



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 14 September 2011

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ECONOMY, ENERGY AND TOURISM COMMITTEE

5th Meeting 2011, Session 4

CONVENER

*Gavin Brown (Lothian) (Con)

DEPUTY CONVENER

*John Wilson (Central Scotland) (SNP)

COMMITTEE MEMBERS

*Chic Brodie (South Scotland) (SNP)

*Rhoda Grant (Highlands and Islands) (Lab)

*Patrick Harvie (Glasgow) (Green)

*Angus MacDonald (Falkirk East) (SNP)

*Mike MacKenzie (Highlands and Islands) (SNP)

*Stuart McMillan (West Scotland) (SNP)

*Anne McTaggart (Glasgow) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Colin Borland (Federation of Small Businesses)

Sally Collinson (Aberdeenshire Council)

David Coyne (Glasgow City Council)

Kate Fraser (Argyll and Bute Council)

Naomi Johnson (Firstport)

Hugh Lightbody (Convention of Scottish Local Authorities)

Calum Iain Maciver (Comhairle nan Eilean Siar)

Isabell Majewsky (GO Group)

Marjorie Miller (Glasgow City Council)

Duncan Thorp (Scottish Social Enterprise Coalition)

Richard Whitcomb (Ekosgen)

CLERK TO THE COMMITTEE

Stephen Imrie

LOCATION

Committee Room 4

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 14 September 2011

[The Convener opened the meeting at 09:32]

Decisions on Taking Business in Private

The Convener (Gavin Brown): Good morning, everybody. Welcome to the fifth meeting this session of the Economy, Energy and Tourism Committee. There are a number of items on the agenda, but the bulk of the meeting will be taken up by three panels in the first evidence session of our business gateway inquiry.

Agenda item 1 is a decision on taking business in private. Item 4 is a brief discussion of the evidence that we will hear. Are members content to take item 4 in private?

Members indicated agreement.

The Convener: Item 2 is a decision on taking business in private at future meetings. We will produce a report for the inquiry, and we will obviously want to discuss a draft before we publish it. Are members content to take such discussions in private?

Members indicated agreement.

Business Gateway Inquiry

09:33

The Convener: Item 3 is the business gateway inquiry—specifically, the priorities for contract renewal. On the first panel are Colin Borland from the Federation of Small Businesses; Naomi Johnson, who is the executive director of Firstport; and Duncan Thorp, from the Scottish Social Enterprise Coalition. I welcome all three panel members. I have indicated to them that they can make short opening statements before we move on to questions.

Colin Borland (Federation of Small Businesses): Thanks for the opportunity to contribute at an early stage of the inquiry. Given that this is a very specific inquiry into a potentially huge issue, it might be helpful if I quickly summarise the FSB's position on the matter. Members will be relieved to learn that I can do that by making four quick points.

First, we agree with the committee's predecessor committee in the previous session—and a range of others—that there is no need for a major reorganisation of the service. The model of core, nationally agreed priorities supplemented by locally delivered priorities is the right one. It seems to be working and we are glad that it will persist.

Secondly, that means that the core national priorities have to be the correct ones. Our view is that those have to include business sustainability, particularly around getting businesses that are finding things very difficult at the moment through this difficult period. They must also include support for small businesses in particular, to sustain employment and, indeed, create new employment where possible.

Thirdly, even if we get the priorities spot on in 2011, who knows where the economy will go in the next four or five years? The contracts must therefore have sufficient flexibility built into them, so that no matter what is thrown up on the economic front in the next four or five years, they are able to adapt sufficiently to circumstances.

Finally, it is important that service users and stakeholders—I hate that word—are involved and can have an input into the process at an early stage. I note from the terms of reference of the committee's inquiry that local authorities will report at the end of September, which is a fortnight away, on exactly what they think should be part of the contract. We look forward to having the opportunity to have an input into the discussions at a similarly early stage.

Naomi Johnson (Firstport): I guess that my experience comes from supporting new-start

social enterprises across Scotland. The key challenge as a result of the way in which business gateway services operate is that although we have very good relationships with some individual providers, that is patchy. We seek, and hope to see, an increase in the number of good relationships.

One of the key issues for us is to increase providers' understanding of social enterprises—increasing knowledge of what social enterprise is, as part of the premier adviser course, would make a key difference to many of the people we know who approach the gateway. A greater understanding of how referrals operate—and perhaps building in an understanding of the framework as a key requirement—would be helpful. For example, it is built into the Just Enterprise contract that we build relationships with the gateway and, as part of that, Lanarkshire Enterprise Services is built in as a key connector between the two sectors. It is crucial that that connection is also built in from the other side, so that there is an impetus for mainstream services to connect with the social enterprise support services.

Looking at the issue from a long-term perspective, I know that some new starts that have come to us having gone through mainstream services have not always had the best advice on matters such as the legal set-up for social enterprise, which is complicated and difficult for everybody to understand fully. We might need to consider how co-ops are supported throughout Scotland, so that they are much better connected to the mainstream support services but there is still a recognition that some differences exist.

Duncan Thorp (Scottish Social Enterprise Coalition): We recently conducted a short policy survey among our membership in which we asked specific questions about the business gateway. Quite a high percentage—48.4 per cent—use the business gateway, but our members raised a number of concerns about it.

About 6.5 per cent of our members found the business gateway very useful, whereas 34.8 per cent found that it was not very useful at all. From speaking to members and from information in the survey, I know that there is quite a mixed picture across Scotland for the social enterprise community.

The relationship seems to be quite good in certain parts of the country, such as the Highlands. I have spoken to the Highlands and Islands Social Enterprise Zone, which is the social enterprise support agency for that area. The relationship there seems to be quite good—HISEZ seems to have quite a lot of interaction with the social enterprise community and the business gateway—and the picture seems to be similar in

Lanarkshire. However, there are gaps in other areas of the country where the picture is not as good.

Members have been given a copy of the full results of the survey, so you will see our members' comments. There is a caveat: the survey does not represent our entire membership and, as you can imagine, it certainly does not represent all the views of the wider social enterprise sector. However, it indicates the challenges that social enterprises face with the business gateway.

On solutions, we are happy to provide information about social enterprise for the business gateway or for yourselves, to ensure that the contracts are improved next time round and offer a better service to social enterprises.

The interesting example is Lanarkshire. One of our members is Lanarkshire Enterprise Services, which is the business gateway provider in that area. It puts a strong emphasis on offering a universal service to all types of business, regardless of the business model. It also offers an extra service—called “beyond the business gateway”—which specifically helps social enterprises. As a socially enterprising organisation itself, it is keen to help social enterprises.

That is an outline, but I can go into more detail about the survey results.

The Convener: My first question is a simple yes/no question for Duncan Thorp: does the SSEC sit on the business gateway external stakeholders group?

Duncan Thorp: No, not as an organisation.

The Convener: Would it be helpful if it was able to sit on that group?

Duncan Thorp: Yes.

The Convener: My next question is directed at Colin Borland. You said that there was a need for greater flexibility in the contracts in future—that was one of your criticisms of the current contract. There were some adaptations over the period, such as the sub-growth pipeline, so where is the real inflexibility in the current contract? Where are the real flaws that need to be addressed?

Colin Borland: It is important to acknowledge that we have managed to get some flexibility, particularly on the target for the sub-growth pipeline. Indeed, when the Highlands and Islands Enterprise areas came into the contract, some of the growth pipeline contracts were at 50 per cent of what they were elsewhere. That was important, but the difficulty of the process has to be acknowledged.

However, those contracts are still based on arbitrary growth projection targets. Why is the figure £200,000 or £400,000, as opposed to

£500,000? Why is it not based on the number of jobs? Why are we not supporting a business that is not looking to grow but employs 20 or 30 people, is suffering from the effects of the economic climate and is wondering how it can adapt to that climate without having to make 20 people redundant? Such a business could downsize a little bit, move into other sectors and expand, adapt and grow from there.

To focus purely on growth was probably right in 2007, but the world has moved on. Indeed, there is a line in paragraph 2.31 of the Ekosgen evaluation report that says that the targets to which we were operating

“were set at a time when the economy was buoyant.”

Unfortunately, the credit crunch and subsequent recession hit just as we were embarking on the transfer.

It is acknowledged that, although where we were was possibly correct, the services that were developed were subsequently found wanting.

The Convener: Is your view that we should not base the new contracts on where we are today? Should those contracts take account of where we are today, but include a scenario for where we may be in two, three or four years, whether we are growing, declining or staying the same?

Colin Borland: Absolutely. We must get it right now. The support that the FSB’s members need to keep going, sustain employment and broaden and strengthen the economic base is clear. However, we need to build flexibility into the system so that we do not have to go through the overextended process that hard-working people on the business gateway side, in the Convention of Scottish Local Authorities and in the contractors went through to achieve some of the changes that we managed to introduce into the system. That process was far too difficult and took far too long.

The Convener: On stakeholder involvement, the FSB sits on the external stakeholder group.

Colin Borland: Yes.

The Convener: If I heard you right, you said that you hope to have some input in future. Does that mean that the FSB has not had a huge amount of input thus far into the retendering process?

Colin Borland: We have had no specific or meaningful engagement with local authorities or their representatives about the retendering process and what we want the contracts to include. I am sure that they know from our public statements what we think should be in them. However, papers to the board and others about exactly what should be delivered should not come only from the provider side. Stakeholders should

have an input so that they can say what support they think should be provided. To be blunt, by not having such input we would repeat the mistakes of the past.

09:45

I was not involved in the previous retendering round, but my colleagues who were involved tell me that they were excluded for a year or 18 months and that people did not want to talk to them. That was a major failing. At the risk of sounding immodest, I suggest that if we had been involved, we might not have found ourselves in the situation that we were in at the back end of 2008 and in 2009. We must not repeat those mistakes. I would like a more formal and clearer road map for how we will engage in the process, because time is pressing on.

The Convener: You have not had formal involvement, but are meetings in which you will be involved lined up?

Colin Borland: Yesterday, I asked all our field staff to give me an outline of the extent of formal negotiation. None of them had been approached formally. Of course, informal conversations will always happen, and people know what we want. However, I am still waiting for a clearer idea of how we can have an input into the process.

The Convener: I hope that we can ask questions about that—that is useful to know.

Rhoda Grant (Highlands and Islands) (Lab): Any contract needs to be monitored and goals need to be set. Colin Borland talked about flexibility. How do you build flexibility into a contract—particularly when it lasts for several years—to allow people to bid for it with confidence that what they are bidding for and the costs will not change? How do you build in flexibility without building in additional costs?

Colin Borland: You make a good point. We responded to that issue when a COSLA representative who happened to work at Highland Council raised it. Our response was yes—absolutely—benchmarking must be done, because a contract must be priced and people must deliver under it. The question is what we test or measure. I argue that looking at employment—whether it has increased and whether the economy has more full-time permanent jobs thanks to the interventions that have been made—is possibly a better measurement of economic value than the volume of start-ups or the number of events or seminars that were held, for example.

Rhoda Grant: So you would benchmark performance across Scotland and rate organisations against one another on performance. We could therefore say that, given

what the economy was doing, if the Highlands managed to develop X jobs but Grampian did not, something was obviously wrong with Grampian's contract.

Colin Borland: I am not too bothered about league tables, but I would like people to be benchmarked against agreed performance standards. You make a good point about the Highlands; people accept that the nature of the economy there might mean that the area does not have the same growth-potential companies as Lowland Scotland has. That is why some growth pipeline targets have been halved for authorities in the Highlands and Islands Enterprise area. As long as targets are appropriate for an area and are realistic but challenging, monitoring them, rather than simply measuring activity, might give us a better indication of what we get for our money.

Rhoda Grant: I hear what you say about setting lower targets for places where the situation is more difficult. I have looked through some of the targets. Some areas that have fallen behind really need growth. It is almost counterintuitive to set lower targets for them. Rather than repeat the sins of the past by setting lower targets, surely we should give those areas more resources and higher targets, because they have fallen behind.

Colin Borland: You are correct that we absolutely must be ambitious and that targets must be set at the right level. However, I caution against regarding everywhere as the same. It is an awful lot easier for a certain type of company to achieve the volume here in the centre of Edinburgh than in a remote rural area or a depressed urban area. We need to inject realism into the targets, but that is not code for accepting failure or making excuses.

Rhoda Grant: Going back to how the contracts are let, I was interested in what you said about flexibility. I have a question about how flexibility could be better built in. I suppose that, in a way, you are on both sides of the argument because some of your members will be contractors.

Colin Borland *indicated disagreement.*

Rhoda Grant: Okay—that is quite clear.

If, rather than entering into a long-term contract with a service provider, a council kept the contract in-house, with parts of it being let as and when required at specific times, would that be a better way of allowing the council to look at local circumstances in the economy at the time and to decide whether it was necessary to change things slightly because it did not need a particular input? Contracts could be much shorter, depending on local circumstances.

Colin Borland: To an extent, that should be possible at the moment.

Just to put it on the record, the FSB does not have a service provision arm: we do not provide any services, we are not a contractor and we have absolutely no financial interest in anyone being awarded a contract.

You are absolutely right about the core services. We should be able to agree that they should be delivered right across the country, because employment is as much of an issue in Caithness as it is in Cathcart. Beyond that, local authorities should definitely be allowed to continue to respond to local needs as they see fit. I do not think that that would require a major restructuring; it should be possible under the current contracting arrangements.

Mike MacKenzie (Highlands and Islands) (SNP): I will follow on from what Rhoda Grant touched on. My question is also for Colin Borland. I am slightly concerned about the attitude that, because we are in difficult times, we should relax the targets. It seems to me that our future lies in growing our way out of the difficulty, so we should be increasing our efforts and setting higher targets.

The other thing that concerns me, which Rhoda Grant also touched on, is the acceptance that the Highlands and Islands region is a different place that has, traditionally, had lower growth, and that we just have to lie down and accept that. Part of my question is whether Colin Borland agrees—I hope he does—that there are significant opportunities, not least in renewables. I am talking about micro-renewables as well as big-scale renewables.

With that in mind, what ought the business gateway be doing to assist your members so that, as one door closes on a certain set of opportunities, they can take advantage of the new opportunities? Should the contracts be refocused a wee bit to help bring that about?

Colin Borland: You are absolutely right that we should not lose sight of the growth potential that exists in particular areas of the country. The way to develop the next generation of stratospheric companies, whether in the renewables industry, bioscience or elsewhere, is to ensure that we have a sufficiently broad and stable economic base. That is possibly what has changed, certainly since 2008. One of the mistakes that we have made in Scotland every time we have had an economic downturn is that we have allowed the economic base to narrow and thus become less stable. When we lost heavy industry, particularly in my part of the world in the west of Scotland, we brought in the sunrise electronics-building industries. That was essential at the time, because we had a serious unemployment problem but, as soon as they could do the work more cheaply, they went elsewhere. That was okay because in

came financial services and the call centres associated with that. We know what happened there.

The big mistake that we could make here, in light of the current financial difficulties and the downturn, is to put all our eggs in the basket labelled “the next big thing”. That will condemn us to becoming even more overreliant on a small number of large employers. The more that we can do—this is where the business gateway comes in and is crucial—to help us expand that business base, the broader it will be and the more sectors there will be in it, the larger the number of small employers there will be in the economy locally, regionally, nationally, and the more stable and less vulnerable to outside pressures that economy will be.

Mike MacKenzie: Sure, but you have not really answered my question. Assuming that we are not going to lie down before the economic malaise, and that businesses—small businesses in particular—will propel us out of it, in which ways would you like the business gateway to change under the new contracts in order to take advantage of that?

I appreciate that you have said what we should not do, but I would like to hear what you think we should do.

Colin Borland: I will give you a couple of specific examples.

There are 200,000 self-employed individuals in Scotland at present. Although that includes a significant chunk of self-employed professionals and freelancers, we reckon from our membership that about half of those individuals have considered taking on a member of staff. Why are they not doing so? Are all the lounge-bar lawyer stories about how difficult it is to employ people and how one will end up destitute and at an employment tribunal every week true? Probably not, because a lot of people manage to do it. We have specifically suggested that the business gateway should start talking to people who are self-employed and ready to expand.

Despite everything that is happening in the economy at present, about a third of our members say that they are operating at or above capacity. If I was a self-employed tradesman working at or above capacity, I might think that I could possibly change the character of my business by taking on my first member of staff, but people are lining up to tell me not to do it. I am not surprised that more people do not go ahead.

It would be helpful if I could go somewhere and say, “Look—this is what I am thinking about, but I am not going to hit a growth target of £400,000—or even £200,000—over three years.” If I am already VAT registered and not a start-up, I need

somewhere to go for advice on whether that is the right thing for my business, where someone could sit down with me on a one-to-one basis and say, “Well, we’ve had a look at your accounts—yes, you could do this. Who are your clients and suppliers, where’s your work, and how are you promoting yourself?” They would have a proper look and say, “This could be for you.”

If it is for me, and I take the decision to do it, I could almost be managed through the process of taking on my first member of staff. That could involve anything from tapping into the publicly available support that already exists through Jobcentre Plus—its small business recruitment service does things such as advertise a job and provide interview facilities—to drawing up a contract of employment and liaising with HM Revenue and Customs.

That is one practical example. If we could get half of the half, that is still an extra 50,000 jobs in the Scottish economy.

John Wilson (Central Scotland) (SNP): I thank Duncan Thorp for the paper that he presented to the committee today on the views of the Scottish Social Enterprise Coalition and some of its members. I am interested in delving into some of the figures that you have produced. It is clear from those figures that the business gateway is not viewed as the best option by many of the social enterprises that you encounter.

I was particularly taken by a lengthy quote that you included from someone who said that the business gateway individual with whom they dealt had seemed unprepared for meetings; that they were not given what they thought was good advice; and that they were eventually passed on to someone else who was able to provide all the advice and information that the person seemed to require.

Based on your paper, do you think that the majority of the members in the SSEC would prefer to use another form of business development rather than the business gateway, such as Co-operative Development Scotland or a similar organisation? Highlands and Islands Enterprise scores highly in the percentages in your paper, but that is because HIE, as I understand it, has always taken more of a community lead and focus in the work that it does, as has Co-operative Development Scotland.

Do you think that it would be more beneficial for social enterprises to look at some other form of business start-up support rather than the business gateway?

10:00

Duncan Thorp: The caveat with regard to the survey is that it does not represent our entire membership or the entire social enterprise sector; it is quite a small sample. It gives a good indication and there are serious concerns from a number of our members. Regarding the relationship between business support for social enterprise, which is provided by Just Enterprise and which is the new business support for the sector, and the business gateway, the two services complement each other. Many social enterprises use the business gateway.

In terms of future support, there is an argument for a model similar to Co-operative Development Scotland to which we referred earlier. Perhaps that could be a social enterprises development Scotland agency. We have good business support through the Just Enterprise programme, which is new. Does that answer the question?

John Wilson: It sort of answers the question and it is the type of answer I was looking for.

You said that the business gateway complements other services that are available to social enterprises. The difficulty is that we are trying to examine the best way in which the delivery of the business gateway service can help to develop social enterprises. Although it is not a conclusive survey of all members of the Scottish Social Enterprise Coalition, some members are responding that Co-operative Development Scotland gets four times as many hits as the business gateway. Would it be better for social enterprises to have a national organisation—described by Mr Thorp as a social enterprises development Scotland agency—rather than going the route of the business gateway? It is okay to say that the business gateway and other services complement one another but we are trying to see how best we use our resources to deliver and develop social enterprises and the business model in wider Scotland. We must ensure that we do not have duplication of services, as we appear to have at present.

Duncan Thorp: Broadly speaking, the two services—the business gateway and Just Enterprise—complement each other but there are big caveats attached, given that many of our members are not getting what they want from the business gateway contract. In the short term and for the latest round of the contract, there must be a specific remit to serve the social enterprise community. A lot of our members came back with those criticisms and we must look at that. In the long term, we must look at an alternative agency such as what I referred to as the social enterprises development Scotland model.

I do not know whether Naomi Johnson wants to say more on that point.

Naomi Johnson: For me, it is a case of working out the areas that are specialist and those that are generic business support and advice, such that we avoid duplication of service. What are the specific key areas that the social enterprise sector requires in terms of business support to help it grow and be more resilient? That is a key point in ensuring that our services do not disappear, particularly in the next few years when we anticipate local authority cuts and changes to service.

The social enterprises' needs will be quite different in terms of what they take on. In some areas, services for intellectual property are provided by the innovator's counselling and advisory service for Scotland. We cannot and should not become the experts in areas where there are other experts. Our job is to know who the expert is, and that is the link with the business gateway. Specific things concerning social enterprises, such as raising finance and legal structures, measuring social impact, which is an important part of social enterprises, and demonstrating what they have done—that is critical—are specialist areas on which social enterprises need advice and support. On topics such as tax and intellectual property, others can provide advice.

John Wilson: Thank you. That response puts in context the specialist support requirements of social enterprises and co-operatives in Scotland.

I have a question for all the panel. Mr Borland said in his opening statement—I am paraphrasing—that there is no need for major restructuring of the business gateway set-up. Do the panel members agree with that, or do they think that there could be changes to how the business gateway is delivered so that it is more beneficial, particularly for the members of the Federation of Small Businesses but more importantly for social enterprises?

Colin Borland: Clearly, I agree with myself, which is always a good start. *[Laughter.]*

When I was preparing for today's meeting, I reread the evidence that we submitted in September 2010 to this committee's immediate predecessor for its larger inquiry into the enterprise networks. In it, we made a reference to what was at that point a forthcoming audit of what is provided at local authority level to various businesses to complement the core business gateway offer. It might be a failing on my part, but I am not aware of what has happened to that audit—whether it has been carried out or published. However, it would be a really good place to start: if we have an audit that tells us exactly what is being delivered, where and by

whom, we can marry that up with what is delivered by the business gateway core and other actors on the scene. That will probably give us a better base from which we can start saying who should be doing what.

As we are looking at a tighter public spending environment, it will be crucial to ensure that there is no duplication in delivery from two providers to the same client group, because we simply will not have the cash to do everything that we want, particularly at a time when local authority economic development spending is not ring fenced and could be vulnerable to external pressures.

Naomi Johnson: From an on-the-ground perspective, I do not think that there should be fundamental changes. I think that we should look at some of the comments that were made about whether the focus should always be on growth and how we can adapt to build in more flexibility. I am strongly of the view that we should look at where the relationships have worked well on the ground and see where the tweaks need to be made so that we can improve services. My fear about a complete overhaul is that it would disrupt service and leave us in a much more negative position for the future.

Duncan Thorp: As I said, we are open minded about future structures of business support, but as Naomi Johnson said it is a matter of dealing with the business gateway that we have and making it work better for social enterprises, including by making specific references to social enterprises in contracts and ensuring that services are universally reflected.

We spoke earlier about the basic minimum standard versus local flexibility. We need to set the basic minimum standard so that there is the same service across Scotland, but we need local flexibility too—I realise that that might be a mixed message. One barrier, which Colin Borland touched on earlier, is the enhanced business support for business gateway and the fact that organisations need a turnover of £400,000 and to be within a high-growth sector. We have found that those barriers specifically affect social enterprises, and it is important that they are addressed.

Chic Brodie (South Scotland) (SNP): I want to address Colin Borland on the economy. We know that the United Kingdom economy is not buoyant, but happily the Scottish economy is a bit better.

I should probably declare an interest as convener of the cross-party group on social enterprise. In a previous life I worked closely with the business gateways across large parts of Scotland, so I come to the debate with some experience.

When economies slide, one finds that when people leave their jobs they tend to try to create a small business or a social enterprise. The difficulty that I had prior to being elected, when I worked with social enterprises and small businesses, was the similarity between the two. I know that the objectives are different, but that does not mean that they will always be different.

You say that we should not have a wholesale change, which we agree with. Nevertheless—and I know that there is a charitable and social issue in this respect—what do you think is the difference between the operation of business gateway and social enterprise?

Colin Borland: In terms of how business gateway—

Chic Brodie: How it deals with end clients and opportunities.

Colin Borland: But in terms of how it—rather than, say, the Social Enterprise Coalition—supports our members?

Chic Brodie: Yes.

Colin Borland: I hesitate to speak on behalf of social enterprises because we do not have many—or indeed any—as members. However, I think that the issues will be the same for anyone who runs an organisation. Those who run MSP offices, for example, have to deal with budgeting, expenditure and staff and employment issues. Employment law is the same regardless of the sector.

Chic Brodie: But are they providing the same service?

Colin Borland: Do you mean social enterprises?

Chic Brodie: Do they provide similar services?

Colin Borland: To the business gateway? I am not aware of any that do. The audit that we mentioned of who is delivering what would help to spell that out. Of course, you might know of specific examples.

Chic Brodie: In suggesting that you did not think there should be wholesale change, you referred to the Ekosgen report. Despite concluding that business gateway is fit for purpose, it makes 29 recommendations, one of which—on its governance—I regard as very serious. How do the report's recommendations fit with the claim that business gateway is fit for purpose?

Colin Borland: Essentially, the Ekosgen report is saying that we do not need some kind of major structural change such as scrapping or moving business gateway back in-house with Scottish Enterprise or whoever. Our view, which is reflected in the Ekosgen report and in the report

that the previous committee published in February, is that the model of a core national contract that delivers core, national, Scotland-wide priorities complemented by locally delivered services matching local needs is probably the right one. In a small business support inquiry that the then Enterprise and Lifelong Learning Committee held up the road back in 1999, we called for a single consistent national-branded business support network that would deliver on a set of core issues. The committee agreed with us and, to an extent, that is what we have with business gateway. When, in February 2010, we asked our members whether they were aware of the business gateway brand, 93 per cent said yes. The brand exists, is acknowledged and is becoming the place to go to for business advice. As that has obviously required an awful lot of hard work from a lot of people, I would not rush to dismantle or move it.

Instead, we should build on what we have already done. There are many places I would like to take business gateway but we can do that within the current structure and without the need for primary legislation or another major overhaul. After all, as Naomi Johnson and others have pointed out, these things take an awful long time and end up costing a lot of money.

Chic Brodie: I hear what you are saying—and I am sorry if I seem to be focusing on you, Mr Borland. I have questions for the other witnesses, too.

However, despite what you say, in the same report 77 per cent of respondents in terms of looking at customer service declared the service to be poor or very poor. Does business gateway have the entrepreneurial spirit and leadership required to guide and lead businesses in line with the Government's strategy? More generally, do you think that local authorities can provide that support, knowledge and awareness of entrepreneurialism?

Colin Borland: I will leave the question of the extent to which the culture of entrepreneurialism exists in local authorities for local authority representatives to answer. However, people's perceptions of and reaction to business gateway are interesting; indeed, I have looked at what our members have said about it.

10:15

In the 2009 survey, of those who sought local government-funded help, just over a third said that it was helpful. That outweighs, for the first time, those who said that it was unhelpful, at 31 per cent. The figures are therefore moving in the right direction. That is possibly in line with the figures that you cited. You cited 70-odd per cent as saying

that it was unhelpful or very unhelpful. We are therefore not vastly out.

On what we class as Government-funded support—some respondents might not be clear about what funding comes from where, but they might regard such support as, for example, the business gateway website—42 per cent regard it as helpful. Those who go to the business gateway and engage with it tend to regard it as useful, but there are still people who go to it and are told, "Sorry, but we cannot deliver that sort of support" or "Sorry, this is not for you; it is not what you want." In such cases, there will probably always be a negative reaction.

Chic Brodie: Is that a good basis for somebody getting a contract?

Colin Borland: No. I return to Rhoda Grant's point about how we benchmark and measure the service. We need to go into the process with our eyes wide open. Some work has been done, but we need to think about exactly how we measure success—

Chic Brodie: Are you comfortable that the targets that are set for business gateways are set by the right people, at the right time, and are measured properly?

Colin Borland: It is pretty widely acknowledged that the targets are not the right ones. Given the prevailing economic climate, we should not look at matters such as volume start-up and the growth pipeline. In the future, we should look at measures such as trying to quantify the economic impact—whether that be through examining how many new permanent jobs have been created, how many jobs were saved and what contribution the gateway made to encouraging different sectors or broadening the economic base. I am not saying that those are the best indicators, but there is a range of things that you could measure instead of asking, "How many events did you organise?"

Chic Brodie: Do business gateways not really set their own targets?

Colin Borland: I do not know who sets the targets. That is a good point.

Chic Brodie: The same report indicates that, notwithstanding the economic downturn, the percentage of the 2010-11 target achieved was 43 per cent of existing businesses going into the growth pipeline, 42 per cent of start-ups going into account management and 70 per cent of start-ups in the growth pipeline. That does not give me a level of confidence that, as you said in your opening remarks, we do not need wholesale change or alignment with the Government strategy. I will leave that, if I may.

In terms of the social enterprises, what services does the coalition provide at a management level that are different from the business gateway?

Duncan Thorp: The Scottish Social Enterprise Coalition does not provide business support services, but we signpost people to the relevant place. Generally speaking, we signpost people to the Just Enterprise programme, which is a consortium with eight or nine different members, including Firstport.

Chic Brodie: I am sorry to interrupt, but members of the coalition were allotted public funds recently to support businesses. Is that correct?

Duncan Thorp: I am sorry—can you repeat that?

Chic Brodie: Members of the coalition were provided with public funds to help businesses. I am talking about the Wise Group, CEiS and so on. What is the difference between the support that they provide, including funding support and all sorts of business planning advice, and that which the business gateway provides?

Duncan Thorp: As I said, I think that the two services complement each other and provide different types of service. Naomi Johnson can probably speak in more detail than I can about the specific services that they offer.

Naomi Johnson: We are one of the partners in the Just Enterprise contracts. In some areas, such as accountancy and training, the provision is very similar. The issue is whether the social enterprises would meet the targets for the types of businesses that the business gateway is there to support, rather than some of the services being different.

The services that are provided by Just Enterprise might be different in asset transfers—perhaps the movement of facilities from the local authority into community ownership, which is a specialist area. Considering social impact will be important in relation to, for example, the upcoming community benefit clauses. We can help the sector to position itself for those.

At Firstport, we offer specialist advice on legal set-up. That can be quite complicated for social enterprises; it is not simply a case of setting up a limited company or being a sole trader. We also offer more generic business services—in relation to cash flow management, for example.

We are still a one-to-many service in some of the work that we provide through seminars and training. However, we try to balance that on the relationship side; perhaps mainstream services cannot do that because of the volumes that they are dealing with. Work in social enterprises can be tough, especially in the current environment of cuts but social enterprises have a mission—a real passion to do something different if something is

broken in the community. The provision of advice in such cases is interesting, and separate. We focus on mainstream business concerns, such as cash flow, because they are critical in survival and success but we understand what drives people. People understand that we share their desire to make the change, and because of that they are comfortable if we tell them that finance is still the main concern. We share the same goals. I am aware that that sounds woolly and fluffy, but if it seems that we are all about business and making money, there can be a sense of our not having the same goals, and empathy with the entrepreneur can be lost. We also may have to do more work within mainstream services to get people—

Chic Brodie: There is an overlap.

Naomi Johnson: There is.

Chic Brodie: They are not mutually exclusive. The business gateway service and local authorities should obviously consider the local social impact.

Naomi Johnson: Absolutely.

Patrick Harvie (Glasgow) (Green): I would like to ask a brief question about something that Colin Borland said. You said that we should consider targets in terms of economic impact. If the Scottish Government's concept of sustainable economic growth actually means anything—something that I regularly contest—the targets should take into account a wide range of social, economic and environmental impacts, rather than purely economic impacts.

Colin Borland: That should be a priority for the business gateway—you would expect us to make that point as well. I like to think that sustainable economic growth means that the growth is not built on a house of cards and will be sustained. We are talking about broadening the local economic base, strengthening it and making it less vulnerable to outside pressures. Of course we cannot insulate ourselves from such pressures, but we can make ourselves a little bit less exposed. If we can do that, social goods will flow.

Patrick Harvie: Whenever Government ministers are asked what “sustainable” economic growth means, they do not say that it means “on-going”; they say that it means the same as it does in the term “sustainable economic development”. That implies that social and environmental impacts are on a par with economic impacts.

Naomi Johnson helpfully laid out the different requirements that social enterprises have from business support services. However, whether or not there is a specific, bespoke support service for social enterprises, I would argue that the support service for mainstream businesses also needs to be better than it is now at encouraging people who

may not previously have thought about a more-than-profit model to consider such a model. We should be providing a service that is good at helping people to think in that way, rather than just providing a social enterprise service for social enterprises and a business service for businesses and seeing them as separate.

Naomi Johnson: I agree. Where we have good relationships with business gateway, we have been able to spend time with the advisers so that we get referrals. We have almost helped them to recognise when that kind of client has phoned up and to think about whether social enterprise is right for them. The advisers recognise key words and what the enterprise's ambitions are, or what it wants to do. That is what I was saying when I referred to getting more of the business gateway advisers to understand and recognise social enterprise—it is not always about going on to provide such specialist support, but the advisers need to be able to recognise whether it is needed.

We will never be able to compete with business gateway—nor should we try to—through the promotional work that we can do as a start-up agency for social enterprises. We need the gateway to recognise start-up social enterprises and refer them to the specialist agencies.

Patrick Harvie: I have only one central and substantive question for Naomi Johnson and Duncan Thorp. I have not been a member of a committee with this specific remit before, so perhaps I ought to have been surprised at a survey that says that a lot of social enterprises are unhappy with the service. The fact is that I am not at all surprised. Even as someone who is not a specialist in the subject but has just been an MSP for the past eight years, I have not heard many social enterprises saying that they are happy with the service. The concern has existed for a good number of years.

Have the support services that are in place been in denial of that, or are they unaware of it? Have they not cared? Are they unwilling or unable to change? Have they tried and failed or just not bothered? Can small tweaks to the reletting of a contract address any of that?

Duncan Thorp: As I said, the picture across the country is mixed; that is the point to make. In Lanarkshire, for example, one of our members is a social enterprise organisation delivering the business gateway. It says that it understands the community and offers extra services for social enterprises.

It would be great if the contracts could say categorically that the agency will provide a universal service, that it will provide a specific service for social enterprise, and that it will use indicators that go beyond economic growth, such

as social and environmental impact. Other business support agencies, such as Highlands and Islands Enterprise, have a specific remit for social enterprise in their work. I do not think that Scottish Enterprise does, but HIE does.

Naomi Johnson: There are two key questions. Does the support agency know enough about social enterprise? Does it care enough about it? That is probably a very blunt way of putting it, and we will always get a mixed picture. Not everyone cares about social enterprise, but that will always be the case. We need to ensure that even if people do not care, they still know how to provide support by making a referral. Perhaps we can get that going by asking the agency whether it is doing start-up social enterprise referrals, or referring businesses into the wider Just Enterprise programme, rather than trying to get it interested in something that it has not been interested in for years.

There are some good examples from the business gateway, such as Lanarkshire Enterprise Services; it is interested and wants to make a difference. However, that tends to come from individuals rather than from organisations.

Patrick Harvie: If we were suggesting that a large number of people who are providing the services just do not care about any other sector of business, that would be utterly unacceptable, would it not?

Naomi Johnson: I would have thought so, yes.

The Convener: Time is marching on.

Stuart McMillan (West Scotland) (SNP): For clarification, our predecessor committee's recommendation was that there should not be any structural changes to the enterprise agencies and service delivery. That is not to say that there were no issues; the structure was an issue that was mentioned by many of the people who gave evidence to the committee at the time.

Colin Borland said that economic development money is not ring fenced by local authorities and that, because of the budget pressures that local authorities are under, there is no guarantee that that money will continue. Surely, however, any local authority worth its salt in such tough economic times will not want to severely hamper potential growth in its area by reducing or cutting the money that it spends on economic development.

10:30

Colin Borland: Thank you for the clarification about the predecessor committee's report. You are right that recommending no structural change does not mean that the service does not need to be improved. We were keen at that point to ensure

that we did not spend another 18 months on the process and perhaps paralyse the system until 2008.

Your point about local authorities is spot on. We would think that any local authority worth its salt would prioritise local economic development. I will not embarrass them by naming them, but there are some that do that very well. However, we are where we are, and local authorities are subject to all sorts of pressures outside and inside. I am not a politician, but I imagine that, if I were a local councillor who was keen on remaining one and I had a choice to make between closing an old folk's home or a nursery, and scaling back a bit on the local economic development department, I would know which one was more attractive.

We are concerned about such situations, but the question is what we do about them. Our position, as the committee will know—I accept that it is not shared by everyone—is that the business gateway should become a statutory service. However, if that is not on the cards, we need to think about how we incentivise local authorities to take certain decisions. How do we get them to think beyond the bottom line and beyond just getting more money in here and now to make the numbers add up? How do we get them to think about how they can bolster and safeguard the future of their local economy? It is very difficult. If I am a purchasing manager or someone else in a local authority and I am told to get 20 per cent out of a column now, I will do it. How does someone in that position ensure that they do not get into trouble for holding the line and taking the longer view?

There is an interesting debate at the moment about non-domestic rate income and about what happens to any increases in income that a council's actions bring about. When we start digging a little deeper, we find that there may be perverse incentives, for example, to throw up office blocks that nobody uses. There is also the question of how to ensure that inequalities are not exacerbated by, for example, giving local authorities large amounts of money because they happen to have something within their boundaries that, frankly, they did not do very much to bring about. Thankfully, that is not a debate that we can have this morning, but it is going on.

The key point is to ensure that all parts of the public sector pull in the same direction. That might sound so obvious as to be not worth saying, but doing it will require difficult decisions to be taken further down the line.

Stuart McMillan: On the length of time that it takes for contract renewal, is a year or so too long or not long enough, or is the process too convoluted?

Colin Borland: It is a lot quicker than it was the last time. What we have now is greased lightning compared with previously, although there is less of a job to do now because we do not have other aspects to consider this time. It is important that we get it right, rather than do it quickly. However, we have a date of September 2012, so we must press on. It is important to sort out at an early stage what will be in the contract. We can then work out the myriad details.

Stuart McMillan: Chic Brodie asked a question about targets earlier, but I have another one. On the volume of start-ups, Glasgow's target was to get 1,001, and it did so; and the target of Aberdeen and Aberdeenshire was to obtain 1,000, and they somehow managed to get the target figure exactly as well. However, Highland's target was 272, but it got 217, which was an achievement rate of 79 per cent. Why was there a discrepancy between Highland's actual and target figures? Further, are the 100 per cent achievement figures not strange?

Colin Borland: To deal with the second question first, I do not find that strange at all—I find it incredibly predictable. We take issue with the emphasis on the volume of start-ups and the overall economic value of focusing on that. We must consider whether that is a particularly good measure of economic success. It is interesting to read that information alongside the most recent global entrepreneurship monitor from the University of Strathclyde, which was published at the beginning of June, because the latter notes no appreciable change in the level of entrepreneurial activity. An argument from that evidence, which may or may not be borne out, is that we will always have that level of start-ups. Whether there should be people encouraging start-ups and making them happen is a different issue. I would like to see comparable figures for other bodies that are involved in start-ups, such as banks, other financial services providers or other organisations in the field. Judging the success or failure of the business gateway by the number of business start-ups is probably not the way to go.

As regards the difference in the Highlands and Islands, I am probably not best placed to answer that. Mr MacKenzie or Ms Grant might have a better feel for it. Perhaps the target was set at a more challenging level, but I am not sure.

Naomi Johnson: The targets for the volume of start-ups are always interesting. However, we must be careful about targets on incentivised behaviour. For example, some people come to us about starting a business, but it becomes apparent that that is probably not the right thing for them to do. If we had a definite target for the number of organisations that we set up, would that change our behaviour in the way that we gave advice? On

the statistics for Highland, we could ask whether people there did not meet their targets because they did not try hard enough or because they gave better advice. It could be that, although a certain number of people came to them about business start-up, it was decided that the best thing for some of them was not to start a business. We must be careful about how we set targets, particularly for the volume of start-ups.

We are doing a piece of work on this, because what is important is not just the number of people who start a business but how many sustain it for one, two or three years. We therefore look for sustainability and not just whether someone has registered a company with Companies House. The volume of start-ups target is perhaps not always the best one.

The Convener: We are out of time, but I have a final question for Colin Borland. You talked about sustainability and how you feel that there should be a greater emphasis on existing businesses in future contracts. Can your organisation submit written evidence to us on that?

Colin Borland: Yes.

The Convener: Good. Do you think that the contract should include specific clauses on sustainability or survivability?

Colin Borland: Yes. I would make that one of the qualifying triggers for one-to-one support for an individual business, which it would get currently through the growth pipeline programme or possibly VAT+ and other schemes. I would give specific access to one-to-one support to businesses that are concerned about their ability to survive, particularly those with employees and especially in the short term.

The Convener: Thank you. I thank all our panellists for giving evidence, which has been very helpful. We look forward to receiving your written evidence.

10:39

Meeting suspended.

10:47

On resuming—

The Convener: We have with us Hugh Lightbody, who is the team leader for the national business gateway unit at the Convention of Scottish Local Authorities; Sally Collinson, who is the business gateway manager for Aberdeenshire Council; Richard Whitcomb, who is associate director of Ekosgen; David Coyne, who is business and economy manager for Glasgow City Council; and Marjorie Miller, who is manager of

the business adviser team at Glasgow City Council.

I ask each panellist to give a brief opening statement; we will then move to questions. I remind members and panel members that not every panel member has to answer every question. If they do not have a specific answer to a question, they do not have to say anything in response to it. If a member wants a specific panellist or panellists to answer their questions, they should direct their questions to them, so that we get through as much as we can in the hour or so that we have.

Hugh Lightbody (Convention of Scottish Local Authorities): Thank you for giving me the opportunity to speak.

The business gateway is the primary source of business information advice and assistance for start-ups and existing businesses to help them to grow and realise their potential, but it is clearly not the only service that is available to the business community. The gateway also operates as a portal to refer businesses to appropriate sources of assistance—for example, to colleagues in Scottish Development International for assistance on internationalisation. Fairly recently, we have had connections with Just Enterprise, which the Scottish Government has created over the past couple of years. One of my team members is on its steering group. That recognises its importance.

On evaluation and its assistance to us in putting together the contract renewal, we have been keen to ensure that we get feedback from our customers on what they want. We asked 17,949 customers to respond to a survey, and 1,605 did so. The evaluation also took on board the views of our partners and stakeholders.

Sally Collinson (Aberdeenshire Council): My background is as gateway manager for Aberdeen City Council and Aberdeenshire Council. I was involved when Scottish Enterprise managed the contract, so I witnessed the smooth transition over to the local authorities.

In the past four years, the system has worked really well. Our target has increased year by year, customer satisfaction levels have remained high and we have passed some very good companies over to Scottish Enterprise for account management.

I am pleased that the Ekosgen evaluation said that the business gateway is fit for purpose. Obviously, we can improve some things, but that is the main point that I took from it.

Richard Whitcomb (Ekosgen): We carried out the evaluation. We were charged with examining the service throughout Scotland at the end of 2010. Our approach was to talk to the customers

and find out their views of the service. We undertook that work in the early part of January 2011 and produced a report that makes a series of recommendations about the way forward.

David Coyne (Glasgow City Council): We are clear that the business gateway is an important part of implementing the city's joint economic strategy. We are trying to do a number of things through that strategy, which include encouraging growth in social enterprises, encouraging new social enterprises, encouraging self-employment and assisting growth in higher-value start-ups. The business gateway is one of the tools in the toolbox for that. Our joint economic strategy is being refreshed as a result of the Glasgow economic commission, which focuses on actions on a three to five-year time horizon to fuel and accelerate growth in key sectors in the city's economy.

At this point in the economic cycle, business start-up becomes a more attractive option for many people, so demand starts to grow—we experienced that in the mid-1990s. Therefore, the opportunity to review how we go about delivering support and trying to build on what happened in the past comes at a very good time.

Marjorie Miller (Glasgow City Council): Like Sally Collinson, I was involved in the transfer of the business gateway from Scottish Enterprise to the local authority—in my case, Glasgow City Council.

It is worth saying that Glasgow City Council, like some of the other councils, has been involved in business development for many years; it is not a new thing. The business gateway coming to the council was a big bonus for us, but we were already equipped with the necessary skills to give business advice.

It is not that the business gateway was foisted on us and we did not know what to do with it; it was a good thing from the start. However, it has many faults and flaws that we would like to change.

The Convener: My first question is to Hugh Lightbody. COSLA sent out a survey to 17,000 customers to ask their views and got a percentage back. What will happen with the external stakeholders group? We heard evidence earlier today to suggest that engagement had not started formally yet, but time is against us if views are being taken by the end of September. What will the formal process be for getting views from the external stakeholders group?

Hugh Lightbody: I was interested to hear the views on that earlier. Stakeholders were involved in the creation of the evaluation and were consulted on its production. At the stakeholders meeting in June, they were given a report on progress on putting the evaluation together and

asked to provide input to that. The contractors, for example, took up that opportunity and gave us feedback.

The preparation for the contract renewal that local authorities undertook over the summer included the creation of six theme groups working on various different aspects of the contract. They all engaged with partners and stakeholders, who had the opportunity to input. For example, our colleagues in the Highlands on the performance and targets group invited and got feedback from the FSB.

We have actively encouraged our stakeholders and partners to engage. The opportunity has existed for them to do so and some of them have taken it up.

The Convener: We heard evidence from one stakeholder. If we heard evidence from everyone who is on the stakeholders group, would they say that they had been consulted? Might it just be one person who has not?

Hugh Lightbody: I did not quite understand that feedback, because I have invited everyone to engage and I know that one of the groups received input from the stakeholder who indicated that there had been no engagement with him.

The Convener: The final question is to Richard Whitcomb. Ekosgen makes 29 recommendations at the conclusion of its report. Do you want to red-flag any recommendation that must be implemented? I am sure that, as author of the report, you want to see all 29 implemented, but are there some that are critical?

Richard Whitcomb: As the convener anticipated, I would say that all 29 recommendations are important and have their place. Our general view is that the business gateway is fit for purpose, and our central recommendation is that the service should continue to be delivered in a similar way, with a form of segmentation and prioritisation of market segment, with some modifications. We recommend that the 12 lead local authority areas in Lowland Scotland offer an appropriate way to take the service forward. That allows for a degree of national consistency and local flexibility, while avoiding having 32 individual contracts for local authorities.

Some of the key recommendations are not to unpick what has been successfully achieved in the transfer to date. There are recommendations on a focus on quality and impact. We saw a successful transfer of volume activity through the transfer to local authorities, but we want to see more focus on impact indicators. Some of the recommendations centre on the business gateway having a focus and a voice nationally and strategically to tell

people what it is doing and to secure engagement and cross-referral among its agencies.

Angus MacDonald (Falkirk East) (SNP): There seems to be general consensus that there is room for improvement in the performance of the business gateway. I touched on variation in performance in previous meetings. There is an argument that, if it ain't broke, don't fix it. However, there is room for improvement from some of the business gateway contractors—some of whom are performing well, some of whom are not.

The first panel, particularly the FSB, suggested that there is no need for reorganisation, and that also seems to be the major view on this panel. Could Hugh Lightbody speak about his understanding of the legality of extending the contracts of those performing well for two years to allow the business gateways to concentrate on supporting small and medium-sized enterprises, rather than spending time and resources at a difficult period worrying about retendering over the coming months? Others may also wish to contribute. That idea is not music to everyone's ears, but it may not be too late to consider it. It has been put to me by a number of individuals involved in the business gateway delivery that an extension would be advantageous in order to concentrate on delivery for SMEs.

Hugh Lightbody: Not surprisingly, we have also had representations from various individuals in that regard. We have taken legal advice at national and local authority level, and the advice is that we should proceed with retendering and not extend the contracts. The probability of a legal challenge is high and the financial implications of a successful legal challenge would be large. It is too great a risk. The legal advice is to continue with the process that we have embarked on.

Angus MacDonald: A number of people in my constituency will not be over the moon to hear that. However, if that is the strong legal advice, I suppose that it must be accepted.

11:00

John Wilson: The Ekosgen report will be the subject of questions from other committee members later. I will concentrate on issues to do with the supervision or oversight of the business gateway, focusing particularly on COSLA's role.

The new contracts for the business gateway were let in 2007, at which time certain management structures were established and put in place. However, in 2009, oversight of the business gateway was taken over by the business gateway national unit, which is based in COSLA. Mr Lightbody might not want to answer this question, but it might enlighten us if he does. How is that unit funded and how many of its staff

currently operate from COSLA? I am advised that those individuals are all part of the COSLA staff team. How did they become part of the COSLA staff team and how is that team funded? In other cases, the funding and staff were transferred directly from Scottish Enterprise. Is that what happened, or was a new staff team created by COSLA?

Hugh Lightbody: The contract was originally set up by Scottish Enterprise. At the time, a national service within Scottish Enterprise provided marketing support, performance monitoring and quality assurance. In the summer of 2009, three members of staff from Scottish Enterprise and the service's budget were transferred to COSLA as part of the arrangement with COSLA. That team now includes two additional individuals—me and a marketing manager—so there is a total of five people in the team. The budget now comes directly from the Scottish Government. The role is not so much about overseeing what the business gateways are doing locally—that is very much down to the management of the individual local authorities. Our role is a supporting role. We provide a marketing service that supports all the business gateways, a performance monitoring role and quality assurance, feeding back what the customers tell us that the service is doing and how it is performing for them.

John Wilson: Do you also provide support to local authority business gateway managers?

Hugh Lightbody: We provide support to them in so far as we help them to arrange the business gateway operational network meetings and participate in those, feeding back information and working with them.

John Wilson: I assume that the statistics that are produced by the unit are the quality control measures that have been applied. In your opening statement, you indicated that you had contacted 17,000 business gateway users and received only 1,000 responses. In percentage terms, that is quite a low response rate. How many of the 1,000 who responded were satisfied with the business gateway? Were any issues raised by the 1,000 respondents? Were any issues raised by the unit in terms of the 16,000 who did not respond?

Hugh Lightbody: There are two issues. The first is to do with the evaluation. We had 1,605 responses from business customers on the specific issue of the evaluation. The strong message that came across, which is reflected in the evaluation, is that the business gateway is fit for purpose and there is limited appetite for wholesale change. The second issue is what my team does on quality assurance. Every business that uses a service that is provided by the business gateway has the opportunity to comment

on that service. In the first three months of this calendar year, the satisfaction rate hit 90 per cent. There are two issues: the consultation on the evaluation, and the on-going quality assurance, which happens month on month through an independent research organisation.

John Wilson: I throw open my final question to all the members of the panel. In our papers, we have a set of statistics that is entitled "Events". Will the panel members enlighten me and define what they mean by that? Why is there a variation from one area in which there was an achievement of 390 per cent and, at the bottom of the scale, another area with 36 per cent? Do events involve one-to-one contact, or is it one to three, one to 300 or one to whatever? What do events entail?

Sally Collinson: In the Aberdeen city and shire area, the events are, in the main, start-up workshops and workshops for existing businesses. In addition, there are meet-the-adviser events for which the adviser blocks off the day and has half-an-hour to an hour appointments with individual customers who want a face-to-face session with an adviser. Six of those appointments count as a meet-the-adviser event. In our area, they make up about 10 per cent of events a month. We would have 20 start-up workshops and a couple of the meet-the-adviser events. The variation in the figures is probably because other areas run significantly more meet-the-adviser sessions. That is why they are overshooting their targets.

Hugh Lightbody: I confirm that. The figures for Dunbartonshire and North Ayrshire reflect the fact that, as Sally Collinson said, some local areas have far more meet-the-adviser activities. How those are reported skews the figures on performance. There is far more meet-the-adviser activity in those areas.

Marjorie Miller: In Glasgow, an event would involve up to five people, with a payment for each event. Most of the information is triggered by payments. As a previous witness said, because the incentive is payment, we finish up with a lot of statistics that do not mean very much. That goes back to Stuart McMillan's point about the 1,001 start-ups in Glasgow—that was achieved because that is how many are paid for. Similarly with events, the figure will be as many events as the contractor can be paid for. The contracts are completely different in different areas, and different amounts of money are paid, so we are not comparing like with like in such statistics.

John Wilson: I have a supplementary question, on the definition of an event as a start-up meeting. The figures on those meetings do not seem to translate into the volume of start-ups. In some areas, there was a 390 per cent achievement on the target on events, but that does not correspond to the number of start-ups. I guess that there

should be a correspondence between the number of events and the number of start-ups that are generated from those events, but the figures do not match. Is there a reason for that, apart from the point that people get paid for having start-up meetings?

Marjorie Miller: In Glasgow, business gateway staff have to see between 4,000 and 5,000 people to get 1,000 starts, although people can come from outwith Glasgow, so some of them might go on to start a business but not in Glasgow.

Anne McTaggart (Glasgow) (Lab): I was going to try not to be parochial but, hey—I will go straight to our Glasgow guests. Marjorie Miller said earlier that the business gateway coming to Glasgow was a bonus, but she wanted to highlight some issues. The convener used the term "red flag" earlier. I quite like that phrase. Are there any urgent issues that you want to mention?

Marjorie Miller: One of the main issues that has arisen in Glasgow—I am sure that it is the same elsewhere—is the need for differentiation between what constitutes a business and what constitutes self-employment, in social economy organisations or anywhere else.

If we operate on the old information technology principle of rubbish in, rubbish out, the business birth and death rates will reflect that. An inordinate amount of time is spent with people who are self-employed—albeit that that is the best thing for them—who will never employ anyone, or contribute to the economy other than by keeping themselves employed. That is all very valuable, but it is not a business. We are talking about developing companies that have the potential to grow and to employ people, to pay business rates and to trade nationally and internationally, but that is not happening. Around 70 per cent of the start-ups through the business gateway are lifestyle businesses such as dog walkers, taxi drivers or window cleaners. I am not being a snob, but it is important that we differentiate, because we end up with a large number but no enormous impact on the economy. We are looking for businesses that will make a difference to the economy in terms of job creation and sustainable jobs.

Chic Brodie: I am a bit concerned that Margaret Miller has just said that we cannot compare like with like on the numbers. I have some questions for Hugh Lightbody. First, as you have, I presume, tried to achieve consistency throughout the country, how would you react to that comment? Secondly, how many people in the national unit have had small business experience? Thirdly, how big is your marketing budget?

Hugh Lightbody: To answer the last question first, the marketing budget is somewhere around £1.8 million per annum. With regard to experience,

I have run a small business, and one of my colleagues is ex-private sector. Sorry, what was the first question?

Chic Brodie: It was about comparing like with like. You have a marketing budget, which we now know is £1.8 million, in order to achieve—one would have thought—a consistent marketing message, given that the Ekosgen report, to which we will come in a minute, says that the brand is nationally recognised. I presume that you are achieving—or attempting to achieve—consistency. However, Margaret Miller says that there is no comparing like with like.

Hugh Lightbody: In terms of consistency, I think Margaret is talking about—

Marjorie Miller: It is Marjorie.

Hugh Lightbody: Marjorie—I beg your pardon—is comparing one area with another, but essentially there are different socioeconomic conditions in different areas. I think she is referring to the fact that one cannot compare like with like between areas.

Marjorie Miller: No. I was referring to the fact that the payments are different. For a company that is transferred through the pipeline to designated relationship management with Scottish Enterprise in Glasgow, the subcontractor will be paid £1,000. In Aberdeen, they will be paid £5,000 for the same output. That is what I meant about not comparing like with like.

Chic Brodie: I am intrigued by the national unit, of which I was not really aware until I read the Ekosgen report, which I want to ask Richard Whitcomb about.

The report states in its first few pages that the business gateway is “fit for purpose”. You may have heard my earlier question. One area that is critical to the success of those units is how they are governed, and yet paragraph 8(54) of the report states:

“The current arrangements are complex given the role of COSLA and the accountabilities to elected members. These are not always clearly understood”.

How can the gateway be fit for purpose if the governance of the units is not understood by the members who are involved?

Richard Whitcomb: We looked at the business gateway service in its entirety in terms of the way it is delivered and the general quality, so “fit for purpose” was the overall conclusion.

11:15

The governance arrangements are complex and need to be complex, given the transfer to the local authorities. There clearly needs to be a role for COSLA and there has to be accountability. We

heard through the evaluation that not all the roles are understood at all levels.

Chic Brodie: How is the business gateway fit for purpose if the roles are not understood?

Richard Whitcomb: There was recognition of the role of the business gateway Scotland board in taking strategic decisions on behalf of the service and its representation role.

The comment about there being complex arrangements that are not understood by all related to the fact that not everybody right down to the people delivering the service were always clear about the arrangements.

Chic Brodie: That is not what it says in the report; it refers to the board members.

I will move on to another couple of quick questions. Recommendation 10 in your report suggests

“that aftercare is included on a formal basis as part of the wider move”.

According to the report, aftercare is not resource intensive, as it can be done by e-mail and similar mechanisms. After 36 months, the survival rate of businesses attributed to business gateway is down at 75 per cent. Do those two things sit comfortably with each other?

Richard Whitcomb: We made a clear recommendation in the report that there should be some form of aftercare, but we did not go as far as saying what the nature of the aftercare may be. We were also clear that there appeared to be scope for having more focus on impact generally, so there is a link between the two, but there are other factors. Our recommendation was that there should be some form of aftercare.

Chic Brodie: I have one last question for David Coyne and Marjorie Miller. You are responsible within Glasgow City Council for business advice. How do you relate to the GO Group and to social enterprises such as the Wise Group and CEIS?

David Coyne: We have a range of relationships with the organisations that you mention. The Wise Group has just entered into a two-year contract with us as part of our European social fund priority 5 skills pipeline. It will provide in-work mentoring to previously unemployed people who have moved into work. That relationship has come about in the past couple of months and will last for two years. It is part of a broader skills pipeline, which all community planning areas have established over the past couple of months.

The Wise Group plays an important part in that pipeline. Part of its role will, inevitably, be provision of advice to people who have been assisted into work and who find it difficult, for whatever reason, to sustain their employment in

small firms and potentially fragile circumstances. Through our broader employer engagement activities, we will link that activity to business gateway survival support.

Would Marjorie Miller like to comment?

Marjorie Miller: Our relationship with the GO Group is that it is the subcontractor for business gateway in Glasgow. When the business gateway contract came to Glasgow City Council, GO was the contractor. We have a very good working relationship with GO.

We are also involved in some other stuff with the GO Group. We have recently been successful in a bid to run the new enterprise allowance for Glasgow City Council's geographical boundary, East Dunbartonshire and Lanarkshire. That has been done with GO and with Glasgow's Regeneration Agency, so quite a lot of good partnership working is going on. It is like anything else: people actually get on very well with each other, so we got loads done because we trust each other. There is a very good working relationship.

Chic Brodie: I thought that local authorities subcontracted the whole thing to companies such as the GO Group, so I am surprised that there is also another organisation within the local authority.

Marjorie Miller: We inherited the business gateway contract as it is at the moment. It came to us with the budget and with GO as the named contractor. We had no input to that.

The Convener: I will bring in Mike MacKenzie next. I will ask a question now, given that Chic Brodie asked Richard Whitcomb specifically about the Ekosgen report.

In paragraph 3.42 on page 37 of the report, your conclude that

"Overall national performance of Business Gateway is broadly in line with expectations".

In 2007, initial targets were set that I think are widely acknowledged to have been the wrong targets, given what then happened. Nevertheless, the targets on volume start-ups were comfortably exceeded, and the targets on meetings and events were exceeded in the main. In many of the other categories, such as growth pipeline and getting businesses pushed up the way to Scottish Enterprise, performance was well below the targets. Given that performance was well below targets, what is your basis for saying that it was in line with expectations?

Richard Whitcomb: We were trying to convey that performance was in line with expectations given the economic context.

The Convener: Whose expectations?

Richard Whitcomb: It was our view of the performance in the light of economic circumstances.

The Convener: Was there any objective measure, or was it just a hunch?

Richard Whitcomb: It was in the light of the evidence that we gathered through the review and the analysis of the data, but I can come back to you with further information. It was not a hunch.

The Convener: The word "hunch" was maybe unfair. The initial targets were widely acknowledged to be unfair, given the economic circumstances, but was your conclusion that performance was "in line with expectations" based on anything objective and measurable?

Richard Whitcomb: I will come back to you on that.

Mike MacKenzie: I have a question for the whole panel. In the previous era, when the services and predecessor schemes were delivered by enterprise agencies, I received a number of observations from people who wished to start up or get business help. They went along to the enterprise agencies, were met enthusiastically and were pumped up to be enthusiastic themselves, and they were perhaps given some help or grant aid. They then went along to knock on the door of the local authority, often in its regulatory role, and got a different response. The perception was that the enterprise agencies were the people who liked to say yes and the local authorities were the people who liked to say no.

Now that in a lot of cases business gateway is provided from within local authorities, to what extent has there been a greater alignment of all local authority departments in order to create a more business-friendly environment? What effect has there been, if any, in that regard?

David Coyne: I can say a couple of things. Glasgow City Council has a policy of being business friendly; for example, we have a fairly open approach to the planning department, which is co-located within development and regeneration services. My colleague, the head of planning, will regularly work with me in following up on business inquiries from people who wish to locate a particular business in an area where that might be sensitive or to reuse buildings or land in way that requires that a planning policy view be taken. In such cases, my planning colleagues are very open.

The same can be said of our colleagues in environmental health and trading standards. Although they are not within development and regeneration services as a directorate, we can quickly access free and informal information from them.

We also have a proactive programme of business engagement from elected members. They go out and listen to firms in key sectors in the local economy to hear about the constraints on growth, whether they are caused by planning policy or other things. We attempt to bring those issues back in-house and challenge our officers to find solutions. We think that we have a fairly well joined-up and networked set of offers. It is not just a matter of the local authority's own offers.

Our internal connectivity allows us to enjoy very strong working relationships with Skills Development Scotland, which is responsible for delivering large chunks of Government policy in other areas. Through such peer-to-peer relationships, we can quickly bring into the business advice mix for companies things such as flexible training opportunities, employer recruitment incentives and help with training costs for apprentices.

The Convener: Perhaps the local authority witnesses could respond to Mike MacKenzie's initial questions.

Sally Collinson: Aberdeenshire Council already sees itself as being business friendly; nevertheless, everyone—and certainly everyone in the area of economic development—has become well aware of business gateway since it was transferred. Referrals are being made back and forth between officers; indeed, we and Aberdeen City Council have a good relationship in that respect, which is bringing benefits.

Mike MacKenzie: Is it fair to say that, by bringing business gateway in-house, local authorities' overall business friendliness has improved?

David Coyne: That is a fair comment. As Marjorie Miller said earlier, prior to the introduction of the business gateway contract, the council had a business development function as a significant landlord, as a participant in the West of Scotland Loan Fund Ltd and in other ways, but the business gateway has added to its suite of business development products.

Mike MacKenzie: That was such a good and reassuring response, David, that I think that you might have been hacking into my computer. *[Laughter.]*

I have a final quick question. I was interested in Marjorie Miller's comment on how closely aligned the targets are to economic outcomes. I certainly acknowledge the earlier point that if a person leaves employment to start, say, a lifestyle business, there is perhaps no net economic benefit, even though for the purpose of the targets that is measured as a plus. How might we measure the targets to ensure that they are more closely aligned to genuine economic benefit?

Marjorie Miller: Perhaps the best way would be segmentation of start-ups. I know that that happens on the basis of volume or trading at VAT plus; however, there is a bit that comes before that. Those being referred to us are getting the new enterprise allowance, which means that they can remain on the Jobcentre Plus register, get extra money in their benefits and borrow up to £1,000. A lot of those people will have no intention of ever employing anyone; instead, they intend to set up a lifestyle business and work from home. Those businesses are all valid and might well be among the 11,000 that we hope to create in Scotland, but if they are not counted differently we will end up with the same statistics that we have just now. This brings us back to the need to pick winners, which is something that Scottish Enterprise has been very good at.

Sally Collinson: That is why we have the VAT segment—it is the key to growing business. It is important that we retain the target of growth in potential start-ups. The original 30 per cent target was far too high, but I think that 15 per cent or 20 per cent is probably achievable if we focus on it.

Mike MacKenzie: Should the weightings for the various targets be reprofiled?

Sally Collinson: I certainly think so.

Mike MacKenzie: Thank you. That was very useful.

Stuart McMillan: I asked the previous panel about the 100 per cent achievement rates. Marjorie Miller has already touched on that and suggested that some areas do things differently—for example, some have more meet-the-adviser activities—and that most of that activity is triggered by payments. Are payments made every time a meeting happens or only when there is a successful outcome?

Marjorie Miller: Meet-the-adviser and other such events are for groups of up to five, which triggers a payment. When the contractor invoices the city council, they specify the number of activities that have taken place and are paid £295 for each.

11:30

Stuart McMillan: Is that something that happens across the rest of the country, or does it happen mainly in Glasgow?

Sally Collinson: In Aberdeenshire, six meet-the-adviser sessions trigger an event payment. There are no individual meeting payments, and we try to restrict the number of meet-the-adviser sessions. We try to direct clients to workshops, to one-to-many sessions, to the website and to the inquiry service so that we can focus on the VAT segment and the

growing businesses. However, if an individual insists on seeing an adviser, we do not turn them away.

Stuart McMillan: Does COSLA try to encourage a standardised approach, or does it allow each of the areas the flexibility to do their own thing?

Hugh Lightbody: Bearing in mind that we are dealing with contracts that we inherited, broadly speaking the rules in the contracts are the same across the country—something is done, and that triggers a payment to the contractor. That is pretty standard across the area. To come back to the point that Mike MacKenzie made earlier, as part of the renewal of the contract, which is under way at the moment and involves the points that I made earlier about performance and targets, we are considering a more outcomes-based approach. At the moment, the Government has set us a target for volume start-ups, so we need some clarity about whether it would be acceptable to change that.

Patrick Harvie: I would like to ask the panel to reflect on some of what we heard earlier, specifically what the previous panel of witnesses said about the service that is provided to social enterprises. I hope that you heard some of that discussion. It seemed to me that there was broad agreement that we could do a lot better in three areas: providing business support services that specifically address the needs and motivations of social enterprises, which are distinctive; encouraging other businesses to consider more-than-profit models, in the broadest sense; and thinking about targets that not only capture economic impact in the long term, but also a broader range of social and environmental impacts, given the fact that taxpayers' money is being spent and ought to be achieving the maximum public good, in the most holistic sense. Is there a recognition among members of the panel that we need to be doing better with regard to those areas? What scope is there in the renewal of the contract to address those areas?

Hugh Lightbody: The contracts that have been set up have perhaps not been as accessible to social enterprises as they would have liked them to be, because they have been set up to encourage growth and did not necessarily tie in with the aspirations of social enterprises. As I said, the Government recognised that about two years ago, and considerable work has since been done on the issue. Just Enterprise was created as a complementary service that can build the capacity of social enterprises and help them to do what they need to do—as we heard earlier, there are specific things that they might be seeking to do. However, the business gateway is still there as a universal service. Its one-to-many approach—the

web-based tools and so on—means that it is open to all.

The Government intends to bring the Just Enterprise consortium and the business gateway closer together in the future. We need to learn from each other and think about how we can make that happen. One of the key things that will help in that regard is that one of my team sits on the Just Enterprise steering group and has been involved in setting it up. That means that we can ensure that the approaches do not duplicate effort and are complementary.

Patrick Harvie: Does anyone else want to comment?

David Coyne: In Glasgow, historically there has been quite a lot of provision for social enterprise development at grass-roots community level, which has involved mobilising and working with activists to create new social enterprises, notably through Community Enterprise in Strathclyde and the local regeneration agencies, as were. In addition, new mechanisms and instruments have come out of Scottish Government policy.

Over the past couple of years, the council has taken the community benefits in public procurement mechanisms quite seriously and we are rolling them out in a lot of our own procurement. We are looking at what efforts bidders are making or what measures they are putting in place to engage with social enterprises on a commercial contractual basis to give them proper, concrete contract opportunities. We are starting to see some tangible benefit coming from that. For example, in building the national indoor sports arena, Sir Robert McAlpine construction contracted with Unity Enterprise to provide all the on-site catering to the construction teams. We are starting to see such examples coming through the community benefits work.

To be honest, I think that we have a way to go in measuring the social and environmental impacts as well as the economic ones. Many individual organisations will perform social return on investment calculations. Organisations that we work with, such as Impact Arts, which works with disadvantaged young people, will be able to tell us that their SROI on a particular activity is £4.50, for example. That information is useful in managing a portfolio of relationships with the third sector.

There needs to be a broader conversation about our aspirations for sustainable economic development in the city and the measures that we would want to put in place. We are well used to using gross value added per capita and the other headline measures to look at the city's productivity and contribution to the national economy, but there are tools missing. There are areas where we could be developing further conversations around

sustainability and economic activity in relation to carbon reduction, return to communities in non-commercial forms and so on.

The Convener: Thank you. The last word will go to John Wilson, but before I hand over to him, I have a couple of brief questions for Richard Whitcomb. In chapter 4 of your report, which is entitled “Customer Views”, you refer to a survey of more than 1,500 business gateway customers, which received 1,605 responses. Who carried out that survey?

Richard Whitcomb: We worked as a consortium; three companies were involved. It was done by a specialist company called Research Resource.

The Convener: Does the number of responses—1,605—tie in with the number to which Hugh Lightbody referred? Was the survey sent out to 17,000 customers he mentioned?

Richard Whitcomb: Yes. I do not know the exact number of customers to whom the survey was sent, but Hugh Lightbody was referring to the 1,605 responses received. The responses allowed us to generate some robust statistical analysis around the impact assessment at national level.

The Convener: Was it purely a paper exercise, or were there face-to-face meetings and discussions with any businesses?

Richard Whitcomb: It was a combination of an online survey and a telephone survey with customers. In parallel with the work to get customer views, 51 stakeholder and delivery consultations were undertaken.

John Wilson: Ms Miller, you referred earlier to adviser referral fees. You said that, in Aberdeen, an adviser making a referral will receive £5,000, but in Glasgow they would receive only £1,000. Can you explain why that is? Have you investigated it? We are looking at a structure that is supposed to be fairly even across the country and there seems to be a rather big differential in those fees. Is there any explanation for that? Does Mr Lightbody have any explanation for that? I ask Ms Miller to respond first.

Marjorie Miller: That is a part of the contract that we inherited and which we could not change. I found out this morning about the figure of £5,000 only because I was able to speak to Sally Collinson before we came into the committee room. I knew that the figure was higher in Aberdeenshire and that it is higher in certain areas for certain activities, although the outcomes are the same. That is a personal concern of mine. If the contract rolls on and Glasgow City Council gets the same amount of money to run a similar contract again, we will still be at a disadvantage.

Hugh Lightbody: My only comment is that the contracts were tendered through open competition and that is the impact of an open competition. Different bidders in different areas will set different prices for what is provided, and those bids will be assessed on price and quality. That is the nature of open competition in a procurement process.

John Wilson: It is also in the nature of the procurement process that you set down the rules for the procurement. We have heard evidence from both panels that there is no need for any major restructuring of the contracts or the way in which the business gateway operates, but the fact that somebody in one area of Scotland is paid five times as much as somebody in another area of Scotland is worth examination. Perhaps there should be a review of the contracts. I would hate to be sitting here in 18 months’ time, when the contracts are being renewed, with that disparity continuing to exist. Different regions in Scotland are being treated differently because that is how the contract was set out in 2007. Perhaps it is time to review the contract and the procurement process to ensure that such anomalies are ironed out and we have an even playing field regarding the way in which the business gateway contracts operate throughout Scotland. Is that not the case?

Hugh Lightbody: I agree. As I said, we inherited the contracts. The contract renewal process will consider those issues and see what can be done; however, we must accept that there will be an open procurement process in letting the contracts. We cannot say who will get the contract or what the price might be, but we need to look at how we specify that, and that will be part of what we do.

The Convener: I thank our panellists for their evidence and suspend the meeting for a minute or two while we change witnesses.

11:43

Meeting suspended.

11:49

On resuming—

The Convener: I welcome the third panel in our business gateway inquiry. Isabell Majewsky is chief executive of the GO Group, Calum Maciver is from Western Isles Council and Kate Fraser is from Argyll and Bute Council. I invite each panel member to make a short opening statement, after which we will move straight to questions. We will start on my left with Isabell Majewsky.

Isabell Majewsky (GO Group): Good morning, and thank you very much for the opportunity to attend.

The GO Group is an enterprise trust that has been operating for 28 years. As an enterprise trust for Glasgow, we have a predisposition to support economic development in Glasgow, but we operate outwith that region and currently hold the contract in Ayrshire. We are committed to delivering not only enterprise support, but other forms of economic development support, including the support of innovation advisory services and the delivery of training and development in management competence across Scotland.

Calum Iain Maciver (Comhairle nan Eilean Siar): Thank you for the opportunity to attend.

As members will be aware, the business gateway was rolled out later in the Highlands and Islands than in the Scottish Enterprise area. A group that comprised the Scottish Government, Highlands and Islands Enterprise, the local authorities and the Convention of Scottish Local Authorities was formed to explore the options for rolling it out in the Highlands and Islands. A number of options were looked at and explored, and it was agreed that an in-house delivery option would be the best way forward for the Highlands and Islands, as most local authorities already had an in-house economic development team and it was thought that there was a good fit there. Most of the local authorities were already working closely with HIE—for example, my authority's economic development team had co-located with HIE. We thought that integrating the business gateway with those different services would produce good synergy.

That is how things have developed. Our experience of the business gateway has been positive and our feedback suggests that it has been a positive experience for others. Our view is that we would like to proceed into the next stage with in-house delivery of the gateway.

Kate Fraser (Argyll and Bute Council): Good morning. Thanks for the opportunity.

As Calum Maciver said, the business gateway was new to the Highlands and Islands. Until its launch in July 2009, we had had business support delivered by HIE. In line with the rest of the Highlands and Islands, Argyll and Bute Council adopted an in-house model and I was recruited to lead that team. There had not been a big customer-facing support team in the council, so some capacity building took place.

I endorse what Calum Maciver said. Two years in, the model is working well for us. We have seen year-on-year increases in the number of start-up and existing businesses that come to us for support, and customer satisfaction is consistently high.

We would like to retain the current model and, more important, the flexibility that we have in the

Highlands and Islands area to offer support at lower growth thresholds and to support clients in our growth pipelines who are important to the local economy. We hope to retain that flexibility in the new contracts.

The Convener: I will start with an open question. From the point of view of people who are delivering business gateway contracts, what should the priorities be in the new contracts? Should the contracts stay exactly as they are? Are major changes necessary? What changes would you like to see in the new contracts?

Isabell Majewsky: As we heard earlier, the business gateway service is fit for purpose but, given that a new procurement process is about to begin, there is an opportunity to review what works and what needs to be tweaked. The segmentation of the service is an area that needs some consideration. In particular, we heard about the introduction of the sub-growth pipeline.

In addition, in times of economic challenge, when businesses are really struggling, we need to consider how we can support existing businesses with a view to safeguarding jobs and ensuring that they are still around in a few years' time, so the focus purely on growth needs to change.

The opportunity also exists to consider the businesses' sustainability. What aftercare provision will we make? As we heard, we are measured by outputs and by the number of business start-ups that we achieve and not by the number of those business start-ups that are still around after even a month. A straightforward mechanism purely for recording outputs is used.

We need to consider what will generate and create economic impact. Sustainability, the growth of the businesses, protecting and safeguarding existing businesses and helping companies to internationalise and to have opportunities to access finance that enables them to realise their growth trajectory are all aspects that should be included in the service.

To answer your question in short, a core service should be delivered consistently across Scotland, but local flexibility should be available to address fundamental challenges in a region.

The Convener: Are any aftercare provisions made?

Isabell Majewsky: Under the contracts that we hold in Glasgow and Ayrshire, we have negotiated flexibility with Glasgow City Council and North Ayrshire Council. For example, we have seconded four members of staff to Glasgow City Council to work in supporting and nurturing growth companies and other businesses that have started up through business gateway. We have adapted contract delivery in negotiation with Glasgow City

Council and North Ayrshire Council, which have both been extremely proactive in understanding their regions' needs and in responding to those needs by putting in place customised solutions.

The Convener: Do Calum Iain Maciver and Kate Fraser want to respond to the initial question from the supplier's or deliverer's point of view? Do you seek changes in the new contracts?

Calum Iain Maciver: I endorse Isabell Majewsky's original answer and have little to add. For us, the key issue is service flexibility. We are joined up to and aligned with and have bought into the growth agenda. Growing jobs and the economy is critical for an area such as the Outer Hebrides. We are very much aware that the interventions that we require for an area of extreme peripherality with supersparsity of population can differ from those that might be required in an urban area such as Glasgow. We say yes to the national framework, but the flexibility to react to circumstances within that framework will be critical to an area such as ours.

Kate Fraser: I support that. We need to be mindful of ensuring that any segmentation approaches that drive behaviour and access to service in the future contracts are fit for purpose in the Highlands and Islands. We are keen for such a situation to continue.

Chic Brodie: I will initially be parochial, as I fought the seat in Ayr and have been a member of South Ayrshire Council and a South Ayrshire council tax payer. Isabell Majewsky mentioned North Ayrshire Council. Having dealt with business gateway in Ayr and talked to some of your representatives in Glasgow, I understand that South Ayrshire Council contracts the services from North Ayrshire Council, which contracts them from you. That does not give business gateway a particularly high profile in South Ayrshire. Will you comment on that?

Isabell Majewsky: You raise an interesting point. The arrangement with Glasgow City Council is straightforward. The arrangement with North Ayrshire Council is somewhat more complex, as it involves serving three councils. Our working relationship is primarily with the lead contractor, but we have excellent relationships with some of the other councils, which are embedded through our advisory team.

I have looked at the output targets for delivery across Ayrshire and at what has been achieved. The spread is fairly even. The figures might vary month by month, but interrogation of the annualised outputs shows that the service has permeated across Ayrshire. It might not necessarily be prevalent, but the reality is that the service—in terms of businesses that have been

supported—is not patchy and is consistent across Ayrshire.

Chic Brodie: Perhaps we can differ on that point.

We heard about the marketing budget for the national unit. Unless the information is commercially confidential, will you say how big the GO Group's marketing budget for business gateway provision in Glasgow and Ayrshire is?

Isabell Majewsky: There is no marketing budget for business gateway provision.

Chic Brodie: None at all.

Isabell Majewsky: None at all. We receive no marketing budget for business gateway activities locally. Any marketing that we deliver or generate is really off our own bat. There will be discussion with the council. It is about running Glasgow business week or the equivalent in Ayrshire, for example, and other events. As part of an enterprise trust, our *raison d'être* is to stimulate the community and the economic development agenda. Therefore, we will put on a range of events on a monthly basis to entice customers and potential clients to come in and talk to us about their needs in starting a business, their need to commercialise their innovation, or their need for training and development solutions. We are therefore very proactive.

12:00

The other side of the equation is that we have invested significantly in building a robust referral network with the private sector. For example, some of the growth businesses that come forward to us come through the accountants and professional service providers such as Lloyds who have worked with us for many years and know and understand the service that we deliver. When they are faced with a client in their banking constituency, they will pick up the phone and say, "I've just met such and such a business and they need to develop into an export market. Is there something that you can do for them?" They understand the service. The referral network of private and public sector partners in which we have invested has paid dividends in our ability to generate marketing profile.

Chic Brodie: You are very lucky if a lot of your businesses are on market pull, but I suspect, although I may be wrong, that there must be some market push. Are you telling me that, in the contract that you submitted, there was no element at all for marketing in the breakdown of costs?

Isabell Majewsky: I understand that there is no such element, but I will reinterrogate the contract. Obviously, there are meet-the-adviser events and women-into-business events, for example, that we

run. There are specific events for black and minority ethnic groups. In Glasgow, 11 per cent of the population are BME, so there is a specific need for that particular community to engage with the business support infrastructure. The events spectrum is therefore fairly broad.

You are right. That generates and attracts footfall, but we work closely with Glasgow City Council in particular to ensure that all the messages are adequately communicated through its marketing channels as well. The marketing effort is integrated and quite sophisticated, and I think that it is the local marketing effort that delivers results. When we interrogate where referrals come from, the results are fairly surprising.

Kate Fraser: I echo the point that we do not have a central budget allocated for local marketing, but there are increasing opportunities to work with the national team. It has been particularly important that the media opportunities and creative styles that are used in any national campaigns are pertinent to the Highlands and Islands. The national team is increasingly open to suggestions, and we work with it to suggest the titles that its budgets will go under. From a national perspective, we do not have bus backs, poster sites or airport lounges in Argyll for business gateway advertising, so we work quite closely to direct advertising towards the sponsorship of local business pages by the business gateway. It is not as simple as saying that there is no marketing activity. There is collaboration.

Chic Brodie: My final question is for Isabell Majewsky. What role do you play in setting the targets for start-up survival rates, which you have rightly highlighted as key, in the initial contract? How do you review those targets annually? What is the process? What input do you have into the process?

Isabell Majewsky: I joined the GO Group four years ago, so I was not around when the initial contracts were procured, but my understanding is that the targets were established by Scottish Enterprise. Obviously, it was the contract awarding body. However, since then, given that we have a contract value and an overarching target, we are in a position to sit down on a yearly basis with North Ayrshire Council and Glasgow City Council and say, "Well, what actually is fit for purpose for the business base for the forthcoming year?" We are able to modify slightly, which gives us a degree of flexibility. However, the answer to your question whether we have had any input into the design of the targets is no.

Mike MacKenzie: My question is principally for Calum Maciver and Kate Fraser. Are the targets for 2010-11 ambitious enough? In some

categories, the targets are set at zero. I am pleased to note that, in Argyll and Bute, the zero target in at least one category was surpassed, although I see that that creates some difficulty in working out the achievement percentage. Are the targets sufficiently ambitious, given the fact that some fantastic business opportunities are opening up in the Highlands and Islands? Should we not set more challenging targets?

Calum Iain Maciver: In many ways, the targets came out of the experience of Highlands and Islands Enterprise and what it was doing when it provided a similar type of service—not an exact replica—to that which is provided by the business gateway. When the services were extracted from Highlands and Islands Enterprise, as it were, we inherited and built up the targeting that HIE had in place.

I agree that we will need to re-evaluate the targets. They may be overambitious for some areas, such as the Outer Hebrides, and they may be underambitious for other areas. It will be critical that, as we re-evaluate the contracts, we re-set the targets.

Kate Fraser: I assume that the zero target to which you are referring is the VAT pipeline target.

Mike MacKenzie: Yes.

Kate Fraser: That was a new segment that we did not adopt because of the flexibility that we had with our sub-growth pipeline, into which we could fit companies of growth. I do not want to get too technical, but the VAT pipeline was a segment that was introduced to help predominantly lowland clients that were not reaching their VAT+ target by providing one-to-one intervention and support for clients working towards the VAT threshold, which we were able to provide without using that segment. I hope that that explains why there is a zero there.

The other areas where the targets look low are the clients that we get into HIE account management. Yes, those are low, but we have to work with HIE and it decides how many businesses it wants to take into account management. The targets are discussed with HIE, and its focus this year is more on leveraging growth with its existing account management clients, rather than on taking a lot of clients into account management. The targets are low, but deliberately so.

Mike MacKenzie: That is an interesting point, Kate. Correct me if I am wrong, but are you suggesting that if HIE is full up with a certain type of client and says to you, "We don't want you to bring us any more of these businesses," notwithstanding the fact that such businesses might be knocking at your door, you cannot help them because HIE is full up in that department?

Kate Fraser: HIE has not shut up shop and said that it is full, but there is more work to do to establish what tools are available from HIE to clients in the business gateway pipeline. That work is on-going to ensure that we are nurturing through the business gateway a healthy pipeline of clients, so that, when they show that they meet the required criteria, HIE is able to offer support. However, that is not large volumes in the current climate.

Mike MacKenzie: To what extent have you been able to integrate with other council departments in seeking to improve sustainable economic growth? Are other departments within your respective local authorities well integrated in terms of achieving that purpose, or is there not as much integration as you would like?

Calum Iain Maciver: Comhairle nan Eilean Siar has come a long way and has a good level of integration. A number of years ago, the council restructured and set up a development department that is focused solely on development issues. That involved bringing into one department a range of services that impact on businesses: the economic and community development functions, the business gateway, trading standards and the environmental health, planning and housing services. The set of services that are absolutely critical for business are integrated into one department.

We have done a lot of work to get the services, such as trading standards and planning, to work with the business gateway. One advantage of the in-house delivery model is that, when a business comes in with planning questions, those can be dealt with in a one-stop-shop approach. The business will get its advice on business growth, planning and, depending on the type of business, trading standards, all in one shop. If HIE is required, it will sit in on the meeting. So we have people from a range of council services and potentially HIE sitting with one client at the same time giving a good and rounded set of advice. Rather than the client having to go from the business gateway to the planning department to trading standards and then on to HIE and having four or five meetings, our approach is to get as much of that as possible done in one meeting.

We have travelled a long way in the past two or three years in creating that business-focused and business-oriented approach. There is still a way to go and I would like more improvement, but we have travelled quite a distance in the recent period.

Kate Fraser: Argyll and Bute Council is not as far on in that journey as Comhairle nan Eilean Siar, but we have taken good steps in the past two years and there are good examples of collaborative working. At a strategic level, we are

all aligned under the council's economic development action plan, which sets objectives for all the departments so that we know how we fit together. At delivery level, there are good examples. The business gateway recently ran a public sector procurement workshop that was delivered by the council's in-house procurement team. That is an example of how things are coming together. We are having similar discussions with our trading standards colleagues about how to provide support to businesses from a more integrated perspective. So we are moving towards integration. We have taken some good steps, but there is more to be done.

Mike MacKenzie: I have one final question. Imagine that the contracts have been retendered and that you are competing for them in a competitive marketplace, with perhaps 10 other organisations bidding for them. Imagine that, as part of that process, you are in an interview situation or are giving a presentation. Where would your focus be in convincing the person who is responsible for tendering that your organisation should get the contract? I ask each of the panel members to give me 30 seconds on what you bring to the table and what will set the heather on fire and achieve the sustainable economic growth that we all seek.

Kate Fraser: This is like "Dragons' Den".

Mike MacKenzie: Why not?

Kate Fraser: I feel confident that, on several levels, we would be in a strong position to tender. We deliver a best value service. We deal with the geographical challenges of delivering the business gateway service in remote areas, on the 25 inhabited islands and in the peripheral communities that we support. We have carried out benchmarking to consider what the day rates might be for contracted advisers to deliver that support and I am confident that we deliver good value for the council. Therefore, on a cost basis, our case would stack up.

There is no doubt that we have established a strong business team that provides advisory support to businesses. All of them have a private sector and own-business background in the community and they were all new to the council. We have the right calibre of people—they understand the needs of small businesses in the area. A customer focus is at the heart of our approach.

The integration that we have talked about with HIE and our council colleagues is also important. That is a key strength that external contractors would take longer to develop. I am not saying that in-house is the only way to deliver the service, but we would certainly use those advantages.

Calum Iain Maciver: Our key selling points are our ability to work and interact with any form and type of business, irrespective of size. We have good local knowledge and an understanding of both the local economy and the issues impacting on the local economy. We have the ability to react quickly and effectively to the needs of the business community. We have strong links across our council services—such as planning, licensing and trading standards—and the ability to put in place an encompassing service so that you can get your business gateway advice as well as support through other council services such as grant and loan funding for businesses. As part of the business gateway advice, businesses are brought into contact with other council grant and loan funding and into rapid contact with HIE.

Isabell Majewsky: Why should we win the contract? Fundamentally, the GO Group is extremely passionate about what it does. The organisation has done it for 28 years and has consistently delivered exceptional results. We need to bolster some areas but, in terms of service delivery, we deliver all the added value elements. It is not just a case of having the contract and delivering it, but considering what else can be offered to provide a customer-centric experience in order to offer other business support infrastructure beyond what is part of the tendering process. That is part of the unique selling point that an organisation like ours brings.

We are extremely competitively priced and, as we heard earlier, our pricing model is significantly different to that of Aberdeen. Echoing the comments of my colleagues, our advisory team members have started their own businesses or were involved in that capacity, especially those focusing on delivering growth.

Fundamentally, we have invested in the local referral community infrastructure. We are not just an organisation parachuting in to deliver a low-cost service delivery model; it is about all the other added value and making sure we are working in partnership with the other organisations we can tap into. It is also about avoiding duplication and dovetailing with and complementing other service providers. From the customers' perspective, they know where to go, they can expect a quality standard of service and they know they will be plugged into the appropriate business support infrastructure to help them start up or grow.

Mike MacKenzie: I think we can safely say the witnesses can all go through to the next round.

The Convener: He will make you an offer afterwards.

John Wilson: I want to follow up on the question put by Mike MacKenzie to the two in-house teams that deliver the business gateway in

the Western Isles and Argyll and Bute and the organisation that I used to know as Glasgow Opportunities, which I learned today has become the GO Group. How many staff or consultants in each of the organisations are involved in delivering the business gateway contract?

Calum Iain Maciver: The council's team was called business advantage before the business gateway. In effect, we rebranded our business advantage team as the business gateway. There are five advisers on the staff, but there are 15 people in the council's wider economic development team. The business gateway advisers provide the initial advice and will bring in HIE or the council's economic development team to support them, depending on the query, question or advice required. We have five business gateway people, but that figure can quickly be increased to 15 people who are available to the client.

Kate Fraser: We have three full-time equivalent advisers who cover the council wards. They deliver start-up support and growth advice, as well as many of the start-up and bookkeeping workshops. Our only requirement for outsourced support is delivering specialist workshops, such as our e-commerce workshops. In addition to the three full-time advisers, there is one business support officer and me. That is the complete business gateway team.

Isabell Majewsky: The business gateway team in Ayrshire is approximately 12 staff and the one in Glasgow is approximately 23, but I would like to confirm those numbers after the meeting.

John Wilson: That is fine. I just wanted to get some figures on what is being delivered where.

Calum Iain Maciver said that his business gateway team has five staff but that it can lead clients to the council's economic development team. I am interested in that, because my understanding is that local authorities were allowed to tender for the business gateway contracts to try to unify the economic development structures that already existed within local authorities. The contract was transferred from Scottish Enterprise and Highlands and Islands Enterprise to ensure that one delivery agent, rather than the myriad of different delivery agents that seemed to exist before 2007, delivered economic development and made the best use of the available resources.

I have a follow-up question to the local authority representatives. Kate Fraser referred to the marketing budget and the panel all indicated that they did not have separate business gateway marketing budgets. Can the local authorities that are represented on the panel bid to the national unit that is based in COSLA for a part of the

central marketing budget, or is it set nationally? Given that that unit is part of COSLA, can the local authority reps from Argyll and Bute Council and Western Isles Council make a bid for that marketing budget?

Kate Fraser: Yes. We have not negotiated to have it handed over at source as a sum of money but, on how it is allocated, we have provided strong input to the national team as to the titles, the creative styles and the marketing opportunities that we think would help to drive awareness of the business gateway in our area. Although the money has not been transferred, we have been able to lobby on how it is spent.

Calum Iain Maciver: I agree with that. Although there is no budget line for marketing, if we require marketing support, it is available.

Like Kate Fraser, we have provided input on the messages that go out. Gaelic is important for our community, and the national unit has been supportive in that, if we want to put a message out, it will translate it—well, it will ask us to translate it on its behalf. The unit is supportive even down to working with us to ensure that particular messages that are important to a particular community go out.

John Wilson: My final question is for Kate Fraser, who made an interesting comment about referring individuals on to HIE. When Mike MacKenzie asked whether the Argyll and Bute Council business gateway team had been told that any segments of HIE were full up and that it could no longer work with them, she said that HIE had not said that as yet. How does HIE feed back to the local authority business gateway team on the success or failure of the businesses that have been referred to it? Is that information shared with Kate Fraser's local authority team? Does HIE give it annualised figures or regular updates on what happens to the businesses that are referred on?

Kate Fraser: Yes. There is an established mechanism for that. I do not know what happens in other council areas, but we meet monthly with our colleagues in HIE. We are also co-located with them so, when I say that we meet monthly, I mean that we have formal monthly meetings, but it is easy to have conversations with them about particular clients more regularly than that. Each month, we meet and talk about the clients that we think have growth potential and we think HIE might be interested in, and HIE feeds back on what is appropriate and what it would expect of certain clients. Because we are in our second year, only a couple of our clients have gone on to HIE account management. It is early days, but HIE has been able to provide feedback on the support that those clients were given and we are starting to see evidence of the impact that that has had.

John Wilson: You said that you have regular contact with HIE because you are co-located. Will you explain the nature of that co-location? Are you in the same building?

Kate Fraser: Yes, we are.

John Wilson: The business gateway operates from the same building that HIE operates from within the local authority area.

Kate Fraser: That is correct.

Calum Iain Maciver: We have the same sort of arrangement in the Western Isles. The business gateway, the council's economic development team, Community Energy Scotland, the Prince's Youth Business Trust and a range of other services of that type are all located in the one building. Clients and businesses can come in and get a series of different services under one roof. We have a similar situation to Argyll and Bute. We are in the same building as HIE, so we meet and talk to it all the time about customers, but we meet formally once a week to discuss particular clients, what we are going to do, what the intervention should be, and so on. HIE has been quite flexible. Even if something does not quite meet its pipeline requirement, it will still work with us to encourage what we see as a good prospect for a particular business. HIE has been flexible enough to seek to work with us to push for an advantage for a business.

Isabell Majewsky: The same is true within the Lowlands region. We have an excellent relationship with SE and we meet monthly with SE and our local authority representative.

However, the committee needs to be aware of some challenges coming up. The customer relationship management system was originally designed by Scottish Enterprise for the purposes of the business gateway as well as other service provision. I understand that a commitment to that is in place until 2012, but I do not know what is intended to happen after the current contract renewal. The CRM system is obviously an important tool for capturing data and monitoring quality and output performance and it needs to be considered with the new contract procurement exercise.

Stuart McMillan: I want to touch on an issue that lies outwith the witnesses' direct control, but which directs what they do. How important is access—or lack of access—to finance to the people that you deal with?

Isabell Majewsky: It is absolutely vital. A lot of the businesses that we work with do not receive any support or access to finance. In particular, debt finance from the banking sector is causing a lot of frustration. Businesses' alternative route to accessing finance is equity. As we know,

Scotland's venture capital community has contracted. We have, however, a buoyant angel network called LINC Scotland, and we are working more closely with it to establish a more direct route to equity provision. As I am sure the committee appreciates, angel investors are intent on pursuing the existing portfolio of companies in which they have invested, and there can also be liquidity issues at times. However, that is the traditional route that companies, especially those in the growth segment that we work with, are looking to use to raise equity.

Calum Iain Maciver: Finance is an extreme challenge for us at the moment. When business gateway transferred out of Highlands and Islands Enterprise, a bit of a mis-message went out that the local authority had taken over small business support and small grant and loan support. However, no grant and loan support came out of HIE as part of the business gateway transfer; it was just the advisory element. A lot of small businesses in our area thought that the council had taken over responsibility for grants and loans to small businesses, but that did not happen. Luckily, the council had some schemes of its own. HIE's concentration on the growth agenda and businesses that can trade at a national and international level has left a huge segment of our business community unable to access grant and loan support in the way that they used to be able to.

12:30

That is a big challenge. If I were being perfectly honest, I would say that although an area such as the Outer Hebrides wants to produce businesses that are able to trade at a national and international level, we have to be realistic and acknowledge that only one or two such businesses will emerge, and that that will happen irregularly. Microbusinesses and small businesses form the core of our business community; each is absolutely critical, and we have to find ways of financing one-man or one-woman operations or even two or three-person operations that want to grow into 10-person operations. In some of our remote or peripheral communities, a business that wants to grow from two or three to 10 people has, in our terms, significant growth potential. However, no funding is available for that business unless the council can come up with some grant and loan funding.

Kate Fraser: I echo those comments. When we took over business support, there was an expectation that the fairly healthy start-up grants that HIE had been able to provide would come across. However, that was not the case, and the fact is that Argyll and Bute Council is simply not able to provide significant start-up or growth

funding. We ran a very small pilot this year but because budgets are decided year on year I do not know whether that funding will be available next year. Funding is certainly an issue for microbusinesses.

Stuart McMillan: I am sure that every MSP will have been contacted by people from the small business sector, saying that they have had a letter from their bank telling them that their terms and conditions have changed with no discussion. Indeed, some people are being refused finance altogether. That has been an issue for the best part of three years now. Kate Fraser has talked about action plans, delivery models, integrated support and achieving targets, but surely if less finance is going to be available how can your organisations realistically undertake the activities that they should be undertaking?

Kate Fraser: It is not all about the money. Business gateway has value as an advisory service. Often clients come to us with the view that it is all about funding but when we sit down with them we find that some of their problems can be tackled by addressing other issues in the business such as profitability and cash flow. Although the availability of funding remains important, it is not the only way we can help; as I say, the advisory service is important.

We can also signpost other sources of funding. In Argyll and Bute, for example, local discretionary trusts can provide support and, with such local knowledge of who to refer clients on to, we can offer support in other ways.

Calum Iain Maciver: As Kate Fraser has said, the advice that we are able to give will be critical, particularly for a new business that is trying to start up. The people you bring to the table initially, be they HMRC, VAT advisers or whoever, will be critical to that business. Although some businesses are very good at putting together the product that they want to create or the service that they want to deliver, they still struggle with some of the administration that goes with running a business. As I have said, providing such support and advice at the outset is one of business gateway's critical features. Unfortunately, though, if a business gets established and needs some financing to grow, it has little opportunity of securing that financing from banks or indeed from HIE.

Isabell Majewsky: Glasgow operates a number of small loan finance schemes, which allow some access. However, as I said, we work very closely with LINC Scotland; we also run a network called connect Scotland that, as the name suggests, connects companies with providers of finance. I am talking not about the traditional VC house or equity provider but about other sources of generating financial support, forms of corporate

venturing, ways of bootstrapping a business or ways of internationalising and pursuing export opportunities that might help to support a company's ability to grow and to find more creative ways of financing its operation.

Stuart McMillan: I realise that you might not be able to give a fully detailed answer to this question. It is said that the banking changes recommended in the Vickers report, which was published on Monday, will not come in until 2019, by which time who knows what the economy will be like. Given that and the tough time faced by people who are trying to access finance, will such a long lead-in time make things even tougher? Will it simply create an air of uncertainty that will cause the banks to shut up shop even more than they have over the past three years?

Calum Iain Maciver: Our feedback from the local business community is that the banks have already shut up shop. We know of X amount of businesses that have had their facilities withdrawn at the stroke of a pen and others that have been unable to get finance for whatever purpose. The leadership of our council has met representatives of the local banking sector to try to persuade them to support local businesses; they said all the right things but, as I said, the feedback from businesses suggests that nothing has particularly changed. I cannot see the situation changing in the foreseeable future.

That said, there are significant opportunities for the Outer Hebrides, particularly in relation to the renewables agenda, and if we get the correct decisions on that and get the regulatory system sorted out we will be able to create significant new jobs and open up a whole new sector of the economy. We simply need the ability to take advantage of the significant opportunities in renewables, the creative industries and tourism that lie before us. As I have said, the right decision making and regulatory system will help in that respect.

The Convener: Given that we are trying to stick to the substance of our business gateway inquiry, I do not think that all the witnesses need to answer that question.

Chic Brodie: With regard to finance, we have tended to live in a bubble with what we consider to be our local banks. However, I have just had experience of a social enterprise company that has secured a large sum of money from a foreign bank. Those banks are at least willing to come in and compete. Would encouraging or establishing networks with Chinese, eastern European or other foreign banks be part of the psyche of the business gateway or associated groups? Do you agree that we live in a bubble with the restricted banking sector that we deal with?

Isabell Majewsky: We are an island and I think that, sometimes, we have an island mentality. In proactively sourcing forms of funding for our businesses, we have felt that our network of investor contacts has been particularly advantageous, especially to the growth businesses that we work with. Those contacts lie mainly outwith Scotland in the north-east of England, London, France and Belgium, and we are now starting to establish links in the United States. We are making some inroads in that respect and I believe that such activity certainly gives a different perspective to the companies we are nurturing. After all, what we are saying to them is that, in order to secure investment from external sources, you need to demonstrate that you will be a growth company of significant size and with very much an international outlook. We have factored that internationalisation element into our delivery model for business gateway and it is very much a pertinent part of the service that we offer.

The Convener: I thank the witnesses for their evidence and close the public part of the meeting.

12:39

Meeting continued in private until 13:03.

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