact on top of the cost of living crisis and dealing with the aftermath of Covid, it is challenging. That is one example of how ministers can scrutinise the cross-portfolio regulatory landscape.

I invite Judith Young to come in.

Judith Young: I will add to that a specific example of the work that the regulatory review group did on minimum unit pricing. You will be aware that minimum unit pricing legislation was

coming to an end and there was a sunset clause and decisions to be made around what the future of minimum unit pricing would look like. The officials who worked on that policy came to the regulatory review group and discussed options with it. The regulatory review group made a number of recommendations, particularly around ensuring that there was an effective lead-in time for any changes and any increase in MUP and around the time of year at which the further increase in the minimum unit pricing legislation should be implemented. They made sure that that did not happen in the peak trading period for hospitality businesses.

Those recommendations of the RRG in relation to MUP were taken on board and changes were made to when the decisions came into effect and the regulations were implemented. That was received extremely positively by the hospitality sector.

Murdo Fraser: But the end point was the same in that MUP was still increased, which is not what the industry wanted.

Kate Forbes: Yes, but, fundamentally, we deceive ourselves if we do not say that certain policies that are implemented for particular outcomes will not be popular in certain sectors. I do not think that any of us is saying that we expect every policy to be universally welcomed by every citizen in Scotland. That just cannot be the case.

The aim of the new deal for business is to bring business in at the beginning, to ensure that implementation is as streamlined and as straightforward as possible. That is very different from saying that every policy will be universally welcomed, especially when we are trying to achieve multiple different aims, as we are through MUP. MUP aims to reduce alcohol dependency, poor health outcomes from alcohol misuse and so on. I think that businesses are largely on board with those policy objectives, but we need to make sure that the implementation has their input.

Murdo Fraser: Let me pick one more example. As I said, Dr Malik and I took part in an interesting visit during Scottish apprenticeship week. As part of that visit—and other visits that I and the committee took part in—the issue kept being raised with us that the apprenticeship levy is paid by businesses in Scotland but they do not see the value coming back from that compared to companies operating south of the border. Is that on your agenda, cabinet secretary?

Kate Forbes: It is on my agenda, because skills are very high on my agenda. We take a different approach to the apprenticeship levy here, and I would argue that businesses do see the benefit of it. They may not see the input/output equation in the same way as businesses might see it in an

English context, but the funding is clearly reinvested in apprenticeships of different types—foundation apprenticeships and graduate apprenticeships—and in different skills.

Right now, we have a huge opportunity to look at the whole skills landscape and understand how it is meeting our growth objectives. We have a really good problem at the moment because we have high growth in particular sectors. We have massive potential growth in aerospace, in renewables and in other sectors. If I am engaging with a developer right now, they are saying that the scale of potential construction across Scotland makes them question whether they will be able to access the skills that they need. In other words, there is a lot of growth happening.

Graeme Dey is very involved in the conversations that we are having, and we have done specific things on the side, such as allocating £3.5 million for offshore wind. I have been working with advanced manufacturing, and we are contributing specific funding for a skills effort there. So, there are things that we are doing on the side of the general skills landscape.

Graeme Dey is keeping all of this under review, and I know that a different approach is being taken to the apprenticeship levy here, but I would argue that the benefit is still there; it is just that a business cannot see output leading to input individually.

Murdo Fraser: Dr Malik, do you want to add anything?

Dr Malik: It was an enjoyable visit.

As a board member of Skills Development Scotland for the past four years, I would say that we are in a state of transition in the skills landscape. I know from the committee's programme that it is going to hear evidence on the new regulatory bill that is coming next year. With my academic and research hat on, and given the growth of the life sciences sector and the health sector, I would say that skills are key. Skills are a priority for every business that we speak to. Getting it right and having a workforce that is ready for employment is key, and apprenticeships are a critical medium for ensuring that.

Every business understands that, because there is no playbook for the jobs that are coming today and tomorrow. I would not say that it is even something for the future, because the green jobs and the jobs in digital and data do not exist. Businesses are having to do things on the go, as they are training their staff. Sometimes, as we saw, they need to create their own academies because there is no institutional offering, because there was no clear requirement. However, the colleges can be partners and can plan for that work, and Skills Development Scotland has been

playing a critical role in supporting the apprenticeships and advising the school children.

There is certainly a need for apprenticeships to stay, and businesses play a key part in how they are planned for and how the funding is allocated, as well as in the modes of apprenticeship that are options for them. If we do not hear the voice of industry in the creation of apprenticeships, that voice will be lost.

Jamie Halcro Johnston (Highlands and Islands) (Con): Good morning. An area that has been highlighted as having faced real pressures during and after the pandemic is tourism. That sector is vital to the Highlands and Islands, which I represent and which includes the area that the Deputy First Minister represents. There has been real concern about the introduction of legislation on the licensing of short-term lets and how that has been done, and there is now the prospect of visitor levies being introduced, as a number of councils are consulting on that. Surely the tourism sector is an example of where a sector may well have been listened to, but what it has been saying has not been acted on.

Kate Forbes: I say very clearly, because I am in receipt of the same emails that I imagine Jamie Halcro Johnston is in receipt of, that it is entirely Highland Council's choice as to whether to introduce a tourism levy or not. I have stressed that and emphasised it. There was extensive consultation when the enabling legislation went through the Scottish Parliament, but Highland Council is now running its own consultation. It is critical that the voice of business is taken into account, because we all know that the value of any such levy is the additionality for the experience of tourists.

My impression, which is based on the engagement that I have had with a number of businesses on a constituency level, is that most of them do not have an in-principle objection to the concept but they want their views to be taken into account in relation to how the council manages it. The City of Edinburgh Council is at a more advanced stage.

Jamie Halcro Johnston: I think that there is an acceptance that the visitor levy is likely to happen, or certainly that it could happen. However, most of the concerns that has been raised with me have been about the legislation that went through this Parliament. For example, there are concerns about the levy being a percentage rather than a flat rate; about the fact that VAT will be charged on it; and about how the levy will be collected, which will essentially turn businesses into tax collectors. All those things have come from this Parliament and not from the councils in Highland, Argyll, Moray or wherever.

Do you have concerns about implementation of the levy? How could the new deal for business group have played a role in making sure that the legislation was right as it came through Parliament?

Kate Forbes: I should have put an interest on the record at the beginning, as I have family members who operate a tourism business.

I do not accept that point about the legislation. I cannot remember precisely when it was, but I think that I came back into government halfway through the legislative process. In the responses to the consultation, there were a number of different calls. Some were very much in favour of a flat rate and some were very strongly in favour of a percentage rate. That proves the point that I shared earlier about the fact that the tourism industry is not homogenous. Some particularly small businesses were very hostile to a flat rate because, for them, it would have been a bigger percentage of the cost of a one-night stay.

The legislation was designed to try to make it as flexible as possible for councils. For example, there are a number of exemptions that can be included, and there are a number of different approaches and processes for collection. My view is that councils are now responsible for how they conduct the consultation, with VisitScotland input, and how they design a scheme that works for their local businesses. Although I am very open to feedback from businesses on how it operates, I stress that it is now a council responsibility. It was councils that wanted the enabling legislation, and they now have it. How they implement it matters, but it is ultimately their duty to engage with businesses on that point.

A review point is baked into the legislation. It is now Ivan McKee's responsibility, and he is engaging at the moment as to whether there needs to be additional flexibility on the point about a flat rate. You will know that Highland Council was not in favour of a single flat rate, either; it wanted a tiered rate. There is complexity here, because different businesses and different councils wanted different approaches. The legislation tries to be as broad as possible. I strongly encourage councils to engage well with businesses and to design a scheme that mitigates any concerns that are raised.

Jamie Halcro Johnston: Councils perhaps wanted the levy because they are trying to plug gaps in their budgets because of the central Government squeeze. However, I have not spoken to anybody who is supportive of the legislation as it is being implemented. I would be very interested to know how many people are writing to you saying, "We are actually pretty happy with this".

Kate Forbes: I am not arguing about whether businesses are happy with it. My point is that the legislation is enabling legislation and there is now a duty on councils to consult well. I get a little bit sceptical when colleagues demand that central Government does not interfere with local authority decisions but then, when they are not comfortable with the way that things are going with local authorities, they come back to central Government and say, "You must change this", or, "You must put a stop to this".

Jamie Halcro Johnston: To be clear, then, are you happy with the legislation that came through this Parliament?

10:45

Kate Forbes: The legislation is very broad and it allows for a number of flexibilities and exemptions that businesses are calling for. It will be the decision of local authorities as to how they design a scheme that works. There is a lot of flexibility in there. I am very alive to the fact that different local authorities and different business groups asked for different things. Some asked for a percentage, some asked for tiered rates and some asked for a flat rate. There were also other ways. Ultimately, we needed to take that into account and design a scheme that would work for the most people.

Ivan McKee is currently engaging with tourism businesses on whether anything else could be done to the legislation to make it even more flexible. There is an openness to engaging with the tourism industry right now on whether anything further could be done on the legislation. There will be a challenge if it requires primary legislation, but there is an openness there.

I go back to the consultation responses and the fact that there was a broad range of views on whether the levy should be a percentage or not, particularly as small businesses felt that a flat rate would be a disproportionate percentage of their nightly rate. That is why having as much flexibility as possible in the enabling legislation is important, but I stress that it will be for local authorities to determine whether to introduce a tourism levy and to design one that takes into account the strong feedback from businesses in the Highlands. I am very conscious that that feedback has been very strong.

Lorna Slater: In previous evidence sessions, we heard from representatives of business and so on that they feel that they have a good understanding of the duties of business as regards reaching net zero, the wellbeing economy, the circular economy and the new kid on the block: being nature positive. However, I am not sure that that is what I have been hearing on the ground. I

would love to hear from you guys how well you think Scottish businesses understand their duties in all those spaces, because that is quite a lot for them to take on.

Kate Forbes: I am interested in hearing Dr Malik's thoughts on that. By and large, however, my experience of Scottish businesses is that they want to do the right thing. They see themselves as critical to the local economy, but they are very interested in how they do their business and not just in what they do. Perhaps the difference is that, in Parliament or in the public sector, we have a tendency to use terms to define a lot of things that businesses, by and large, want to do themselves. An example is single-use cups. I am very conscious that a lot of coffee shops have already made decisions to try to contribute to environmental sustainability irrespective of legislative changes. Irrespective of how people define the work that they do and the duties that you outlined, businesses want to do the right thing.

Lorna Slater: I guess that it is about the implementation and understanding. As you say, we use terms such as "circular economy", but I am not sure that the average person knows what that means or understands how to be nature positive and what that means for businesses. I am interested in understanding how much it is part of the relationship with businesses to make sure that they understand the concepts that Government talks about and what they mean for businesses on the ground.

Kate Forbes: I think that Judith Young wants to comment on that.

Judith Young: I draw your attention to the wellbeing economy sub-group of the new deal for business. That was one of the five sub-groups that were set up and it brought together key stakeholders with an interest in the wellbeing economy. It has done some positive work on exactly the point you talked about, producing a definition of what the wellbeing economy means for business and identifying the different things that businesses can engage in to contribute to that.

There has been work under the umbrella of the new deal for business in this space. I am in no doubt that there is more that can be done, and that will fall to the individual policy leads and ministers who are leading on the particular policy changes. However, we have provided the umbrella under the wellbeing economy sub-group and we expect that work to continue, albeit in a different form, when the new deal comes to a close.

Lorna Slater: My other question is somewhat related to that. We have also taken evidence from representatives of alternative business models such as co-operative social enterprises and other

democratic business models, and they felt that they were not part of the new deal for business. They have had increased engagement recently because of the inclusive and democratic business models report, which they are very grateful for. However, the committee is interested in how we mainstream them. How do we make sure that those alternative business models are included in the new deal for business and also, going forward, in the thinking of Scottish Enterprise and Business Gateway so that we mainstream them, given how important they are to the wellbeing economy?

Kate Forbes: I am sure that Dr Malik will have some thoughts to add, but I absolutely agree with that point about mainstreaming those models rather than their being an add-on. I was not here when the membership of the new deal was determined or invited, so I am not sure what the thinking was at that point as to who to involve and who not to involve. My colleagues may have thoughts on that. However, I agree with the point about mainstreaming.

As I have reiterated a few times this morning, we also need to reject the notion that the business community is homogenous and has the same views on everything. That is not the case. Business owners and workers of different kinds are citizens with lots of views on the various policies that the Government is engaged with, and we engage with them as citizens and take their views into account irrespective of their roles in business. Business is not a homogenous whole. We need to have the means to allow feedback, input and consultation and we then need to come to a conclusion that weighs all of that up, including the input from those alternative business models.

Dr Malik, do you have any thoughts on that?

Dr Malik: Yes. On Jamie Halcro Johnston's point—I do not think that he is here at the moment—I note that we discussed skills earlier, and that the Tertiary Education and Training (Funding and Governance) (Scotland) Bill is now going through Parliament. In that example, again, it is Parliament's responsibility to scrutinise the legislation to ensure that it is fit for purpose, rather than looking back at it later.

On Lorna Slater's point, businesses are aware of the net zero and circular economy targets. The Government set a 2045 target ahead of everybody else, and in principle that is something that people recognise. There is an education and awareness aspect, and then there is the target setting. The disconnect can arise because it is economically hard for people to run businesses, and operational costs are high. On top of that, if they need to take additional measures to change things, the cost of that additionality and changing to net zero practices becomes quite challenging. That is what we are hearing from businesses.

Businesses are aligned and they want to make the changes but, to do that, there are additional requirements. That is where they look for measures such as supports and grants. A number of those have been implemented, but they do not satisfy everybody because the pot is limited.

On how the journey from A to B will take place, it is about mutual agreement and understanding of what the Government targets are, what grants and facilities are available and where businesses need to work towards what is required. For example, a business may need to decide between hiring a new person or investing in solar panels or a heat pump. Some innovative measures require the adoption of innovative technologies. That is where we come back to the productivity issue, because our businesses are not spending as much as they should be on research and development.

I absolutely agree with Lorna Slater's point about social enterprises and alternative business models. As I said, 99.3 per cent of our businesses are SMEs. From my Royal Society of Edinburgh fellowship point of view, I note that we produce a third sector report, in which the contribution of the third sector is widely recognised. However, in our membership, we have Muckle Media, which you heard from, and it is a B corp. That is an alternative business model. It is very much part of that, and it has represented independent business as well. We also have Business in the Community membership in the new deal for business.

My key message to the officials was that I wanted regional representation and both small and large businesses. There is some trade membership, but there also had to be a geographic distribution and different shapes and sizes. We try as best we can to fit round the table in St Andrew's house and make the voice of the society that we represent heard. Naturally, there are a lot of members. I personally got approached by a number of people, which is why we created the generic address for anybody who wants to give feedback. There were five sub-groups because of the large membership. There was ample opportunity for people to be included and give feedback. As we heard from Tony Rodgers, a number of people were very involved in their businesses and did not read the newspaper. It is a two-way process, but we need to reach out.

I take your point that there has to be wider engagement. I have discussed with the officials that we may need to do a roadshow, going on with the membership organisation and getting in front of the people. However, all of that requires time. As I said, things need to be built, and the culture change will take time. It takes time for businesses to understand what is happening. A lot of them ask me, "Are you still on that new deal for business thing?" I am not talking about it in the mainstream

newspapers every day, as I was in the beginning. After that, we got our heads down, and we are now looking for the outcomes of that work. The culture change will take place, but the key point now is where we will be in the future, because the job is not done. The implementation is important, but we have to see the outcomes being achieved.

Lorna Slater: I appreciate that, looking forward, there will be an opportunity to incorporate and help to mainstream those businesses.

I want to pick up on a point that you made, Dr Malik. There seems to be an idea in many people's minds that moving to net zero is costly and challenging. You mentioned that as well. However, the circular economy is about helping with businesses' bottom lines by reducing the waste of energy and of materials. Businesses might make the choice to fly less to conferences, for example, which will save them money. Is any work being done with businesses on how they can improve and make more money while reducing their waste and working on their route to net zero? If people think that it will always cost them more money when, in fact, doing less will be the answer in many cases, that narrative will be a barrier.

Dr Malik: When I said that we hear that from businesses, I was representing their voices. That is not necessarily my point of view. My master's is in biotechnology, and industrial biotechnology is all about how we recycle and generate green fuels and green chemicals. Scottish Enterprise is working with businesses on that. Our most recent board meeting was at Grangemouth, which is in the news for the wrong reasons. It is shutting down, but there is an alternative plan. I think that the First Minister is releasing the project willow report today. How do we regenerate that economy with the green bioeconomy? That is all dependent on utilising waste. Celtic Renewables is on site, which has a similar model. It has mastered the technology and is using waste from our whisky industry and other sources that produce a lot of waste in Scotland, and producing green chemicals that are then utilised in industry.

There are a number of large, innovative early-stage companies that are working in industrial biotechnology. Naturally, there is a cycle whereby innovation is adopted and businesses can put small measures into practice. Change and transformation are not easy and there is a cost involved in them. There is a cost in making transport, housing and everything else net zero. However, I take your point in that some small steps can lead to large changes. It is about awareness and willingness as well as capital. Those three things need to come together for that transformation. The recognition and the willingness to change come first. Businesses are

up for that, but they also look for some support and discussion.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Will you reflect on what happens next? We have heard that the report will be finalised in April. We have also heard that, even at this point, quite a lot of SMEs have not heard of the new deal. I am sure that that is the case in your constituency and in mine. How can we get them to feel part of and participate in the new deal going forward? Where do we go next? Will there be a new deal 2 coming down the track?

11:00

Kate Forbes: No, there will not be. The point of the new deal for business was to make systemic change. That is slightly different from setting policy outcomes; it was about processes. The next stage is that those processes should work, be effective and lead to different outcomes for Government with regard to what happens and what does not happen.

I hope that extensive engagement will continue, and that there will be different and better means by which different businesses can feed in to processes. That would be my objective.

It is a good question, and I would like to hear responses from the people on either side of me. What happens next, Judith?

Judith Young: I am more than happy to jump in on that point. We are very focused on getting to the finish line at this point and ensuring that we have effectively completed the outcomes that we set out to achieve for the new deal for business. Beyond that, we are in the process of mapping how we sustain the change and ensure that it is embedded in the work of Government going forward. That is not only the work of my team, but work across the piece.

We will be putting in place teams that will take forward work on policy support and education. That includes promoting the tools and processes that we have developed, and ensuring that there is an education piece across the whole of Government so that officials are exposed to and understand how to work better with business, and have support to do that. That is direct operational assistance.

We will be putting in place a number of scrutiny mechanisms. I suppose that you can think about this as a bit of a carrot-and-stick approach. The policy support and education are the carrot. We are supporting our policy officials and other portfolio areas to work with business. Then we will be using the scrutiny mechanisms that we have, particularly the Cabinet sub-committee on investment and the economy and the regulatory

review group, to look at whether that is working and at the scrutiny and assurance of that.

We will be doing work on regulatory improvement, because we understand that regulations are a big issue for business. Different businesses will have different perspectives on that, but the key overarching thing that we hear from business on regulation is the need to recognise the cumulative impact and to ensure consistency. Business wants us to tell them what we are doing and when, and not to keep changing that. That comes back to a point that was made during the earlier discussion on the visitor levy. The overarching feedback that we got from businesses in that process was that they want to be given something that will operate consistently, including across local authority areas, if that can be achieved. We will be doing work on regulatory improvement.

The other point, which the Deputy First Minister has mentioned, is about on-going stakeholder engagement. The other main area of work that my division takes on, aside from the delivery of the new deal for business, is about managing the DFM's and other ministers' stakeholder engagement programmes and communicating with businesses. We ensure that we have mechanisms whereby we can effectively receive information from business organisations and businesses. We gather that information and ensure that it informs policy decisions. We can also transmit information out about the changes and developments that we are putting in place in Government, whatever their purposes are, and how they impact on business.

Those are the four work strands that we will have going forward. They will demonstrate that although the new deal for business is no longer new, this is the new normal for how we operate, and we will consistently drive continuous improvement on that.

Willie Coffey: Dr Malik, how do we permeate the principles that are in the new deal so that a wider number of small businesses in all our constituencies can participate in it?

Dr Malik: That is the key point. I do not want to get bogged down in what the name of the policy is or whether it is new or old. The idea is to be pro-business, pro-growth and pro-economy. That was the ultimate goal. What we chose as our parameters were processes, regulation, policy change and culture change, rather than looking directly for measures of investment coming in or the creation of jobs. Those were ultimately part of the national strategy for economic transformation anyway, which the DFM implemented in a previous role. We created the deal as a medium for the outcomes of those business success measures.

On the work that has been done in the past two years, the proof of the pudding will be in the eating. The Diffley Partnership survey is part of the written evidence that you have before you. On actions by the Scottish Government and business sentiment, the figure increased by 15 percentage points. That is one achievement. Today, businesses feel more engaged, and they feel that there is more support. In relation to continuing the approach, what is the future? Do we continue to hold that level? What would it take for that figure to slip down? Where might we fall? Judith Young has outlined certain measures that are being taken.

How do we take account of that? I go back to my point of how businesses feel. How do we hold feet to the fire to ask, "Has that been achieved? How do we reflect on that?" What I am hearing from this entire session over the past 45 minutes or so—Michelle Thomson has just stepped out—is about that oversight of fresh perspective. In other words, it not about hearing from the same old people; it is about involving people who bring that perspective from the entrepreneurship community, in which I am deeply embedded.

For the past three and a half years, I was the head of investments at the University of Strathclyde. Even the innovative businesses were facing challenges securing investment or a diverse group of students to form those businesses. There is also the issue of the small businesses that are set up in the wider regions that the Highlands and Islands Enterprise covers or in the Borders. Success will be creating the most competitive business environment to be in in Scotland, which initially was our purpose. That is what the ultimate success will look like.

On reaching that, it is not whether the structure stays, but there has to be a strategic forum so the voices do not get lost. In my eyes, the successful outcome will be getting intelligence and feedback from the community, having that regular engagement and interaction and then measuring that success at the end of it.

Willie Coffey: Finally, Kate Forbes, are you confident that it is a genuine two-way relationship? You spoke quite positively about businesses' asks being reflected back in policy development. Are you quite confident that that will develop and grow, and that we will see more of that as a result of this engagement process through the new deal?

Kate Forbes: I hope so, yes. That is the aim; that is the ambition. There are particular flash points where that is tested with new policies and so on. With the previous budget and the programme for government, we tried to give some breathing space, with no surprises for businesses or anything that has caught them out and so on. There is something about this being a particularly tumultuous time, and giving business some space

to be able to respond to those challenges is a good thing for Government to do.

Dr Malik: I will add that the door has been opened for that dialogue between business and the Government. The criteria and the process have been set, but, like any relationship, it requires constant work otherwise it fades away. Similarly, in this case, we cannot sit on our laurels to say we have done this and that we have been there. This will require constant engagement. That will be the ultimate success, and it is why we need to use the parameters and the pathway to continuously work with businesses and listen to them.

As we set out at the beginning, not everybody will be satisfied, because the asks are different. Also, not every ask can be fulfilled, because the Government has to look to its parameters. The ask from business is what best suits business. It is about that compromise. That might mean agreeing on each of the aspects, but sometimes it might mean not agreeing on them but knowing what each other's boundaries and parameters are and where they might or might not agree. To keep on working and listening in that regard is key.

Willie Coffey: Great. Thanks very much for that.

The Convener: I bring in Daniel Johnson.

Daniel Johnson (Edinburgh Southern) (Lab): I apologise to everyone witnessing the session for having to turn on my camera—I hope that it is not too off-putting.

I want to follow up on a couple of things. I do not think that I am paraphrasing Kate Forbes unfairly by saying that this is not job done and that we are moving on to the next stage. What I have been reflecting on as I have been listening to the evidence is that there has been a lot of focus on dialogue and communication, and there has been discussion of processes. However, I have not necessarily heard about how Government will make the environment better for business overall.

I ask you, Deputy First Minister, to unpack a statement that you made earlier, which I thought was quite interesting. You were reflecting on the fact that getting this right will mean that agencies such as Marine Scotland and the Scottish Environment Protection Agency will have business growth at the heart of what they understand they need to do. Clearly, we need agencies such as Marine Scotland to be able to deliver the throughput of decision making if we are going to roll out things such as offshore wind. Will you explain and expand on that remark a bit more?

Kate Forbes: Absolutely. Here is an example: doubling the resource in the energy consents unit was not necessarily—unless my colleagues are

going to correct me—considered to be a top priority for the new deal for business, but it has emerged as one of the top requests by developers in a sector that is forecast to deliver high growth to the Scottish economy.

The point of the new deal for business was not to capture all the policy asks in one place and then track whether we could deliver on them. The point of the new deal was to deliver systemic change in the processes and the tests for all policy development.

Being able to double the resource in the energy consents unit and target a sub 12-month turnaround time for planning applications is an example of how that has been achieved by an area of Government that would not necessarily see itself as being in the business of economic development but would see itself in the business of planning, regulation and so on. That is what I meant.

The test of the new deal for business will be whether that culture change continues. I personally think that—perhaps I will just claim credit for this—in the past six months, the approach has been embedded dramatically in a number of different organisations. For example, on the investment stuff that I am doing, for the first time, we have a pipeline of all the private sector-led and public sector-led opportunities for growth and requirements for investment. We have not had that before.

You look like you are about to come in with a second question.

Daniel Johnson: That is an important point. Angus Macpherson was clear in his report that the Government needed to stop treating those things as wish lists and that they need to have a much more serious list of investable opportunities. I wonder whether that is not part of the same problem. It is good that you have that, but the real issue is ensuring that all of your processes that might stand in the way of those investments are aligned with objectives.

You just said that the resource level has had to be put in to achieve a 12-month decision-making timescale. I understood that to be the policy before that resource went in. Does that not indicate that there has not been an alignment of all Government processes towards its broader business and economic objectives?

Kate Forbes: It is about more than that. At any point, we are grappling economically with different challenges. Some of those are unexpected, and some of them are expected but are happening more quickly than anticipated. Let us take the same example. The national strategy for economic transformation, which was published a couple of years ago, explicitly said that targeting new

emerging markets was a big opportunity for the Government, and it explicitly talked about the energy transition. We then had ScotWind, in which the leasing round massively exceeded our original target. The Government agreed to that massive increase because it was such a huge opportunity. Government and its agencies, therefore, have to respond to what we were anticipating but at a much higher volume, and that is where doubling the resource and so on comes in.

Again, you look like you are about to come in with another question. I do not want to cut across you.

Daniel Johnson: You should ignore me until you are finished.

11:15

Kate Forbes: Okay. The point is we have to be flexible, which is perhaps one of the things that has not been raised in this committee session so far. We have to be flexible. The processes need to be able to adapt and flex in response to new issues. We were not anticipating an increase in ENICs to be such a massive issue, and businesses are scrambling to respond. The agriculture sector did not expect various changes to come through, and it is scrambling to respond. Beyond our shores, we might not have expected Russia to invade Ukraine three years ago and what that would mean. My point is that our processes need to be flexible enough to respond, which is why the new deal for business was not about specific policies; it was about processes.

Daniel Johnson: Forgive me, but the flexibility point is important. Business is constantly having to reflect the changing world. You are quite correct to say that there are a number of external factors that 12 or 18 months ago we might not have predicted. However, I wonder whether the consenting point is a different one. It is important to pull out that point, because it is one that is fundamental to business. It is about investment decisions, but it is also something that touches on other policy areas and is about explicit policy.

My point is that if you cannot embed Government processes that align with its explicitly stated economic objectives—ones that are not just a sideshow but have been front and centre of dialogue—does that not highlight a bit of a problem with regard to the Government's ability to map out those objectives against the processes that have touch points on decision making? Further to that, if we cannot get it right for things such as installation of offshore wind, which is high profile, what hope do we have for more mundane day-to-day economic objectives, such as growing SMEs or helping our high streets?

Kate Forbes: My confusion about the question is that the example that I have given you demonstrates where we have done it well. Recognising the volume of planning and consenting applications, we doubled the resource. We are not still talking here about the fact that that resource still needs to be doubled; I am here with a completed action—it has been doubled.

Daniel Johnson: [*Inaudible.*—decisions within your own stated timeframes.

Kate Forbes: You were cut off at the beginning.

Daniel Johnson: That is a moment to acknowledge that you had not got it right, is it not?

Kate Forbes: No, not at all, because we have responded. We have responded to the increase, and, by and large, consenting is no longer identified as the biggest concern. What came through our Monday conference on offshore wind, where I was delighted to sit alongside Michael Shanks, is that the sector's biggest concern right now is the uncertainty on contract for difference allocations and the fact that the work on grid connections is too far in the future. All of us know that there is a need to respond, but we are very proud of having doubled the resource in the consenting unit without much fanfare. We have just done it. That shows a flexibility of response.

The point about the high street is a bit more challenging, because many different factors impact on that, and some of them are outwith our control. The rapid rise in online shopping, for example, has had an impact on our high streets. There is also the impact of Covid. Where we can respond is by rethinking high streets and what goes into supporting them. It is a bit more complicated.

I am at risk of continually hogging this. Dr Malik, do you have any ideas to share?

Dr Malik: I will leave the Government issues to the Deputy First Minister, and I will take the broader issues of attracting investment and what we could do.

When we started the new deal for business, the overall purpose was to refresh and reset the relationship with business. The issue of a pro-business policy is hot all over Scotland and the UK. It is on the agenda of most citizens at the moment, whether we are talking about the political spectrum or the business spectrum. From that point of view, the key here is how we make Scotland the most competitive business environment, such that businesses from other countries will wish to come here, do business with Scottish businesses and invest in Scotland. To do that, we must understand what our assets are.

Daniel Johnson highlighted the issue of offshore wind energy and the need for a natural transition

to renewable energy. I would say that we have an opportunity there and that what is needed here is working. For example, Scottish Development International and the Scottish Government have been successful in bringing Sumitomo's investment here. What is required is the creation of a successful supply chain, as well as a skills agenda, if we are to create larger-scale investment opportunities for larger investors. Overall, the ask is for Scotland to unite and to think about what big opportunities exist for us to come together, talk about Scotland plc and provide an offer that is attractive.

From a Scotland point of view, the second aspect—this relates to my other interest in the Royal Society of Edinburgh, which I mentioned—is the Mansion house compact. How do we ensure that the pension houses that have signed up and committed to putting 5 per cent of their overall funding into innovation businesses invest that in Scotland and that that funding does not remain south of the border? The Deputy First Minister has pointed out that she is working on that, but we have previously discussed the need to ensure that we achieve a different level of investment, because those innovation businesses—deep-tech businesses and spin-outs—are the ones that are scaling, and they need to be invested in, rather than the mid-market property businesses. That is the key focus that I would be looking for some engagement on.

Daniel Johnson: I could not agree more with what you said about pension funds—we need to attract pension funds from elsewhere in the UK to invest here and to make sure that our pension funds take similar decisions.

I cannot resist gently saying to the Deputy First Minister that I think that the situation as regards consenting and planning is still a concern, even if it has got better. I was slightly amused by what she said, because, as a former retailer, I am somewhat familiar with the challenges for retailing that have been created by online shopping. That highlights the point that, where there is greater complexity, it becomes ever more important to think through the touch points. That was the point that I was trying to make.

It would be remiss of me not to raise the subject of non-domestic rates when we have the Deputy First Minister in front of us. I remind the committee of my entry in the register of interests: I am director and owner of a business with retail interests.

The Deputy First Minister mentioned that progress had been made. I wonder whether she could outline her view of what that progress looks like. I do not think that the evidence that we received directly from some of the people involved was necessarily as positive as that. She will

know—I have shared this with her in private, too—that there are some deep dysfunctions with the way in which the non-domestic rates system operates, not least of which is the balance between different types of businesses. Consumer-facing businesses are taxed disproportionately in comparison with businesses in other sectors.

What progress has been made? What outcomes can business expect from those conversations?

Kate Forbes: I confess to being surprised that it has taken until 11:23 for anyone to raise the subject of non-domestic rates. I commend Daniel Johnson for being the first to do so.

There is a sub-group on non-domestic rates, which has valued the opportunity to engage in a deeper way on many of the issues and to consider how the non-domestic rates system can best support business growth. Although we have made the decision that the new deal for business is coming to its natural conclusion, the sub-group on non-domestic rates will continue to meet and will, I hope, continue to be a forum.

The sub-group has delivered changes. For example, this might seem quite minor, but the deadline for lodging proposals on non-domestic rates valuations has been extended as a result of concerns being fed back. Dialogue and engagement that had not happened previously have taken place through the sub-group on non-domestic rates.

Short-life task teams have got into the weeds on very specific issues, including property improvement, promotion of reliefs, valuation transparency, information flows and the impact of reliefs. That has allowed really in-depth conversations to take place that would not normally happen when we discuss in general terms the changes that need to be made around non-domestic rates.

Daniel Johnson and I have had conversations on other specific changes. I remain very open to and interested in changing the methodology for hospitality businesses. The key is finding consensus on what that change should be. I have shared with Mr Johnson the UK Government's proposed changes on non-domestic rates, whereby larger businesses will indefinitely supplement the reliefs that are provided to smaller businesses. As we cannot replicate those changes, it is particularly urgent that we look at what the alternative will be in Scotland.

On methodology, there remains an outstanding question on what could replace the current methodology. That is dependent on data.

Judith, do you have anything to add on the specifics of any of that? If not, do not worry.

Judith Young: It is not specifically my area.

Kate Forbes: That is fine.

Daniel Johnson: I do not want to subject the committee to the detail of this, but I would be interested in getting detail on valuation transparency in particular, because, for a lot of businesses, the devil is in the detail. There is not great transparency or clarity on the methodology. I have looked at how individual premises have had their calculations done, and some people would probably find that process quite eye opening.

I am interested to hear the detail of what is being discussed in relation to valuation transparency that will lead to people having greater clarity on how rateable values are arrived at. I am not convinced that the process is as consistent and robust as it could be.

Kate Forbes: One area in which I would like greater progress to be made—I imagine that Daniel Johnson will agree with me on this—is on the complexity of the technology landscape for local authorities' non-domestic rates systems. That point is similar to the one that Jamie Halcro Johnston made earlier in relation to the tourism levy, some of the points about which we recognise. However, the process needs to be initiated by local authorities themselves if fundamental changes to the technology are to be made. The delivery of any changes to the digital systems, such as changes in the level of information that can be accessed through those systems, requires a joint view to be taken by all councils.

I have previously engaged with Revenue Scotland, which has an appetite for helping to support councils to take a far more streamlined approach to non-domestic rates. There are multiple different systems operating. If there was consensus among local authorities on the need to improve that technology, we would be willing to work with them. However, I must emphasise the fact that, although it is easy to ask Government for a number of changes, when we are talking about a local tax, the process needs to be initiated by local government.

I see that Daniel Johnson is looking at me sceptically.

Daniel Johnson: Your point is a good one, but the problem with it is—I think that we are in danger of taking other members of the committee down a rabbit hole that they probably do not want to go down—that, although local authorities collect non-domestic rates, because the money is redistributed from the centre, they are not incentivised to do what you suggest. I agree that we need them to want to do it, but—this will need to be a much longer conversation, which is why I suggest that we might want to park the issue for now—you are right to say that that would be a big

benefit, and you are right to say that the process would need to be led by local authorities. However, because of the way in which the system works, they are probably not incentivised to do that.

11:30

Kate Forbes: I disagree fundamentally with the point about their incentivisation. I think that local authorities are incentivised to take such action. There is an extensive focus on what the Scottish Government is or is not doing to incentivise economic prosperity and growth, but a lot of levers lie with local government, and I do not think that there is always the same level of scrutiny of local government in that respect.

The visitor levy is one of the first examples of a measure in relation to which a local authority needs to consult extensively with local businesses before implementing a new economic intervention. Although it might be easy to keep coming back to the root, I invite all members to work with local government, too. Often, on planning, local taxation and local consultation, the levers lie with local government, and if we keep coming back to central Government, that undermines local government's responsibility and duty to take action on those things.

Daniel Johnson: I both completely agree and completely disagree. The fundamental point here is that a very significant number of the microeconomic levers that shape the economy lie with local authorities. That is most profoundly the case in relation to planning, because it is through the planning system that land use is controlled. However, I would question whether the system is wired up correctly so that local authorities are incentivised to understand those impacts and to align them with economic growth.

It is an interesting issue. I agree with the fundamental point that we need to work more closely with local authorities to ensure that the growth agenda is delivered, because they are in control of many of the levers, including in planning, transport and education. Those are fundamental economic levers, and I agree that we need to have a lot more focus on how we deploy them.

We have probably gone off on those tangents enough, but I am looking forward to discussing them further in the future.

The Convener: I will halt that there. To be fair, Daniel Johnson was letting you off the hook there, cabinet secretary, but you incited him with your responses. I will hold the debate there because it is an important issue. I will refrain from talking about hospitality and the way that we assess that. Kevin Stewart has said he wants to ask a brief supplementary—I am nervous about this.

Kevin Stewart: You do not need to be, convener.

One of the frustrating things that has come out of Daniel Johnson's contribution is the fact that local authorities have a lot of powers and flexibilities that they do not use. They can exempt business from various things, which they do not do. How will you get local government on board to follow the practices of the new deal for business and get things moving in certain places?

Kate Forbes: This is a good bookend. In response to your first question, I said that the key for the new deal for business is the extent to which it filters down to other organisations. With things such as local taxation, there is a duty in law on local government to engage and consult well with local businesses. I will be quite bold and say that it is, therefore, the lazy option to keep saying to Government that the problem is with what we have or have not done on the legislation, given that there are extensive flexibilities in the legislation and there is a new responsibility on local government through which it is incentivised to engage well on these points.

Part of the answer is that when there is a new opportunity and a new responsibility on local government, local citizens should hold the relevant and appropriate level of government responsible for what it does. In this case it is local authorities. The same goes for planning and local transport decisions.

The Convener: I have a couple of final quick-fire questions on the recommendations. The regulatory review sub-group recommended an overhaul of business regulatory impact assessments. Have BRIAs been revisited to assess the accuracy of the process and address any unintended consequences of it?

Judith Young: Absolutely.

The Convener: It has happened.

Judith Young: We now have a new template for BRIAs, and we are looking at the governance associated with that. BRIAs have to go through a series of gateways and be signed off at each of those. We have made those changes.

The Convener: On regulation, has a formal process been put in place for identifying and removing regulations that are no longer required?

Judith Young: The focus of the regulatory review sub-group has been on the pipeline of new regulations. We have been looking at how the regulations that are in genesis and coming down the pipe could impact business. That was an explicit choice that was made by the new deal for business group, which recognised that what you are asking about was a much more long-term objective that would take longer to achieve.

Removing regulations is something that is rising to prominence, particularly at the level of the UK Government, which published its action plan earlier this week—we will look at that from here on in as part of the on-going work on regulation. The answer to your question is that we have done the first part and we are working on the second part.

The Convener: My final question is: is there now a clear published and continuously updated list of regulations in development that shows what their cumulative impact will be?

Judith Young: Again, we produced a list as a one-off exercise in advance of the programme for government. That was the document that I said we discussed with the executive team and directors general. We have not yet got a process for keeping that up to date, because of the scope and scale of regulation that occurs across the piece. If you look at the work that is being done in the UK Government, you can see that there is no formal definition of a regulation. Producing that list more regularly is definitely a work in progress.

The Convener: Because obviously that cumulative impact is something that—

Judith Young: Being able to assess the cumulative impact is recognised as something that is imperative. The Cabinet sub-group and the helicopter view that it can take of policy decisions across different portfolios will be the key to unlocking the assessment of cumulative impact and ensuring that it is taken into account.

The Convener: Okay. I am sure everyone will be pleased to know that that brings us to the end of what has been a very helpful evidence session as part of our work on the new deal for business. I thank the Deputy First Minister, Dr Malik and Judith Young for joining us today and giving us all your evidence and feedback.

11:38

Meeting continued in private until 12:19.

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