



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 21 September 2011



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**ECONOMY, ENERGY AND TOURISM COMMITTEE**

**6<sup>th</sup> 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:**

Alex Anderson (Scottish Local Authorities Economic Development Group)

Fergus Ewing (Minister for Energy, Enterprise and Tourism)

Mary McAllan (Scottish Government)

Pamela Stevenson (Business Gateway Operational Network)

David Valentine (Business Gateway Scotland Board)

**CLERK TO THE COMMITTEE**

Stephen Imrie

**LOCATION**

Committee Room 2



## Scottish Parliament

### Economy, Energy and Tourism Committee

*Wednesday 21 September 2011*

*[The Convener opened the meeting at 09:33]*

### Decision on Taking Business in Private

**The Convener (Gavin Brown):** Good morning, everybody, and welcome to the sixth meeting of the Economy, Energy and Tourism Committee in this session of the Parliament. Under agenda item 1, we must decide whether to take item 4 in private. Item 4 is a discussion of the evidence that we will hear today. Do members agree that we should take item 4 in private?

**Members** *indicated agreement.*

## Business Gateway Inquiry

09:34

**The Convener:** Item 2 is our business gateway inquiry. We held our first evidence session last week, and we have two new panels today. On our first panel we have David Valentine, who is the chair of the business gateway Scotland board and also the chair of the business gateway external stakeholders group; Pamela Stevenson, who is the chair of the business gateway operational network; and Alex Anderson, who is the chair of the Scottish local authorities economic development group—often known as SLAED—and who is also a member of the business gateway external stakeholders group.

After we have heard some opening words from each member of the panel, we will move on to questions. We will start on my left, with David Valentine.

**David Valentine (Business Gateway Scotland Board):** Good morning, everyone, and thank you for this opportunity to provide evidence. It is really important that we take it. I have submitted written evidence—I apologise that it was only a couple of days ago that I did so. Committee members will see that, as well as addressing the questions that were posed by the committee, we felt it important to give you detailed information about the steps that we have already taken in developing the contract framework for the gateway post-2012.

In addition—and we thought that this was important in relation to some of the evidence already presented—we wanted to give committee members a timeline. A table has been included; it might help committee members in addressing some of the consultation issues.

The business gateway Scotland board has had to follow a process. Part of my job is to get consensus among local authorities. As we made progress in August, we were able to bring our operational partners, Highlands and Islands Enterprise and Scottish Enterprise, more into our discussions. We are now in the process of discussing our direction of travel in detail with key stakeholders. That process is still a moving feast, if you like. We are also trying our best to take on board the outcome of deliberations around this table, as well as the results of some important meetings that have been held this year. In February, there was a meeting of stakeholders in Edinburgh; there has also been a mind-mapping session with the minister in Glasgow; and there is the evaluation process itself. We have already taken account of a good deal of what we feel we know stakeholders and others think.

I have prepared a joint submission with Pamela Stevenson. I am more involved at a strategic level—although I obviously take account of the detailed mechanisms at play—and Pamela, who chairs the operational network, is far more involved in the detail. I hope that, between us, we will be able to address most of, if not all, your concerns.

A few issues arose during the previous evidence session, and in our written evidence I have tried to cover three of them, including our thoughts on aftercare and local flexibilities. We will be happy to speak more on those issues. Some other issues arose that I have not addressed because I did not have time, but I will be happy to address any questions that members might have about social enterprise or other issues that were discussed.

**Pamela Stevenson (Business Gateway Operational Network):** I thought that it would be useful to give committee members an outline of the business gateway operational network's remit. BGON, as we call it, comprises the 12 lead Lowland local authorities and the six Highland local authorities. We are responsible for managing the contractual arrangements and the performance of the business gateway contracts now sitting within local authorities.

The group meets monthly. It is a forum for the discussion of operational matters and of ways of encouraging and developing the national and local activities that are currently in place across Scotland. The transfer of the gateway to local authorities has been very effective; I think that local authorities have encouraged and embedded gateway activities over the past two years. Under the current contract, until October 2012, we will strive to improve opportunities for flexibility and development.

The business gateway operational network commissioned a study in November 2010 to evaluate the existing gateway model and to assist with the recommendations for the future delivery arrangements, post-October 2012. The study's findings and recommendations were concluded in April and the report was published in June. As Dave Valentine said, we have provided a written submission, which gives more detail on what local authorities have been doing to develop the new model. I will be happy to talk about that.

**Alex Anderson (Scottish Local Authorities Economic Development Group):** SLAED comprises the 32 local authorities—it is the senior economic development officers who sit round the table. We are a joint local authority forum for discussion and sharing experience, expertise and best practice in economic development. We have eight thematic groups, which cover a wide range of subjects, from employability to European funding. Our company growth group is responsible

for monitoring and overseeing the business gateway.

SLAED's original remit was to ensure the smooth transfer of the gateway network from the enterprise network to local authorities. We have played an important role in advising the Convention of Scottish Local Authorities and, through COSLA, the business gateway Scotland board, on the future of the gateway post-2012.

**The Convener:** Thank you. Some of our questions will be directed to specific panel members and others will be more general, but you do not all have to contribute to every answer.

This question is probably mostly for David Valentine. Do you think that service users and groups that represent businesses, such as the Federation of Small Businesses, have had enough input into the process so far?

**David Valentine:** I addressed the issue to some extent in our submission. Since the beginning of the year we have had a number of events, and there was the post-evaluation exercise—the committee took evidence last week on the stats around that. About 17,000 customers were contacted and we had a response from about 1,600. We have a pretty good indication of what some key stakeholders are seeking from the exercise and we are pretty confident that we will be able to meet some of their requirements, particularly some of those articulated by the FSB.

You asked whether I am satisfied that stakeholders have had an opportunity to input into the process. The FSB is an important stakeholder. We have an external stakeholders group, but engagement is not confined to the meetings of the group. In the past couple of days I have said to colleagues at the FSB that if there is any misunderstanding about the method of consultation on the issue, given that we invited feedback on the evaluation exercise, they only need to pick up the phone and we can have one-to-one engagement. I made that offer after the committee took evidence last week.

We are not through the process of consultation; as I said, there are three stages. I had intended to discuss where we are with the exercise at the meeting of the external stakeholders group that was arranged for 12 September. The discussion would have given rise to one-to-one meetings with one or two of the stakeholders, but the FSB could not attend, so I postponed the meeting until 30 September. I am satisfied that there is still sufficient time before November, when we will finalise our recommendations to the board, to ensure that key stakeholders have sufficient input.

**The Convener:** I take the point that initially you were trying to create consensus among local authorities and so on. Is it fair to say that up to

now there has not been a lot of input from business groups or service users?

**David Valentine:** I will let Pamela Stevenson respond to that. It is absolutely true that we have not opened up the detail of our thoughts on how we should move forward with the wider stakeholder group.

**The Convener:** Pamela, you have been volunteered.

09:45

**Pamela Stevenson:** I completely agree with Dave Valentine's comments. The original stakeholder event in February was the start of our consultation process at the Scottish level with stakeholders and strategic partners. Following that, we undertook a mind-mapping session with previous ministers to address activities. All our stakeholders were involved in the evaluation, including our service users, service providers, immediate contractors and delivery agencies. They gave evaluations and made recommendations. That has all been taken on board and is clearly articulated in the evaluation and findings. It is certainly extremely important in moving forward on the new contracts.

**The Convener:** Since the publication of the Ekosgen report, what engagement has the business gateway operational network had with stakeholders who represent service users?

**Pamela Stevenson:** We worked actively through the summer on starting to design the contracts. A lot of the detail is covered in our written submission, and perhaps we can discuss some of that today.

We are still at a development stage with respect to wider external stakeholders. We have been working actively with business gateway Scotland board members, Scottish Government colleagues and, of course, our strategic partners—as we see them—in Scottish Enterprise to help to deliver and develop the model. We now have a draft model in place, although things are not quite clear yet. Dave Valentine, as chair of the business gateway Scotland board, is ready to undertake consultation and further discussions with the external stakeholders group on 30 September.

**The Convener:** I suppose that that was what my question was driving at. You have described a draft model, which is described in your written evidence as a “draft Invitation To Tender”. A draft model has been produced, but there has not yet been consultation with the service users—I emphasise the service users stakeholders as opposed to the Scottish Government or Scottish Enterprise. My concern is that the process is quite far on—you are at the draft model stage—but

there has not yet been consultation with the stakeholders and service users. Committee members were concerned about that last week.

**David Valentine:** You acknowledged what I said about building consensus in local authorities. Part of my job is to manage that consensus. I have often said that we have 32 sovereign states—all the councils are independent. We have very successfully managed to build consensus right from the start, and in building it, we have made a number of changes that have addressed some of the flexibilities that have been talked about in the committee. Perhaps we can mention some of them.

I see a big part of my job as ensuring that all the local authorities are on board. That is essential. I think that the first opportunity that I had to share our thoughts on the shape of the new contract framework was in the last week of August. A meeting that was facilitated by SLAED was held in Glasgow, at which every council was represented. That is where we managed to agree what the building blocks would be. We do not intend to change the current set-up, with 12 lead authorities in Lowland Scotland and the individual authorities in the Highlands and Islands Enterprise area. There were other important strategic decisions that we needed to take to move things forward, and a note was done for the appropriate COSLA committee so that we would have political support. It is important that I managed that process to take forward a concerted approach to business gateway operations.

The next stage was to share the thinking with our key partners, which we did at the business gateway Scotland board meeting in August. We would have had the opportunity to open up the discussion with partners on 12 September. That was perfectly reasonable, given the exercise that we are doing within the timescales that I indicated in table 1 of our submission.

As I said, I am quite satisfied that, in the relevant timescale, we can have the right discussions with the right stakeholders to ensure that we take account, as far as possible, of their response to what we are suggesting.

As has been mentioned, there is an issue of commercial sensitivity because there are some vested interests. We are not talking about a state secret; it is just that we must balance the way that we do things so that I do not show any particular favour or partiality in how we engage with some of the people who have vested interests. That is not such a big issue—we can manage that.

We are now able to open detailed discussions. I am quite happy for Pamela Stevenson to share some of our thinking with the committee.

**The Convener:** I am grateful for that. I will open up the questioning to other members.

**John Wilson (Central Scotland) (SNP):** I will start with what might seem like a ludicrous question, but I need to ask it. Who are your employers?

**David Valentine:** I am quite happy to answer that from my perspective. Angus Council is my employer. In the context of this—

**John Wilson:** That is fine.

**Pamela Stevenson:** Fife Council.

**Alex Anderson:** North Ayrshire Council.

**John Wilson:** That might have sounded like a silly question to ask, but given the responses that we have had from David Valentine on the consultations that have taken place on the contract tendering process with the plethora of organisations that exist to manage the business gateway operational process on the ground, I am looking at duplication, triplication and perhaps more.

Mr Valentine indicated that he had to consult the 32 local authorities, which I believed would happen through SLAED. We have been told that SLAED has eight thematic groups that meet regularly, although I do not know how regularly. We have also been told that the business gateway operational network meets on a monthly basis. That includes the 12 lead Lowland local authorities and the six Highland local authorities.

How much consultation between local authorities needs to take place before you can start drawing together a contract that is applicable across Scotland? You have indicated that the timetable has slipped. External stakeholders have not yet been consulted, and the process has been delayed by the consultation that has taken place so far with local authorities. How much time must local authority officers spend in meeting rooms and conference halls discussing the way forward for the business gateway before anything is delivered on the ground?

**Pamela Stevenson:** I am quite happy to answer that.

I know from personal experience that, the first time round, delivery of the business gateway contracts under the Scottish Enterprise network back in 2005-06 took a considerable amount of resource and time—the process spanned at least 15 months. This time round, we completed an evaluation that went out in June, and we have worked actively, hard and challengingly over the summer. The development process has been going on for only about three or four months. As part of our timeline, which is included in our submission, we must have a finalised model in

place by December. I suggest that that is not a long time, considering what happened in the first process.

**John Wilson:** I welcome the paperwork that is before us and the submission from the business gateway Scotland board and the business gateway operational network, because they allow us to examine in further detail how the business gateway is being managed and to pose the questions that the committee needs to pose, not only to the panel, but to the minister.

This is about managing the contracts. As we heard earlier, the contracts for business gateway were transferred to local authorities in 2009. I would have presumed that, prior to the transfer of the contracts, local authorities would have made themselves more than sufficiently knowledgeable about what they were taking on board with regard to operating the contracts.

In the past, the committee has indicated that there seems to be a rush towards the retendering process without an examination of the nuts and bolts of what is being retendered.

Last week we heard evidence about the differences throughout Scotland, particularly in the contract costs. Have the business gateway board, the business gateway operational network, SLAED, COSLA and council leaders—or political leadership, as I think David Valentine described it—had any discussions about the contract variations throughout Scotland, or are all the local authorities responsible for business gateway happy with the contracts that have been working for the past X years? Are they satisfied that those contracts are the best way forward for business gateway or has there been any discussion about how we can revise, review and deliver better contracted services throughout Scotland?

**David Valentine:** As I explained in the paper, the workstreams that operated in the groups through the summer have addressed how we improve what we have got. Right from the beginning, when we took over the management of business gateway, we realised that—as has been said by others—the contracts would be designed during a time of boom. We all know that the recession then bit, in 2008 in particular. What we have been focusing on since then is driving growth through the downturn, which meant that we had to bring in flexibilities in order to address some of the problems that we felt were inherent in the way that the contracts had been devised, which did not suit the times.

That is not to say that we should not focus on growth—of course we should—but we introduced a number of flexibilities very early on in the process to allow underperformance in some of the growth areas of the contract, so that resource that



would have paid for that could be switched to allow more time to be spent with struggling companies. For example, we allowed flexibility in the one-to-many events, if you understand what I mean by that expression. Events were held, but one-to-one sessions were held with companies attending some of those events.

A good deal of complementary work was done with local authorities to ensure that there was better integration with other resource-allocated services. As I think the committee knows, as we moved on, we bid for additional European assistance. We managed to draw down funding to allow complementary measures to be taken in some of the worst-affected areas in Scotland that were eligible for funding.

We covered a number of the issues in our response to the call for evidence. The flexibilities that have been called for and the ability of local areas to agree targets and so on need to be addressed. I can assure you that we have been addressing them. Perhaps Pamela Stevenson could say more about that.

I am quite satisfied that, moving forward, we are going to be able to address what we saw as weaknesses in the original contracts. That is not a criticism of the way the contracts were drawn up—it is just that they were drawn up in different times.

**Rhoda Grant (Highlands and Islands) (Lab):** You talked about speaking to 32 local authorities and trying to get them to sign up to one document—that is a bit like herding cats. Then you talked about getting the framework out to the local authorities and contractors. Nowhere in that did you talk about speaking to service users about what kind of service they were looking for. It seems to me that, if you were looking for business growth, you should have started with service users and potential service users, asked them what they wanted and taken that back to the local authorities. Have I missed a stage in the process?

10:00

**David Valentine:** Yes. We started with service users. Through the evaluation process, we wrote to more than 17,000 service users, stakeholders and others. We got a response from, I think, 1,600. You have already heard some evidence on that exercise.

That was the starting point. The process that I explained for building consensus among local authorities sounds awfully complicated, but it was not; nor was it too difficult. We have a process that has been agreed through COSLA for working towards building a contract framework that will go to the local authorities for them to deal with under their own financial regulations. There will be a

framework approach with all the necessary guidance.

As you know, there are 12 lead authorities in Lowland Scotland. For example, in Tayside, there are three local authorities. They have a shared services agreement, so building the framework is not too difficult. There are processes in place. As chair of the business gateway Scotland board—COSLA appointed me to take the chair—I have to manage the process and ensure that there is consensus, because I do not want local authorities to opt out or do things that would give us difficulty as we move forward.

The process is not as difficult, bureaucratic or complex as it perhaps sounds; it is just something that I had to do.

**Rhoda Grant:** It sounds hugely bureaucratic, to be frank. You consult stakeholders and I assume that you pull together their views. You then build a framework for local authorities to which they agree but which they can change when they decide to contract out the service themselves. What is your purpose in all that? Would it not be just as well for local authorities to consult service users in their areas and draw up something that was responsive to their needs? You appear to introduce a level of bureaucracy.

**David Valentine:** We should not forget that the people who populated the short-life groups that operated over the summer and devised the contract frameworks are from local authorities. The power of that should not be underestimated. Local authorities' economic development units, lead partners and others are built into the process, which makes it far easier.

I ask Pamela Stevenson to finish the response to that question.

**Pamela Stevenson:** To reiterate the comments about engagement with service users, on the back of undertaking the evaluation, we have a robust quality assurance programme in place through the business gateway national unit and through the activity of the local authorities. That programme, which is delivered monthly and quarterly, includes e-mail engagement, telephone engagement and one-to-one engagement through focus groups with all levels in the pipeline of business gateway service users. That has always produced robust figures and I think that the responses and feedback from our customers on that are quantified in our written submission.

To pick up on David Valentine's second point, I am happy to give the committee a flavour of the activity that went on over the summer through the development of the sub-groups. In terms of the business gateway operational group, on the back of the findings of the evaluation, it was approved and agreed by the Scotland board that the

operational group would lead on six development themes of the evaluation to address the activities and the recommendations coming out.

**Rhoda Grant:** It would be helpful to get all that information in writing rather than take up time around the table.

**Pamela Stevenson:** It is included in the written submission.

**Rhoda Grant:** I see; it is part of the submission. My apologies.

What is the role of the business gateway operational network in the process? Ms Stevenson talked about meeting local authorities, who are doing the work. I do not quite get the role of the business gateway operational network.

**David Valentine:** The business gateway Scotland board has a strategic role in ensuring that governance is in place with regard to the business gateway and it facilitates input from the key operational partners. It is also within the COSLA framework so that we have an assurance that local government plays its part in the process. I think that the committee has already had some evidence about the role of the business gateway board. We have membership from the Scottish Government, Scottish Enterprise and HIE as well as other local authority colleagues. That is the strategic board that oversees the operation and deals with some of the issues that we have spoken of. The operational network comprises the people who run business gateway day to day.

**Rhoda Grant:** You said that local authorities have a fair amount of scope to change and localise contracts. If local authorities have that scope, I do not understand why they do not devise contracts and put them to tender. I am trying to find out the additional information service that the board brings to the process.

**David Valentine:** From my point of view, the obvious point is that we seek to provide consistency of service across Scotland. This is a pan-Scotland service. Originally, the contracts were designed for Lowland Scotland and in summer 2009 we opened it up to Highlands and Islands. The fundamental aspect of business gateway is that it is consistent across Scotland in the quality of provision and the basic core service, albeit with local flexibility. That is the main task that we have in coming together as a board and an operational network.

**Rhoda Grant:** Do you measure standards of delivery for core services and standards? I am interested in seeing how that is done. I apologise for having had only a quick skim of the submission, which we received this morning. You say that you have not evaluated the difference between in-house and contracted services. I am

interested in that, because I imagine that an in-house service could be more flexible to changing circumstances. One is not bound into a contract that has costs and outcomes attached to it, which are less flexible if economic circumstances are changing locally. Has the responsiveness of the contract been examined?

**David Valentine:** I answered as I did because we have not carried out work to examine the difference, *per se*. However, a number of authorities are carrying out gateway services in-house, such as in the HIE area. Other authorities have an appetite to do that.

The operational network has had a look at that and provided that our offering is consistent across Scotland, with an agreed core service, and that we have best-value consideration of the in-house facility, the local authorities feel able to do it. However, a number of local authorities would not go down the in-house route, particularly because business gateway is seen to be delivered successfully using the building blocks and processes that we have in place.

On the whole, local authorities see that we have made a good job of operating business gateway, as is testified in the evaluation. However, some local authorities will want to opt for the in-house route. Provided that they meet the standards and deliver what is agreed through the contract framework, there is no difficulty with their doing that. Perhaps Pamela Stevenson could describe the discussion around that.

**Pamela Stevenson:** Group 6 for our development work is mostly representative of our HIE colleagues. It is about looking at the cross-cutting activities of the other five development groups to ensure that we can consider compatibilities, where appropriate, for the development of future arrangements. However, we are probably still on the back foot regarding the HIE in-house model, which came about in April 2009, so it is early days for undertaking a proper economic evaluation of the extent of the activity. We are ensuring that any impact on future arrangements will sit alongside the HIE model and we will ensure that we get feedback from our HIE colleagues accordingly.

**Alex Anderson:** I am a representative of a council that has a gateway service in the Highlands and Islands and one on the mainland. It was not scientific, but we took a decision to contract out our Highlands and Islands gateway because it is for only two islands: Arran and Cumbrae. We did that because we are based on the mainland and we would have required electronic devices for contact between the islands and for the one-to-ones. We were fortunate to get a local contractor, who has exceeded the targets that were set on the islands. However, the other

local authorities decided to take the service in-house. At the time of the discussions, there was great talk about the co-location of services and it was said that there was a big advantage, particularly for the Highlands and Islands, in co-locating services in one building and creating a one-stop shop. I think that that drove the Highlands and Islands down the in-house route, because there were more advantages in delivering that way.

In North Ayrshire, we contracted out the service because of the logistics that existed there. Some of the papers that have been mentioned have said that all the Highlands and Islands contracts are in-house, but one of them was contracted out.

**Rhoda Grant:** If local circumstances change when you have a contracted-out service, how easy is it to be flexible?

**Alex Anderson:** One of the key points is that the core services are supposed to be the same throughout Scotland, so a core service has to be contracted out across Scotland. There is a 10 per cent figure for local flexibility, but that may increase in the new contract—work is being done on that. Flexibility is a local alignment, if you like. However, there is little flexibility in an individual authority for delivering the core service. Changes to the core service would have to come through the 12 lead authorities and the Highlands authorities to co-ordinate an across-the-board change for the whole of Scotland.

**Chic Brodie (South Scotland) (SNP):** I will start with some numbers, if I may, and be very boring. How much did it cost to produce and distribute the Ekosgen report?

**Pamela Stevenson:** Around £60,000.

10:15

**Chic Brodie:** What is the budget for the board in total—not just for operational costs? What does the board see as its financial responsibility?

**David Valentine:** The operational budget for the business gateway in Scotland is just over £12 million. A central budget is available of around £2 million.

**Chic Brodie:** Yes, it is the central budget that I am asking about. What is your central budget?

**David Valentine:** Nationally, it is just over £2 million.

**Chic Brodie:** Just over £2 million for the board. Does that include the operational network?

**David Valentine:** That includes all the management performance and the marketing and promotion budget. However, as I said in my written

evidence, about £300,000 of the marketing budget is available for local marketing.

**Chic Brodie:** Is that provided through a national unit?

**David Valentine:** Yes.

**Chic Brodie:** We were told last week that it is £1.8 million. You are saying that it is £300,000.

**David Valentine:** No, no. The central budget is just over £2 million and about £1.8 million is available for marketing and promotion. Of that £1.8 million, £300,000 is ring fenced for local marketing.

**Chic Brodie:** Okay. What are the main differences between what you do and what the national unit does?

**Pamela Stevenson:** The business gateway operational network delivers local consistency within the national framework. We monitor and promote best practice throughout Scotland to ensure that the contracts are delivered consistently. Where there is local flexibility, we try to deliver it in a commonality. We report to the business gateway Scotland board and put forward to it any recommendations on potential improvements as we see fit and as we work and develop with our stakeholders.

**Chic Brodie:** Forgive me if I am asking the wrong question, but let us take North Ayrshire, for example. I do not know how many people you have in local development in North Ayrshire Council.

**Alex Anderson:** Thirty-five.

**Chic Brodie:** Thirty-five. South Ayrshire Council subcontracts its services to you and you subcontract your services to the GO Group. Is that consistent with the contractual arrangements in other areas of Scotland?

**Alex Anderson:** The other area that comes to mind includes Angus Council, Dundee City Council and Perth and Kinross Council. I believe that those councils have one contract. There are only 12 lead local authorities in Lowland Scotland. North Ayrshire Council leads the contract for South Ayrshire Council and East Ayrshire Council purely on the basis that the boundaries that were transferred were the old regional boundaries of the enterprise trusts.

**Chic Brodie:** I have a great difficulty. You have an operational budget of £12 million a year—£62 million for the business gateway services—but total spending on economic development services across all local authorities in 2009-10 was £327.5 million. You have 35 people providing local development services. First, why do you find it necessary to subcontract? Secondly, is it not the case that, despite the meeting that you have had,

some local authorities are looking to bring all the services back in-house because of the current economic outlook?

**David Valentine:** On the last point, I think I said that some local authorities will want to bring the services in-house because they feel that—

**Chic Brodie:** What is the purpose of the board if you are looking for consensus across Scotland but some local authorities are bringing the services in-house? There is no point in having a board that is trying to achieve consensus, is there?

**David Valentine:** The position of the board will be no different. The authorities that will draw down the funding to operate business gateway services in-house rather than through contractors will have to perform to the same standards. The role of the board will be the same: it will be to manage the performance of the contracts and to deal with the changes in the contracts as we go along. The in-house services will be expected to do everything that a private contractor does; it is just that those authorities will have decided that it represents best value to bring those services in-house. However, a lot of authorities will not want to take that route for all sorts of reasons.

**Chic Brodie:** But we are advised that some might bring them in-house.

**David Valentine:** Yes.

**Chic Brodie:** You are trying to achieve a consensus. I thought that part of the reason for the devolution of the business gateway to local authorities was to recognise the diversity of the authorities and regions. We have a plethora of organisations under your board's auspices, with different opinions on how business should be addressed. Using your figure for gross value added of £7 for every £1 that is spent, with the expenditure of £340 million, there should be about £2.3 billion of performance out of the business gateways. You know that we are not getting that.

**The Convener:** I remind members that we are focusing on the contract renewal process—that is what we have asked witnesses to answer questions on. This is not a wide inquiry into economic development. Can we keep the questions as close as possible to the contract renewal process?

**Chic Brodie:** Thank you, convener—I will ensure that that is done.

The issue that I have is about the tendering process for the contracts and the achievement of consensus, which is difficult given the number of bodies that are involved. The Ekosgen report says that the business gateway is fit for purpose, but it has 29 recommendations. One of them, which is serious, is about the lack of governance. That is

not surprising, given the number of bodies that are involved. How will you achieve a consensus and a model contract across all the bodies when there is no governance authority?

**David Valentine:** We have addressed the governance issues through the arrangements that we have put in place. I ask Pamela Stevenson to talk about what Ekosgen said and the way in which the groups have addressed that. COSLA has addressed the governance arrangements through the national unit.

**Chic Brodie:** Help me with the tendering process. There are questions about who employs the board. To whom is the board accountable?

**David Valentine:** Ultimately, the board is accountable to COSLA and the 32 councils. Reports go from the board to the COSLA committee.

**Chic Brodie:** I have one more question on governance. The Ekosgen report was sent to the business gateway external stakeholders group. Is it fair to have such consultation when some members of that group are potential bidders or current contractors?

**David Valentine:** It was right to make the report publicly available. Inevitably, that means that present and potential contractors can see what is in it. We would have a difficulty with commercial sensitivities if we started to engage too deeply with, and show preferences to, existing or potential contractors in the context of the new arrangements. The deliberations on how we implement the changes that need to be made as a result of the Ekosgen report are not in themselves confidential and will not lead us into difficulty. It is how we deal with and manage the engagement with potential contractors that could lead us into difficulty.

**Chic Brodie:** You and I know that, if I am a contractor who is going to bid for the business and you have just produced a £60,000 report with 29 recommendations, I will address those recommendations in my submission. Is that the case?

**David Valentine:** I hope that any bidder who tenders for business gateway services will be fully acquainted with all the issues.

**Chic Brodie:** So all potential bidders for contracts, as soon as they make their intentions known, will have a copy of the report.

**David Valentine:** The report is in the public domain.

**The Convener:** I have a quick question for Pamela Stevenson. In her written evidence, she mentions six sub-groups. I am not looking for a response now, but is it possible to let the

committee know the make-up of those sub-groups? Some of their work is described, but there is no information on who is on them. Will you submit that information to us after the meeting?

**Pamela Stevenson:** Absolutely.

**Mike MacKenzie (Highlands and Islands) (SNP):** I will start by apologising to the panel. Even though I have been in business all my life, it is no doubt my fault that I have barely understood a word that you have said this morning.

I am getting a strong impression, mainly from the written submissions, that it is felt that business gateway has worked extremely well, everybody involved is due a pat on the back and a clap on the shoulder and there is no need to change the contract or the structures that are associated with it, other than by doing some fine tuning and introducing a bit more flexibility.

On the face of it, the outcomes look impressive. I understand the gross value added and the number of jobs that have been created, but what worries me is that I do not know what those figures are being compared with. Are they compared with the regime that existed prior to the formation of business gateway? Or are they perhaps compared with a situation in which nothing was done, which is to say with the number of jobs that would have been created by the businesses that have been assisted had there been no intervention? The exercise lacks authenticity, given that no valid comparisons are being made.

I am interested in regional variations in the figures. There is bound to be regional variation. We learn from successes and failures, but there seems to be no evidence of what has been learned over the past few years of operating the service, so how can the process be improved and how can the tendering process be aligned to improve that? I have heard nothing—or very little—about that.

I am also slightly suspicious about how the service user groups that have been consulted have been defined. It strikes me that it is a bit like asking lottery winners whether they like the lottery—they will all say yes.

My final concern is about the amount of competition that there is likely to be in the forthcoming tendering process. Will regional variation be included in that? One of the ways of ensuring that we get the best out of this system is by having a healthy amount of competition in that process.

You can think of all the concerns that I have expressed as questions, and I am sure that you will want to tell me that I am wrong to be concerned. I know that I have raised a lot of concerns, but I would be interested to know what

each member of the panel thinks about the areas that I have touched on.

**David Valentine:** There has been a lot of reference to the need for the business gateway to be fit for purpose. However, as I hope is evident in the submission that Pamela Stevenson and I sent to the committee, it will not be business as usual—we will be making significant changes. As I said, we would welcome the opportunity to share with you some of our intentions about how we can build in local flexibility and so on.

With regard to the consultation with service users, we were unaware whether the more than 17,000 users of the service whom we consulted had had a satisfactory or an unsatisfactory service. We conduct performance management on a monthly basis and we see high satisfaction levels. The process was an independent and open engagement with our customer base. We have to take the responses that we got as hard evidence, and 1,600 responses is pretty significant in any language. So as far as we are concerned, it is authentic. Perhaps Pamela Stevenson and Alex Anderson will comment on the other points.

10:30

**Pamela Stevenson:** I will respond in terms of service performance, which was probably fairly articulated in the evaluation. I have a couple of stats for the committee; I think that they are very encouraging. During the past several years since the business gateway has been delivered by local authorities, its reach and scale of activity is shown in the more than 29,000 volume start-ups, almost 3,000 of which were achieved through start-up growth activity and more than 5,000 of which were existing businesses. Our national website, which is delivered with our strategic partner, Scottish Enterprise, has had 28,000 inquiries and there have been at least 20,000 hits on the online diagnostic toolkit every month. Those figures probably quantify the fairly good acceptance of the service users around Scotland. That is all fairly quantified.

I understand what Mike MacKenzie is saying, but the devil is in the detail. At the end of the meeting, I will be quite happy to provide further evidence and information that has been extracted from the original evaluation.

**Mike MacKenzie:** You are missing the point. All that information sounds very impressive, and I am sure it is, but it can only be properly evaluated with regard to a datum. Any economic data have to be evaluated against a reference. It is a bit like saying, "It has rained a lot today," but how much has it rained compared with the seasonal average? The figures sound impressive, but they must be referenced to some external data that

show what would have happened if nothing was done. Would all those businesses just have closed their doors and folded? Might they have employed some more people anyway without the intervention?

To see how well the service is performing, you have to reference it against a datum. When drawing up the specification for a new contract and tendering it, we ought to have learned something more than, "Didn't we do well? Not much needs to change."

**David Valentine:** That is a difficult point that economic development practice wrestles with all the time. Our reference base is quite clear. We inherited contracts that already had targets, and we have improved upon them year on year. Customer satisfaction has improved every year and 86 per cent of business respondents are saying now that business gateway has made a difference by helping them to move their businesses forward. Those are the indicators that we have to go by.

A deeper evaluation is needed to address the sort of issue that Mike MacKenzie mentioned about what would have happened anyway. The evaluation that we had done did not go as deeply as that.

**Mike MacKenzie:** The other points that have not been addressed are about the variations between regions and even between local authorities. We learn best when we look at failures and successes. You have given data for the GVA and the number of jobs that have been created, and obviously there will be a spread. There will be some really good success stories in some areas and maybe some failures in others. I will not ask you to provide that information at the moment, but could you direct me to where I can find it?

**Pamela Stevenson:** I am happy to take on that question. I am happy to provide additional evidence on the economic evaluation framework for the evaluation that was provided to reflect the benchmarking, baselining, trend sets and the indicators of additionality, displacement and dead weight. That is all clearly articulated in the evaluation; perhaps it just needs to be drawn out a bit further for you.

The current unit variations and so on are a very important factor that we are addressing through the sub-groups of the performance monitoring group and the funding model group. We will certainly be putting in place a more robust process to ensure that the ranges are a bit more consistent across Scotland and at a more finite level.

**The Convener:** That would definitely be useful, particularly because the Ekosgen report showed quite a wide disparity in performance. The local authorities were not named; they were just called

local authority 1, local authority 2 and so on up to 19 on most of the graphs. Mr MacKenzie is right: you do learn from success and failure.

**Mike MacKenzie:** I will make one very brief final point. On the face of it, the results are very impressive. Could you argue that if you were to double the resources and the budget, you would double those results?

**David Valentine:** I certainly would not be the one to make that claim.

**The Convener:** It is budget day, after all.

**David Valentine:** Reference has been made to the variations around the country. We are certainly completely sold on the need to build in localism in the way in which we set targets as we move forward. There are huge socioeconomic differences. The threats and opportunities in rural areas are different from those in the cities. In fact, there are differences between rural areas. You cannot compare Kilmarnock to Forfar and so on, because they are dealing with different problems at different times as we move through the different cycles. We feel that in some parts of Scotland there is a need to put more funding in to create the right conditions for growth, but that is not necessarily about business gateway. As has been said, business gateway is a crucial part of the overall arrangements, but it is only one part. Mr Brodie mentioned the disparities. There are huge needs in some communities in Scotland that are best addressed by other resource allocations, where business gateway could play an even greater part.

**Stuart McMillan (West Scotland) (SNP):** We have heard that on average the core service provides about 90 per cent and the local flexibility about 10 per cent. There are also large variations in payments. We heard last week that, while in one area payment costs were about £1,000, in another area they were about £5,000. I accept that, given variations in local geography, different issues and problems will arise, so it may well be legitimate to have higher payment costs in some areas, particularly in more remote and rural areas. Given that the core service provides 90 per cent and the local flexibility is 10 per cent, what is the justification for such large differences in payment costs?

**David Valentine:** I would separate the issue of unit cost variation and the need to address local issues through flexibility, because I do not think that they are as co-related as has been suggested.

In my written submission—in item 3 "Clarification of issues", under issue 1 "Inconsistencies of payment costs and triggers"—I have tried to explain why there is a variation of unit costs. The reason is that Scottish Enterprise went

through a tendering process at the outset. In the nature of tenders, some of the people who tender are not-for-profit organisations and some are for-profit organisations; some already have service provision in different locations and some do not; and some have other capacities.

If you were putting out a tender for the building of a house or office block, you would look at whether the contractor could deliver on time, on quality and at the right price. If you were to break down the price of that construction, you would see that different prices were tendered for doors, windows or whatever. It is the same in this situation. The tenders were submitted as a build-up of unit costs, so they were bound to be different in different areas because different companies and contractors had differences in the way that I have just explained. I hope that that is clear.

The unit variation should not be used as a basis of comparison. What matters is that we set the right targets in the localities and that we add more flexibility as we go. I will ask Pamela Stevenson to say how we intend to address that, as it is the real issue.

**Pamela Stevenson:** Thanks, Dave. *[Laughter.]*

Mr McMillan, your comments include one of the fundamental issues that we have taken on board from the evaluation. The group looking at the performance monitoring and the funding model is at an advanced stage with local authority, SLAED and COSLA representatives. We have to look at ways to bring in the variance and range while still allowing the competitive tender approach to go ahead.

One way in which we are ensuring that we do that is by improving our performance monitoring. The current performance model is probably weak in what it was set up for. That was in a buoyant market three or four years ago, and we now need to step up and undertake more effective performance monitoring. As well as turnover and gross threshold, we have to look at gender equality activity, job creation, job safeguarding, sustainability and recovery of business activity. That is being worked on and developed at the moment, and the issues, particularly of variance in unit cost, will all be taken into account.

**Stuart McMillan:** I was struck by something in your submission. It was not alarming but it certainly stuck out. You stated:

"In some cases the organisation will have available funds or locally based resources (including offices) that will enable them to take a loss lead to capture a share of the market."

I can understand that situation in a wholly private sector—for example, supermarkets bring in products as a loss leader to encourage people to come in and spend even more money—but we are

talking about public money. Does that mean that the public is helping to subsidise private or other enterprises to deliver the service? Are we allowing public money to help loss-lead activities to take place?

**David Valentine:** That is a normal function of business in the context of tendering. Provided that the contractor has the ability with accredited advisers to meet the quality standards applicable and has the capacity to deliver the contract in every sense, it is fine if the price is low because it wants to take a commercial approach in the context of what you have said. It happens all the time with public contracts throughout the whole of the United Kingdom—it is a normal function of business tendering.

10:45

**Stuart McMillan:** I fully accept that that goes on, certainly within the private sector. However, given that this is public money for business development, which is so important, and much of it is being used to work towards helping smaller businesses improve, I thought that they would perhaps be above that. It is not a 100 per cent private sector venture and it is not totally private sector money.

**David Valentine:** We are interested in providing the customer with the best service at the right price and in working within the available resources. When Scottish Enterprise went down the route of competitive tendering in 2007, millions of pounds were saved from the operational budget. There is, of course, not only in this sphere but in every sphere, a reliance on the private sector to deliver for the public sector. As I said, provided that the private sector can meet the quality and target requirements, no philosophical discussion of that is needed.

**Stuart McMillan:** I will move on to another point, about the marketing budget, which I may have missed in the evidence this morning. The issue is that £300,000 has been allocated to the business gateway national unit and, last week, we heard that the COSLA marketing budget was £1.8 million. We heard this morning that the business gateway national unit reports to COSLA. My understanding of the situation is that there are two separate bodies and one reports to the other, but there are two different marketing budgets. I know that £300,000 is not a massive amount in the grand scheme of things.

**David Valentine:** I will clear that up. The £300,000 that is mentioned in my submission is for local marketing. There is a £1.8 million budget within the national unit in COSLA for all the national marketing and promotion, but within that £1.8 million is £300,000, which we have allocated

for draw down; it is not cash draw down but draw down in that the marketing is designed by the localities. I mentioned that in my submission because there was a lot of discussion of the matter at last week's committee meeting and the impression was given that there was no resource for local marketing when there is, in fact, quite a significant resource. I therefore wanted to clarify that.

On governance, there is a partnership agreement on the composition and function of the business gateway Scotland board between the members: ourselves, the Scottish Government, SLAED, Scottish Enterprise and HIE. However, since the ball is at the feet of local authorities, we needed a mechanism to ensure that there was joint reporting of progress and performance to local government. That has been facilitated through COSLA, so regular reports go to it. That is the way in which we deal with the collective organisational management and overall governance of business gateway. I hope that that is clear.

**Stuart McMillan:** Thanks. My final question is about the future contracts. Your submission states:

"it is recommended that the contracts run for a minimum of three years with an option to extend for a further two years thereafter."

Can you explain the criteria or rationales that define what an option to extend will entail?

**David Valentine:** I will pass that question on.

**Pamela Stevenson:** The evaluation that has come back over the last couple of years—I will not reflect the actual evaluation findings—suggests that the local authorities have come to see that we need some embedded continuity of service.

There has been quite a lack of continuity over the past few years because of the transfer of the network to local authorities, the undertaking of new contracts and the changes to contracts at the end of the current three years to allow for a roll-on of two further years. We want to ensure that we have contracts that allow for extended delivery of service, but which take account of current experiences in ensuring that local flexibility is provided for. We want continuity of service but still to be able to have the flexibility to avoid any constraints imposed by future economic conditions.

**Stuart McMillan:** I understand and accept that, but what specific criteria are you thinking about that will allow a contract to be extended or that will involve a service provider being told at the end of the three-year period, "Sorry, we are not going to extend your contract"? What specific criteria are you looking at for the granting of such an extension? What would negate that?

**Pamela Stevenson:** In terms of the existing contracts, some technical activity is going on under the service level agreements with each local authority. I would probably like to take guidance on that underlying technical legal activity, and I would be happy to come back to you with further information.

**Patrick Harvie (Glasgow) (Green):** In many ways, it makes a lot of sense for business support services to be delivered by local authorities. Members on most subject committees take evidence from local authorities about the services that they deliver around the country and I cannot think of another subject area in which a local authority service of a comparable scale that is delivered around the country is subject to so much complexity.

I come back to some of the points that other members have made about that complexity. Like Mike MacKenzie, I am wondering whether it is just me. I cannot for the life of me see why a local government service needs to be subject to so much complexity, which almost seems to be self-generating.

Is there a chance, either in the process of renewing the contracts or during the coming contract period, that a wee bit of simplicity will return to the service? Will we get to the point where, as with other local government services, it is more about the delivery than the process?

**David Valentine:** Earlier, I felt it necessary to explain some of the processes because there are 32 councils involved. Those processes have to be managed.

The group that Pamela Stevenson chairs—the business gateway operational network—meets monthly. That is not an overly bureaucratic process. It used to happen in the days when Scottish Enterprise was responsible for the gateway. In that sense, it is not unique. If you were to examine other local authority services, you would find that there are all sorts of networks for a plethora of things from external funding to rural development.

The present arrangement is how we exchange best practice and how we keep responsive to the need for localism in the way that we do things. I know that it may be perceived as complex, but it is part of my life in the sense that, in the work that we do for my authority, we cannot just be introverted—we need to network across Scotland, and we do that. This sphere is no different from a host of other spheres. It might sound more complex and complicated than it is, but it is actually quite straightforward.

Even now the make-up of the contracts is not overly complicated. We want to make some significant changes to address the issues that



have been raised around the table, which are to do with local flexibility and so on. Mechanisms must be put in place because we are contracting for the services in question, but the process will be pretty straightforward. I do not see—

**Patrick Harvie:** I merely compare my experience of this fairly limited inquiry with my experience of hearing on other committees about other local government services. What we are talking about is not on the scale of the education system. The service should be fairly small, straightforward and limited, although it is important. For its scale, the process seems remarkably complex. A great many people are whizzing around the country having a great many meetings. The focus seems to be on that rather than on delivery. During a new contract, to what extent will the process settle down and become simpler? If that will not happen, just say that.

**David Valentine:** We needed to review and improve on the existing contracts, so we put in place over the summer several work streams that involved short-life working groups. Our joint submission with Pamela Stevenson describes what those groups have dealt with. We had to address those issues. The short-life working groups will not go on for ever and a day. We are taking recommendations from those groups to the business gateway Scotland board.

As we move forward, it is important to focus on the customer and ensure that what we propose to deliver is right for the customer, as you say. I am satisfied that we can progress fairly straightforwardly.

**Pamela Stevenson:** I agree with David Valentine. I do not see complex activity going on; our approach to development is fairly simple. The operational group is similar to other operational groups across Scotland that deliver other local authority services. We used to deliver in the same way over the years when the business gateway contracts were situated in the Scottish enterprise network. Best practice, collaboration and joint partnership across different areas throughout Scotland are always required. We deliver no differently.

**David Valentine:** The people who come together in the working groups deal with not just business gateway but the other 90 per cent of what local authorities do to respond to local needs and opportunities. The process of integrating business gateway with other local authority services is the subject of conversation and design. Even after we have finished the current exercise, our normal arrangements for operating business gateway will concern not just business gateway. Business gateway is dealt with in the context of our wider engagement as local authorities. We facilitate much of that discussion through the

SLAED group and it is important that we continue to do that.

**Patrick Harvie:** The tension between integration and variation is still an issue, but perhaps we can raise that with the minister in the next evidence session.

**Alex Anderson:** On integration, we must be aware that the SLAED group deals with all business growth and not just with the gateway. The group shares best practice and is not part of the formal gateway structure. We facilitate meetings and contribute to discussions, but we are not seen as part of the gateway. The gateway board, which an operational network supports, reports to COSLA. Once the tendering phase is over, that will be the simplified route and the small sub-groups will disappear.

The SLAED group's role concerns integration of the business gateway into the service of the local authorities that are heavily into business development. Some local authorities do not participate particularly well in business development and see the gateway as their contribution to running a business development service. That is the case because local authorities can decide what to spend their money on. Some local authorities are very much into economic and business development, whereas others choose to spend their money on infrastructure and other economic development aspects.

The line management effect will simplify itself—we will have COSLA, a national board and an operational network. The operational network ensures that systems run okay and recommends any alterations that are required to a contract to the board, which can decide whether to change the contract.

**The Convener:** We must wrap up the session, because the minister is coming in one minute. I thank members for their questions and David Valentine, Pamela Stevenson and Alex Anderson for their evidence.

11:00

*Meeting suspended.*

11:05

*On resuming—*

**The Convener:** I welcome everyone back to hear the second panel in our business gateway inquiry, which marks the first appearance before this committee of Fergus Ewing in his current role as the Minister for Energy, Enterprise and Tourism. We are also joined, from the Scottish Government, by John Mason, director of business, and Mary McAllan, head of enterprise and tourism.

I thank the minister and his colleagues for attending and invite him to make opening remarks before questions.

**The Minister for Energy, Enterprise and Tourism (Fergus Ewing):** This is the first time I have appeared before this committee in succession to my good friend and former colleague, Jim Mather. I will not regale you with any mind maps over the coming five years but, as a former member of a mountain rescue team, I have used a map and compass in earnest. I hope that I know where I want to go and how we will get there.

There anent, the Scottish Government's focus is on sustainable economic growth; to achieve that, we must provide support for business through economic development agencies and our partners in local government and all other sectors. Our aim is to provide accessible advice for all businesses in Scotland, to encourage start-up activity and to help businesses that have the ambition and capacity to grow. We aim to do this by providing accessible information and tools to assist existing and new businesses with tailored support to those with real growth potential. We need to see this in the context of the wider work that we do to provide first-class business infrastructure and a skilled and able workforce. Local authorities have a key and essential role to play in supporting businesses at local level by promoting economic recovery and growth, not least through the business gateway.

Local authorities assumed responsibility for delivery of the gateway in Lowland Scotland more than three years ago and in the Highlands in 2009. Contracts are to be renewed next year. We are working to ensure that lessons have been learned and that the business gateway makes the best possible contribution from October next year.

Members have heard from David Valentine, the head of Angus Council economic development and environmental and consumer protection, who chairs the business gateway Scotland board. The board reflects local authorities' role in the business gateway. Having had the opportunity to question him, I hope that members can see that the Government and its enterprise bodies are working very closely with him and his colleagues.

I know that the convener and members are keen to ensure that businesses—the users of the service—have a say in the matter and that we listen to them. The consultants' brief for the Ekosgen evaluation was informed by input from the business community. I read the *Official Report* to see their evidence on that. It included information that was gleaned from a stakeholder session in November 2010, including feedback from a break-out session at the business in the Parliament conference in the same month. It was helped by an event that was attended by Mr

Swinney in February. I chaired a break-out session with businesses on the business gateway as part of the national economic forum in June. In addition, a survey of over 1,500 business gateway customers was undertaken.

The forthcoming contracting process is the first opportunity to re-examine the business gateway contract specification in detail. It is a chance to ensure that it is truly fit for purpose. As members have remarked, the economic environment is different now from when the last contract was let. Indeed, the Federation of Small Businesses said in its 2011 election manifesto:

"When the Business Gateway contracts are renewed ... they must be less target-driven and more focused on the actual needs of businesses."

Therefore, it is not surprising that some changes are proposed, or that there are different views about the merits of change. However, it is clear that the contracts must be revisited, but disruption to the service must be avoided. The committee's inquiry will help in that. I was grateful for the convener's letter, which highlighted some of the committee's concerns following the evidence that it heard last week.

There is much consensus between us and the business gateway board on the way forward: there is a need to ensure flexible services, to provide value for money, to respond to the needs that businesses have expressed, to ensure relevance to current economic circumstances, to provide appropriate support to aid start-ups and to grow sustainably now and in the future. My reply to the convener's letter responds in detail to those issues. I hope that, although you have received it only recently, it will be of some help to members and will allay some concerns. However, I know that we all appreciate the need to move swiftly, given the timetable for the retendering work.

We are all looking for a structure that is fit for purpose. In the business gateway, we have that structure, as most witnesses have said. However, we all need to work as team Scotland to ensure that its services deliver what is needed, by responding to areas that need to be changed and highlighting areas that need to be improved.

I am happy to answer questions.

**The Convener:** Thank you, minister.

You said in your written evidence that business gateway has performed well. What was your basis for saying that?

**Fergus Ewing:** The basis is the performance figures. For example, performance figures for 2010-11 show that business gateway helped 11,242 start-up businesses. That is the highest-ever figure and represents a 6.3 per cent increase on 2009-10. There are real demands for the

service. I understand that, each month, business gateway receives between 2,500 and 3,500 inquiries from existing and start-up businesses, and there are 30,000 visits to the website. That is one high-level measure of success.

I am particularly pleased about the reported success in start-ups, although we always want to do more and to achieve even greater success. The statistics show that the service providers working with local authorities have provided a good service. As a witness from Glasgow City Council mentioned last week, a business-friendly approach is now the norm, whereas perhaps that was not previously always the case. Therefore, the basic structure is good and the performance figures that are available to us tend to corroborate that.

**The Convener:** What is your analysis of the graphs in the Ekosgen report?

**Fergus Ewing:** I would have to see the specific graphs to be able to answer that question. Could you perhaps give me the substance? I do not have them before me, but I am happy to answer on the general points that they display.

**The Convener:** There is a range of 10 or 11 graphs that show how many start-ups have happened, how many have reached VAT turnover, how many have reached pipeline, how many have reached the sub-growth pipeline and how many events there were. The targets that were set for events and start-ups appear broadly to have been achieved. On the other measures, particularly passing businesses over to Scottish Enterprise and the growth pipeline, some local authorities have achieved targets but a lot of them—the majority, I would say—are under the targets. In some cases, they are well under the targets.

We come to the question that I asked Ekosgen last week: given that so many local authorities were under the targets in the graphs, what is the basis for saying that the business gateway has performed well?

11:15

**Fergus Ewing:** I understand that Ekosgen's remit was to analyse the overall national response, and it has fulfilled that remit. The figures to which I alluded earlier demonstrate that the targets were, overall, exceeded in many respects. I have the overall performance figures here in chart form rather than graph form, which explains why I asked for clarification. The annual target for the volume of start-ups in 2010-11 was about 10,500. In the year to date, there have been 11,242 start-ups, so that target has been achieved.

You are correct in saying that not every part of Scotland has reached that target. Like you, we aim

to improve performance everywhere. I am aware that some witnesses have used the word "patchy" to describe performance—we acknowledge that. Our job now is to analyse the data as best we can and, working with the business gateway Scotland board and other stakeholders on the stakeholders group, to use the tendering process, as far as possible, as a means to lift the standard higher. Overall, the performance figures are encouraging but, as you rightly say, there is room for improvement in some parts of the country.

**The Convener:** How hands-on have you been in relation to the contracts renewal process thus far?

**Fergus Ewing:** The fundamental decision for us to make is whether we will continue to work in partnership with the local authorities that are responsible for delivery of the business gateway. I feel that the correct decision is to continue with that partnership.

I have read the evidence that you took last week from a variety of witnesses, including Colin Borland from the Federation of Small Businesses, Mr Lightbody from the business gateway, and other witnesses, and I have come to the conclusion that the service is basically the right one. Colin Borland went so far as to say that, in February 2010, when FSB members were asked whether they were aware of the business gateway, 93 per cent of them said yes. We have a successful brand that small businesses know about—almost all FSB members know about the business gateway—therefore, we need to improve the existing service rather than change it. That means that we must value the work that local authorities do in economic development—they do more than the business gateway and should get credit for that. In many areas, they make a far bigger contribution to economic development than the business gateway. However, it is primarily their responsibility—not mine—to take forward the business gateway function.

The first meetings that I had included Colin Borland, and I discussed these matters with him. That was followed up by discussions on the business gateway with all the other business representative bodies. Since then, I have had discussions with Mary McAllan, the details person who is in charge of the process. We have spent a lot of time focusing on the matter, as has John Swinney. We believe that the structure is right but that we need to improve the service, although we recognise that it is already doing a pretty good job.

In the national economic forum, I was happy to engage with a number of businesses directly, using a break-out session to discuss the business gateway in particular, because the timescale is fairly pressing. Although I am not likely to be personally responsible for overseeing the

tendering process—that will be for the business gateway board and local authorities to deal with—I will work closely with them and I look forward to having further meetings with the Scottish local authorities' economic development team and others who are directly involved, as time goes on.

Finally—in July, I think—I was involved in 77 ministerial visits or meetings with businesses, many of which involved small businesses. Therefore, I have what I think is a reasonable feeling that, in general, small businesses think that they are pretty well served by the economic development agencies that work together in what are—as everybody knows—tough financial times.

**The Convener:** I have a final question before I open up questions to members. Do you think that businesses, business organisations and service users have had a big enough say thus far in the process?

**Fergus Ewing:** I have already outlined the forms of engagement that have involved John Swinney and Jim Mather, so I will not repeat them. According to Mr Lightbody—this is reported in column 194 of the *Official Report* of last week's committee meeting—there were 1,605 responses from business customers to the consultation that was carried out. I think that it was stated that around 17,000 business gateway users were contacted. It is therefore plain that there has been a considerable direct response by businesses to Ekosgen. I also noticed what was said about the mechanics—how the process was done—in last week's evidence session. Richard Whitcomb talked about

“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.”—[*Official Report, Economy, Energy and Tourism Committee*, 14 September 2011; c 205.]

Like Mr Borland, I am not fond of the word “stakeholder”, but I cannot think of a better one.

There has been a huge amount of activity, but we always need to do more. I am therefore planning another event that will be similar to the one that Mr Swinney undertook in November 2010. It is important that we all continue to meet directly small businesses in general and engage with them on their wider needs. I am sure that we all do that. I did so most recently at a sunrise breakfast at quarter to 7 last Friday—in fact, it was a pre-sunrise breakfast, as the sun did not make an appearance. Around 40 small businesses were represented. When one meets small business representatives at such events in which there is no set agenda, one really hears what is on their minds. Probably, all of us do such things.

We need to continue to engage with businesses. I have looked into the evidence, and it

seems to me that there has been concerted, organised and appropriate engagement with them, but we want to do more, and we will do.

**Chic Brodie:** Good morning, minister. As you pointed out, local economic development, on which we spent £327.5 million last year through local authorities, was transferred in recognition of its role in the diversity of local economies. David Valentine has been clear and concise about trying to achieve consensus in the retendering process across Scotland. It is clear that some local authorities are talking about bringing business gateway services in-house, so consensus is unlikely to be achieved, although I know that David Valentine said that the business gateway board would still have a role to play.

I refer to the Ekosgen report. I have two concerns. First, there are the issues of governance and compliance. David Valentine said that governance and compliance are being addressed or have been addressed, but we do not know how. Doing that is difficult, given the plethora of organisations that are involved in the business gateway board.

Secondly, there have been 11,242 start-ups, but the problem is that the survival rate has been around 75 per cent after 36 months. Making people feel warm and fuzzy through a national telephone service would be helpful, but much more direct investment and involvement are needed to secure businesses' survival. Will the minister comment on governance and compliance, and on the need for more meaningful aftercare services for small businesses?

**Fergus Ewing:** Certainly, as the arrangements for the contract processes that are to be applied from October 2012 are being put in place, this is a good time to see how they can be revisited. I know that those matters were raised last week: Angus MacDonald asked whether it would be simpler to extend the contracts rather than to retender them, but the legal advice is that that would not be the case. I mention that because Mr MacDonald hit on a valuable point, which is that matters of governance are important, but we do not want to distract those in local authorities who are doing the job of supporting business, and to make them focus all their time on the tender process. We have to get the tender process right, but it is probably more for the Government, local authority leadership and the gateway board to deal with the important governance matters.

I agree that the new contracts need to include arrangements for business survival and aftercare; that was one of the 29 recommendations that were made in the Ekosgen report. The importance of light-touch aftercare is clear, as businesses need to continue to receive appropriate support and

advice. That is particularly important as we move towards increasing general recovery.

The business gateway is extremely important and is a primary tool, but there are other ways in which businesses get help and advice; from lawyers, accountants, bodies such as the Institute of Directors—which explained its mentoring system to me—from chambers of commerce, the Scottish Council for Development and Industry, the FSB and others. That bigger picture is important. There is a team Scotland approach, which is one of the important things about where we are in Scotland with regard to the business world.

Aftercare and survival are important and, in so far as Government can help and influence those matters, which is not always possible, we are keen to ensure that the business gateway reflects that particular need.

It is estimated that the gross value of the return from the £42 million that has been spent directly on the business gateway is £301 million, and that 7,500 jobs will have been created over six years as a result. Perhaps I should have given that information to the convener earlier but, as I have just found it in my notes, I thought that I would throw it in now.

**Chic Brodie:** In addition to the business gateway, we have another sector within team Scotland, which is social enterprise. What is your view of how that sector would sit alongside the business gateway in the retendering process?

**Fergus Ewing:** I saw the evidence that was given by the social enterprise sector last week. I noticed that many members, including Mr Harvie, rightly raised those issues. As was noted at the time, there is a slight difference in the statutory framework with regard to this matter, as Highlands and Islands Enterprise is responsible for measuring the social impact of matters whereas Scottish Enterprise is not. I represent a Highland constituency and, like Rhoda Grant, who represents the region, I have seen that in action with regard to engagement with communities in relation to the right to buy and communities extending facilities.

The area is important, and we are committed to developing a thriving third sector. On 18 July 2011, we launched the £3 million just enterprise programme alongside the £4 million enterprise growth fund, which are designed to provide practical support and investment to help enterprising and ambitious third sector organisations to grow and develop. We want to use this process and the committee's report as a means to achieve the optimal result for social enterprise.

**Angus MacDonald (Falkirk East) (SNP):** I have two specific questions—one on the business gateway and one on energy.

In your preamble you touched on the need for minimum disruption to the business gateway service during the retendering process. We have a paper from the Forth valley consortium, which I am sure you have not yet received. The consortium stresses its preference for a negotiated agreement rather than a retendering process. This may be a bit of a naive question, but are we too far down the line with the timescale even to consider negotiating agreements rather than going through the retendering process?

Do you want my energy question now?

**The Convener:** We will have a separate session on wider priorities, which means that the minister is spared energy at this point.

11:30

**Fergus Ewing:** Thank you, convener. Angus MacDonald is right—I have not seen the paper, so I invite Mary McAllan to respond, as she has seen it.

**Mary McAllan (Scottish Government):** Just to confirm, are you asking about the length of the contract process and whether it is optimal?

**Angus MacDonald:** Yes, and I am asking about whether the existing contracts can just be renegotiated if they are working well rather than going through the whole retendering process. Speaking purely from a parochial point of view, I say that that has been the view of Falkirk Council officers for some time.

**Mary McAllan:** Okay. I should remind the committee that the tendering arrangements are a local government concern and that the legalities around the tender are primarily for councils. However, I understand that councils have taken legal advice on the issue and have been told that there are quite significant risks in not going ahead with a retendering process.

That said, the whole process has been designed to be as effective as possible and to create the least disruption in the services that are being delivered to business. The process the last time—when, to be fair, there was more to it—took about 15 months. This time every effort is being made to curtail the time and to go for something that is shorter—I think that we are aiming for around four months. The last time, there was not a lot of dislocation in the service and—given what I know about what is happening this time—I see no reason to suppose that it will be any different.

**Angus MacDonald:** The paper, which I have no doubt the minister will get sight of in the near future, states that

“a negotiated service, with negotiated targets, costs, payments and outcomes may be more productive than a rigid open competitive tendering system.”

I am aware that we are where we are, but I wanted to flag up the point that had been raised.

**Mary McAllan:** Perhaps I could help a bit with that. One of the things that I hope came across in the evidence to the committee from Mr Valentine and his colleagues earlier is that huge effort is being made to try to ensure that across the country there is a consistent core to the contracts and that contracts are tailored to take account of local opportunities and needs. In a sense, that could be seen as additional complexity. On the other hand, what business is telling us and what the FSB was saying last week is that that flexibility—that ability to respond to local requirements—is very important, while having a consistent offer across the country.

**Anne McTaggart (Glasgow) (Lab):** Following on from Chic Brodie’s question, I want to ask about social enterprises. Would the Scottish Government consider the formation of a national support structure for social and community enterprises? I may well have misread Chic’s question but I do not think that it has been answered.

**Fergus Ewing:** I think I recall that the convener, after listening to evidence from a witness last week from the Scottish Social Enterprise Coalition, asked whether the witness wished to be invited to be part of the stakeholder group, and that the answer was yes. I certainly think that that body should play a part in the stakeholders group.

On reading that evidence earlier this morning, I inquired about the status of the issue and was advised that COSLA has already put in train steps to bring on to the stakeholders group a representative from the social enterprise sector. That information has come by word of mouth—I assume that it is correct, as the advice that I get from officials always is. That is an encouraging move and one that I hope we can all support. It is designed to ensure that the points that Anne McTaggart, Patrick Harvie and Chic Brodie raised about the importance of the issue are reflected in the work going forward.

**Mike MacKenzie:** Good morning, minister. A wise part of the thinking behind the inception of the business gateway and the idea that local authorities would carry out the work was that it would encourage a more business-friendly environment in local authorities and a greater focus on economic development. However, we have heard evidence this morning and last week

that the results of that are fairly patchy and variable. Some local authorities have become much more business and economic-development focused, but others have not. Are there ways in which local authorities can be encouraged to improve their focus on business friendliness and economic development?

**Fergus Ewing:** As Mary McAllan pointed out, the point of providing an element of flexibility is to allow local authorities—really, we are talking about individuals who work in local authorities, which includes councillors and officials—to use their local knowledge to help local business. If that is to work, there must be flexibility and there cannot be a nationally imposed set of structures, fees or payments.

How do we encourage all who are involved to rise to the level of the best? Progress is being made on that. At last week’s meeting, there seemed to be a slight conflict about what engagement has taken place between small business and local authorities. As I read the evidence, there was a potential conflict between Mr Lightbody’s evidence and Mr Borland’s evidence on the extent to which the FSB membership has been involved. That might be a useful area for further inquiry. The attitude of most local authority people whom I encounter in my constituency work and in other work is that they want to engage as effectively as possible with business.

Businesses are busy with their business, so there is a limit to the extent to which they can engage—as we put it, although they would not necessarily use that word—in surveys, consultations and meetings. Maybe that is why they have pre-sunrise meetings.

**Mike MacKenzie:** I perhaps did not phrase the question well. I was asking about the promotion of a more business and economic-development friendly culture in councils. That has happened to an extent, but perhaps not as well as it might have done.

**Fergus Ewing:** So the question is about how we improve that.

**Mike MacKenzie:** Yes.

**Fergus Ewing:** That is almost a business-management question about how we improve the general performance of the people who are involved. We improve it by recognising the good work that is done and by further increasing the effectiveness of the marketing arrangements, which have been described. A fairly sizeable proportion of the total—£16 million—goes on marketing, and it plainly is important. We have a role in improving the information that is available to business so that there is a one-stop shop. That is challenging, but we are working on it.

There is a cultural question here about valuing the work that people do in the public service. We all have a role in going out and about to find out what people do, and then in acknowledging that they do a good job and thanking them for it. That is very manifest when I speak to business people, who say, for example, "See that Mary that works in HIE—brilliant." That is the sort of thing that I have heard in rather a lot of visits to businesses over the past two or three months. I have routinely heard praise for the work that people do in the economic development agencies and local government and for the support that they give. That is also very manifest in individual examples that I asked to be provided with. For example, the company that makes Valt vodka, the world's only single-malt Scottish vodka, is raising a glass having won a contract in Ukraine. Oliver Storrie, the distillery operations manager, said:

"It's a real breakthrough to get Vodka into Ukraine".

I think that we can all endorse that. He also said about business gateway:

"We were delighted when they ... told us they could offer us support ... If it wasn't for Business Gateway we would have struggled to go over to the Ukraine and clinch the contract."

Well, you can imagine that. What is next? Are we going to sell coals to Newcastle?

Another example is Waterfront Engineering, a Glasgow company that won a contract to supply water-flow control products with the help of the business gateway office and which now has branches operating in Hong Kong and Malaysia. I could give you other examples, but I should probably leave time for more questions. The point is that people are doing a great job throughout Scotland. To get a positive attitude and the best response from everybody, we need to recognise and value the work that our public servants do.

**Patrick Harvie:** Comments were made earlier about the social enterprise sector and the social and environmental benefit as well as the economic benefit that the sector can provide. As well as the idea of a bespoke service that is designed to meet the specific needs of social enterprises, I am concerned to ensure that the mainstream business support services, including gateway, are trying to get the maximum benefit for Scotland through having not just economic but social and environmental objectives.

In many ways it comes down to whether the business support service is geared towards the Government's own central economic objective, which is described as sustainable economic growth. I have had a long-running dialogue with John Swinney about what that term means and whether it is internally contradictory. However, if it does mean something substantial other than just

any old economic growth—if it means what the Government says it means, which is economic growth that best meets not just gross domestic product objectives but all the other targets on cohesion, sustainability, solidarity and so on—it seems to me that the targets to which the business gateway service is aligned need to be much broader. In the annex to your letter to the convener, Mr Ewing, you say that

"turnover is not the sole measure of growth".

That is true—and nor, I would argue, is it the sole measure of benefit to society. A growing turnover certainly benefits businesses, but the benefit to society comes from the way in which that turnover is generated. All forms of economic activity generate benefits as well as harms, but we should try to maximise the benefits and minimise the harms.

I was a bit disappointed to note that later in your letter to the convener you do not seem to be open to having a wider range of targets that would deliver on solidarity, cohesion, environmental sustainability and so on. Should we not as a matter of course ask not just social enterprises but all enterprises questions such as, "Is a living wage policy relevant to your business model?" Not every business will employ people below the living wage, but more could meet that kind of commitment than currently do. More could have a maximum wage ratio than currently do. More could have commitments on energy use and climate change than currently do. Should not such aspects be integral to the business support services that are provided through the business gateway?

11:45

**Fergus Ewing:** Having read the *Official Report* back in February, I was aware of a running dialogue between Mr Harvie and Mr Swinney about sustainable economic growth. I think that I understand the general issues that Mr Harvie raises. On the specific application of those arguments and the issues relating to business gateway, our officials have met COSLA to discuss the upcoming tendering exercise for the gateway contract and the need to ensure that the support provided to social enterprises is included and fully understood by business gateway managers across Scotland. I understand that the board is considering placing an explicit requirement in future contracts to ensure that business gateway advice is available to complement the more tailored input available to social enterprises via the just enterprise programme—I mentioned that earlier, in response to Mr Brodie's question, I think.

To answer Mr Harvie's specific question—I think he asked some general ones, too—the board,

which has the responsibility under the tendering arrangements, is looking at this issue specifically. I am sure that in deciding how to proceed it would be guided by any conclusions that the committee may reach on these matters.

**Patrick Harvie:** What about the wider question about the business gateway itself and how we provide business support services for all businesses—

**Fergus Ewing:** I will come to that in a minute, but I will first ask Mary McAllan whether she wants to add anything else in response to the first part of your question.

**Mary McAllan:** Running right through the process of looking at the retendering exercise has been a recognition that turnover is important. There is a growth pipeline involving HIE and SE, with which the business gateway is interfacing. Turnover tends to be a consistent way of measuring that. However, it is fair to say that it has been recognised by those who are working on the tender that that is not sufficient of itself. Mr Ewing's letter mentions a whole range of other ways in which it is possible to focus services.

We and the board recognise—I hope that Dave Valentine made this clear—that the business gateway is very important because it can reach out to the whole business base in Scotland. People see it as being about start-ups, but it is actually about helping businesses that are already there and helping growth businesses, too. Some of the work that is being done is about trying to make it even more useful to businesses that are not on a growth trajectory of the sort that was considered appropriate last time around, perhaps because of economic circumstances or perhaps because they are in a certain part of the region where growth is not necessarily always as apparent. The difference between the Highlands and the Lowlands was recognised from the outset.

To be fair to COSLA and the people who are on the business gateway board, there is a real recognition that more needs to be done to make the contracts appropriate going forward. Of course, that means that we need to do quite a lot of work to make sure that we can manage performance alongside that, because there is no point in having more sophisticated ways of doing things without being able to demonstrate that they are delivering the impacts that we are looking for.

**Patrick Harvie:** I am still interested in hearing the minister's view on whether there is a legitimate, and I would say important, role for wider targets, such as on wage ratios, the living wage and environmental performance—some of the social and environmental aspects that are, according to Government strategy and policy, a

fundamental aspect of the meaning of sustainable economic growth.

**Fergus Ewing:** All those matters are extremely important. They are important to Mr Harvie and to people such as Mr Borland, who referred to them at some length in his evidence last week. I share many of the views that he expressed at columns 170 and 171 of the *Official Report* of last week's meeting. The world has moved on since 2007. Mr Borland pointed out last week that the Ekosgen evaluation said that the targets

“were set at a time when the economy was buoyant.”—  
[*Official Report, Economy, Energy and Tourism Committee*,  
14 September 2011; c 171.]

We recognise that creating more jobs is usually, although not always, a proxy for growth. We obviously want to encourage higher wages, because that is in keeping with our policy across the board. We have clear policies on all these matters, which I hope are reasonably in line with Mr Harvie's aspirations, although perhaps those are not always met in every area.

The relevance of the growth figures was simply that they set an ascertainable criterion for a process that applied in order to delimit the target for the sub-growth pipeline. In other words, the use of turnover had a limited, focused and specific purpose in the business gateway tendering process. The merit of turnover as a proxy for growth is that it is straightforward to measure. Some of the other things are very good, but they are not so easy to measure. Indeed, it would be difficult to measure the extent to which a business pays its staff appropriately and to use that as a proxy to determine which businesses should be entitled to move up a gear to the sub-growth pipeline and then to the account-managed system.

There are clear merits in using turnover as a proxy for growth. Businesses that are growing will almost always have an increased turnover, which is a good thing. My impression is that businesses that are growing also tend to have enlightened policies regarding the treatment of employees and the level of wages. They tend to have enlightened policies regarding the environment—although not always—and invest in environmental heating, for example.

We are looking at all these things. Turnover growth is the most straightforward criterion to apply but, as Mr Harvie rightly says, it is not the sole measure. Creating growth, creating and sustaining jobs, increasing productivity and efficiency and increasing exports all feature in assessing the case for support, in tracking progress and in evaluating impact.

**Patrick Harvie:** Can I ask one further question?

**The Convener:** If it is very brief. Other members want to come in.



**Patrick Harvie:** It is very brief. I welcome much of what the minister says. Some businesses are good at those things and others are less good at them—everybody would recognise that. However, given the fact that things such as the number of sustained jobs, rather than just the number of jobs, and innovation are being considered, can the minister give us a clear indication of whether he expects the new contract to include a wider range of social and environmental criteria as well? Those things are every bit as easy to measure as innovation.

**Fergus Ewing:** I have already made it clear that, although such matters are primarily the responsibility of local authorities, they are being considered sympathetically, and I am sure that that will continue to be the case. I have identified specifically how they are explicitly being looked at. Colin Borland made the good, practical point that many small businesses would like to create more jobs, and the business gateway service is open to them for advice. The thresholds of turnover do not apply to that initial access—any business can contact the business gateway and get initial support and advice, as is right and proper. The thresholds apply for the next level up of that support and advice, and they determine the extent of the support and advice that is available from the business gateway, which is the primary but not the sole source or conduit of advice, as I mentioned earlier. All of us would share the sentiments that Mr Borland expressed. When small businesses in Scotland want to create jobs, it behoves us to ensure that they get every possible support in terms of business information and advice about how they can be best helped to achieve that.

**John Wilson:** Good morning, minister. I have a couple of brief questions. You quoted from last week's evidence session, at which the Federation of Small Businesses indicated that it would like to see greater flexibility in how the business gateway operates at a local level. This morning, we heard from David Valentine that the local business gateways have 10 per cent flexibility. Do you agree that there should be greater flexibility in the operation of the business gateway at a local level to reflect local circumstances?

**Fergus Ewing:** I did not have the opportunity to hear the evidence that was given this morning but, nevertheless, I think that an element of flexibility is desirable. I am sure that the board will be aware of the evidence that in these economic times we need as much flexibility as can be accommodated, given the financial figures and the costs of advice. As a result, we support local government's view on the overall need to maintain flexibility in tackling local and economic variations between places such as Glasgow and Aberdeen—I think that that has come out in the evidence in various ways. Indeed, one of the key reasons why John Swinney

thought it correct to transfer local economic development to local authorities was to recognise the key roles that they are able to play for the reasons that I mentioned earlier.

As I said, I did not hear the earlier evidence. I am not quite sure about the 10 per cent figure, but the principle is right. We want a reasonable degree of flexibility in tendering requirements, and we can discuss the matter further in our meetings with local authorities, economic development representatives and others.

**John Wilson:** You have said a number of times that COSLA will be responsible for the business gateway contract process, but would the Scottish Government be prepared to get involved if it felt that the process was not fit for purpose?

**Fergus Ewing:** I do not know whether anyone has ever advised me as a minister not to answer hypothetical questions; if they had, I would have considered it very good advice.

We have confidence in the process in that respect, especially given that those working on the business gateway now have four years' experience, having navigated the initial teething troubles and difficulties—with, I should add, a lot of joint working between Scottish Enterprise and local authorities. I believe that it emerged in evidence that Scottish Enterprise seconded three staff to ensure a smooth transition. Much has been learned; your predecessor committee's report had a number of benefits; and this short inquiry will provide further steers.

I am confident that the tendering process will be positive. We will, of course, continue to work with local authorities and the representative bodies in the way that I have described and will take a close interest in the process but, ultimately, we feel that it is their responsibility. As always, we will pursue a team Scotland approach.

**The Convener:** Chic Brodie indicated that he had a supplementary.

**Chic Brodie:** I was just going to make the point that turnover is the consequence of product value, which is itself a product of sales cycles and sales costs. It should not be the only measure that we employ.

**The Convener:** If there are no other questions, I end this evidence session with the minister and suspend the meeting for a couple of minutes.

11:58

*Meeting suspended.*

12:03

*On resuming—*

## Ministerial Priorities

**The Convener:** Item 3 concerns ministerial priorities. I welcome back the minister and John Mason, and I welcome David Wilson. I remind members that we have only a very tight 30 minutes as the minister has to leave by 12.30. I invite the minister to make a brief statement before we move straight to questions.

**Fergus Ewing:** I will just busk it, if I may. Plainly, sustainable growth is our main priority, as we have described. We are focused on growth markets, growth companies and growth sectors. As minister, I go round the country meeting businesses and people who are achieving great things for Scotland. In that respect, I like to think of myself as a sort of Mr Positive, counteracting some of the daily contents of our newspapers.

There are terrific success stories in Scotland with regard to renewable energy, which we will discuss in our debate on the low-carbon economy this afternoon; the oil and gas sector, whose conference I attended a few weeks ago in Aberdeen; engineering; chemical sciences; the financial sector; life sciences; and businesses small, medium and large. Behind all that is the drive, commitment and determination of men and women throughout Scotland to make Scotland a more successful and vibrant place, and also a shared sense of the importance of helping young people to get the opportunities that we all want them to have. That is something that a great many people in business mention to me with passion and commitment.

Broadly, those are the commitments that I have. In the tourism sector in particular, great things are being achieved in Scotland. Years of hope and opportunity lie ahead, not least because of the new year of homecoming in 2014, the Commonwealth games, Creative Scotland and the business tourism success—I learned this morning that Glasgow will host yet another medical conference, catering to people from all over the world, which is a marvellous success that has been achieved by John Sharkey and Scott Taylor of the Glasgow City Marketing Bureau. I am pleased and proud to have some chance to take part in that success as the Minister for Enterprise, Energy and Tourism.

**The Convener:** I will ask a brief opening question. What I read about you most over the summer concerned regulation, and your desire to cut red tape. Where are you with that at the moment, and how do you see that progressing over the next 12 months?

**Fergus Ewing:** We take a principled approach to regulation that fits the warp and weft of the Scottish approach to this problem, if I may say so. We are not against rules and regulations. After all, it was rules and regulations that made it illegal to send children up chimneys and which led to people such as Jimmy Reid, whom we commemorated last week, campaigning against the appalling consequences of asbestos-related disease. No one can argue that regulations are wrong. What is wrong is regulations that serve no clear purpose, that are applied overzealously, that have a disproportionate effect on the economy, that are not necessary to ensure health and safety and that are impeding the growth of business. For example, when I was the Minister for Community Safety, we dealt with fire regulations for bed-and-breakfast establishments that would have imposed costs of up to £20,000 on each business. They seemed to me to be disproportionate and not necessary. The Scottish approach to that did not involve a ministerial edict; it involved bringing together in a working group people from the fire service, the bed-and-breakfast sector and the Government to work out a better solution. It took us 18 months, but we did that.

We do not believe in an arbitrary approach, such as the one in, one out approach that is being pursued down south—with what success I wait with bated breath to hear. Instead, we pursue a rational approach that involves identifying which regulations are disproportionate and trying to encourage regulatory bodies and others to adopt an approach that is willing to listen properly to the concerns of business.

That is our approach, which is different from the one that is being taken down south. I am proud that that is the approach. It is a more difficult one, because it involves discussion, debate, dialogue and working together to find the correct solution, but, with the help of Professor Russel Griggs and many others, we are hopeful that we can identify specific areas where regulation is proving to be disproportionate and unreasonably thwarting sustainable economic growth.

**Stuart McMillan:** I have a couple of questions on tourism and one on energy—enterprise is a running theme that links the questions.

You mentioned homecoming 2014. What sort of dialogue will be available for voluntary and business groups that deal with tourism in their local areas, so that we can ensure that they have the buy-in to the process that will ensure that homecoming 2014 is a success?

**Fergus Ewing:** Stuart McMillan is right to say that we need to work hard with all partners to avail ourselves of all the opportunities that lie ahead in what we call the winning years, which feature the Ryder cup in 2014, the Commonwealth games

and homecoming. We are also looking to other opportunities to put Scotland firmly on the world stage by, for example, harnessing the power of movies such as Disney Pixar's "Brave", which will be out next year, and which my three-year-old daughter will no doubt ensure that I watch frequently.

There are great opportunities ahead and Stuart McMillan is right to say that we must work successfully with voluntary organisations. Under the leadership of Malcolm Roughead and Mike Cantlay, VisitScotland is seen as a can-do organisation. We have had a number of meetings around Scotland in the short time I have been minister, in places such as Glentworth, Peebles, Fife and the Highlands. I have opened visitor centres and seen the joint work that VisitScotland is doing with local authorities to share overheads. I have discussed the opportunities for Scotland with many volunteers at many events and we are keen to ensure that work with the voluntary sector can continue. In the year of homecoming, 2014, we will ensure that a wide range of events involving the voluntary sector take place. We are happy to work with all MSPs to make suggestions on what we can usefully do, because we are all part of team Scotland.

**Stuart McMillan:** I have a second point about tourism that also affects the sailing and boating sector in Scotland. Patrick Harvie might not be happy with what I say, but approximately 30 per cent of people who berth in Scotland come from down south and fly up to take part in activities.

**Patrick Harvie:** Have they not heard of the train?

**Stuart McMillan:** I am sure some may take the train. The sailing and boating sector in Scotland has been fairly resilient even though economic conditions are extremely tough. In parts of the sector, demand has increased each year for the past three or four years. I am keen to stress that point in respect of future development. At a recent meeting of the cross-party group on recreational boating and marine tourism, the point was made that a reduction in the number of flights in and out of Scotland will have an adverse effect not just on the sailing and boating sector but on the number of golfers coming to Scotland—the home of golf—ahead of the Ryder cup in 2014.

**Fergus Ewing:** I did not know that Mr McMillan is keen on aquatic and nautical pursuits, but he makes a good point that this is one of a range of areas in which people are pursuing their sport or interest. It leads to the development of marinas, for example, off the west coast in particular. I am aware of many such developments, which provide people with an opportunity to take part in sport, as well as creating jobs and economic development. I am keen to work with Stuart McMillan to take

advantage of any opportunities to further enhance sailing and yachting activities—I say that as a bit of a land-lubber.

The other part of Stuart McMillan's question relates to golf, which is one of the key reasons why many people come to Scotland. I was very impressed when I visited Fife and engaged with Fife Council and enterprise people about how they market Fife as the home to 41 golf courses—that figure might be slightly wrong. They market Fife quite aggressively, and rightly so, as a marvellous place to play golf.

I see particular opportunities in improving business tourism, which is worth so much to Scotland these days, especially—but not solely—in Glasgow and Edinburgh. In a recent venture, VisitScotland supported activity in Perth and, throughout the country, there are opportunities for businesses to run conferences, exhibitions, seminars and other events. It strikes me that if, as happens in Glasgow, large numbers of people come to a conference from all over the world, it is sensible for us to ensure that they are encouraged to have a pre or post-conference break in a different part of Scotland. It is also sensible for us to work together, largely with the commercial organisations running the conferences, to ensure that, when they e-mail the delegates to say, "Here's the information about your conference on 21 September," probably back in June or earlier, those delegates get the opportunity to consider a holiday in Fife, the Orkneys, Nairn, Peebles or elsewhere. There are commercial opportunities there that could significantly enhance an area of tourism in which Scotland is doing extremely well and Glasgow is doing stupendously well.

12:15

**Stuart McMillan:** My question on energy is about the Beaulieu to Denny project, which was very much an issue in the previous parliamentary session. When will you make a decision on the final consents for the transmission line?

**Fergus Ewing:** I should preface my remarks by saying that the matter is subject to consultation and therefore I cannot make any substantive comment. The period of consultation with the local authority in relation to the visual impact mitigation study was to be 30 days. I extended that period to 45 days to allow those being consulted full opportunity to consider the issues. After that 45-day period is over, it would be correct to seek permission from the Parliamentary Bureau for a statement to be made to Parliament about the decision, which is one for me to take.

**The Convener:** I said that Angus MacDonald could come back in on energy.

**Angus MacDonald:** Thanks, convener. I will be as brief as I can.

It is good to see that you are relishing your new remit. I am aware that, as minister, you cannot comment on specific energy applications. However, there is an issue that not only affects my constituency but has an impact on three other east coast constituencies and on Scotland as a whole. You will be aware of the Forth Energy application. Could we have some clarification on the Government's position on large-scale biomass plants, in particular 100MW or larger, that would source their material from North America, South America and Russia should they receive ministerial approval?

**Fergus Ewing:** I have to be extremely careful about what I say on any matter that may come to me for a decision. I approach such decisions in the correct way, which is to consider each in accordance with its merits and the facts. Therefore it would perhaps be inappropriate for me to make ex parte remarks about an area in which I have a clear legal role to play. I apologise to Angus MacDonald, who has quite reasonably asked the question but, to ensure that I do not step out or be perceived to step out from the correct approach, which I must follow in these matters, by making any comment, it would be better for me to park that question for the moment. However, I am sure that we will revisit the matter in the fullness of time.

**Angus MacDonald:** That is understandable. Could you give us an idea of the timescale involved before a decision is likely to be taken?

**Fergus Ewing:** I apologise, but I do not think that it would be correct for me to answer that.

**Chic Brodie:** Having run small and very large businesses myself, I would think that this has to be a very exciting time for you to lead the charge for Scotland Ltd, notwithstanding the economic pressures outwith Scotland. Exports in the food and drink industry will grow by 25 per cent in the next five years and there is the potential for manufacturing to support renewables. You mentioned golf. I had the pleasure of being at an EventScotland event last week when it said that a quarter of a million people visited Gleneagles in one week. I fully endorse what you said about business visits continuing on to pleasure visits. We also need to think about encouraging people to come back after one pleasure visit, for example, to the Ryder cup.

This is not really a question, but I ask you to stress as much as possible the need for us to have sufficient capacity and capital to benefit from exports and incoming visitors. We particularly need to invest further in our ports in the garden of Scotland, which is Ayrshire and Galloway, and the

likes of Prestwick airport. As you rightly said, we must concentrate our minds on ensuring that we have the ability not just to promote but to deliver Scottish exports, as they will underpin Scotland's economic future.

**Fergus Ewing:** I thank Chic Brodie for that wide-ranging question. I agree with all the sentiments that he describes. He is correct that we focus on exports. We want more businesses to export. I pay tribute to the food and drink sector for the marvellous success that it has achieved, and to Richard Lochhead's leadership on that. In particular, I mention the success of the source of renewable heat and occasional light that is whisky, which has been more successful this year than ever before in numerical terms and in its value to the economy. I believe that whisky exports to Brazil have increased by more than 50 per cent, so I suspect that there are some extremely happy people over there. That is extremely good news. In the summer, I visited the Scottish Leather Group, which turns over nearly £90 million and which turns hide from cows into the luxury leather upholstery that we see in most high-brand cars. It is exporting with huge success around the world. I am in a privileged position in that, perhaps more than anybody else, I can see the success that businesses in Scotland are achieving in exports.

The challenge for us, in working with Scottish Development International, HIE, Scottish Enterprise and local authorities and with the business world in Scotland plc, is to drive the export level higher. I am immensely optimistic that, in some of the key sectors that I have mentioned, there will be opportunity for marvellous careers for young people in Scotland. I am thinking about industries such as renewable energy but also oil and gas, given that there will be another five decades of extraction in the North Sea and off our northern coast, which is a good thing. There are tremendous opportunities for Scotland. We do not read about the success stories as often as I would like, but I will do my best to promote them in the next five years. I look forward to working with all members to that end.

**Patrick Harvie:** I have two quick questions on energy, the first of which is on energy consumption. This committee, like its predecessor, has an interest in energy efficiency and reducing energy consumption. That issue now falls into three ministerial portfolios—yours, the climate change portfolio and the infrastructure and housing portfolio. Of course, there is also Mr Swinney setting the budget for public investment in reducing energy demand. How will the relationship work between the members of the ministerial team? Will one minister lead on that? What will your role be in that policy area?

**Fergus Ewing:** The relationship will continue to work well. It is good that responsibility on the issue goes across ministerial directorates, because that shows how important it is for us all to achieve energy efficiency and, as far as possible, reduce our energy consumption. We promote the various ways in which that can be done. Acting together, we promote and support various schemes, most of which have been supported across the political spectrum. For example, there is the provision of replacement central heating systems. The original scheme was run by the Eaga Partnership, although I am showing my age there. There are also schemes to provide more insulation and more advice from the Carbon Trust. I chair a group on microrenewables that aims to produce the strategy that we promised in the “2020 Routemap for Renewable Energy in Scotland” will be produced by around the end of the year. We are working with the representative bodies for plumbers, electricians and others to ensure that their work is best supported to achieve practical results in microrenewables. That is one area of specific interest to me.

I spend a great amount of my time driving forward the renewable energy agenda. Yesterday, I was at a marvellous conference in Inverness about marine energy, particularly wave and tidal. There, I met some of the companies in Scotland that are already providing career opportunities and driving forward the agenda.

Although the responsibility is not carried by one minister alone—that is not necessarily a bad thing—I am confident. Patrick Harvie is right that we must ensure that all the directorates work together. He raises a serious matter. We must always ensure that we work closely together. No one is more conscious of that than the gentlemen on my left and right, David Wilson and John Mason—and me, actually. Therefore, Patrick Harvie should rest assured that we are determined that we will not fail through demarcation, lack of communication or a lack of the left hand knowing what the right is doing. That is perhaps where he, quite reasonably, is going with his question. I am sure that, if we err in that way, he will rightly be the first to pull me and my colleagues up.

**Patrick Harvie:** I just wanted to get a sense of how you envisage the relationships working. I look forward to the work on microrenewables on which you are leading.

I have a question on energy production. The phrase that you use in your letter—“Transition to a Low Carbon Economy”—means more than just generating more renewable energy: it means using renewable energy instead of the high-carbon fossil fuel sources that we have used in the past. However, opencast coal extraction, as well as renewables, has expanded; the Government has

supported new exploratory drilling; and the minister looks forward to 50 more years of oil and gas extraction. If a new, unconventional fossil fuel, such as shale gas extraction, comes on to the agenda in Scotland, is there an existing policy by which the Government will determine any future applications? If such a policy exists, does it—and if it does not exist, will it—include responsibility for the carbon emissions that would arise from that new extractive industry?

**Fergus Ewing:** Patrick Harvie knows extremely well that the Government has high targets on the low-carbon economy. I will not repeat them here. He is right that we want more energy to be produced from renewable sources: a headline target is 100 per cent of the electricity that we consume by 2020. We have been accused of being too ambitious, but setting that target has already helped us to achieve great success. It has marked us out in the world. We have carved out a niche and attracted major companies in the world to these shores to invest in the ports that Mr Brodie mentioned earlier to ensure that they take part in the renewables revolution. It is a revolution, and I am not by instinct a natural revolutionary.

It is correct and environmentally sound that we should make the most of oil and gas as long as the world needs them and is in transition from a fossil fuel-driven economy to a non-fossil fuel-driven economy. No one knows how long that transition will take but, as long as it happens, we must make the most of, and not waste, the world's resources. For example, if we extract only 30 per cent of the oil and gas from a North Sea oil field, we therefore waste 70 per cent of it. Surely it is in our interests to enhance the extraction of existing fields. It seems to me that that is a bit like the parable of the talents, in which one talent was buried in the ground and wasted. We do not want to waste resources; we must use them to best effect.

That seems to me economically advantageous to Scotland and the many thousands of young people who will get jobs—198,000 people in the oil and gas sector in Scotland. I met some of them at a conference in Aberdeen. I have rarely met young people with such a tremendously positive attitude to the environment and the planet, but they saw a career in the oil and gas industry. I make no bones about it: we want to ensure that we move to a renewables, low-carbon driven economy. The idea that we will shut down all our oil rigs and give P45s to people who work in the sector—if that is what is proposed—is certainly not on our agenda. We need to encourage the sector to develop enhanced oil extraction and to operate as safely and sustainably in future decades as it has done in past decades, so that we do not deter young people from seeking a career in it.

I hope that that answers that part of the question. I do not want not to answer the last part of the question, which was about—

**Patrick Harvie:** Hydraulic fracturing—the technique that is used for shale gas extraction.

12:30

**Fergus Ewing:** Yes. As Patrick Harvie knows, we have no industry in Scotland of that nature. Any proposals that such activities should be carried out in Scotland would, by definition, require to be carefully studied and analysed. They would have to be analysed from an environmental and economic point of view. We would use that process to consider any proposed developments in Scotland.

I am aware that environmental concerns have been expressed about shale gas extraction, particularly about its operation in the United States. We would take such matters very seriously indeed, but it would be wrong to prejudge matters. By definition, the Government should not prejudge any matter. It should look at the facts and be willing to hear evidence and listen to people involved. That is the approach that every single member, especially Mr Harvie, was advocating in the first evidence session. I assume, therefore, that he would advocate the same approach in this instance.

I am not aware of any applications before me as an energy minister, so for the moment it does not seem to be as pressing a matter as the others.

**The Convener:** I am wondering whether parables are the new mind maps. Patrick Harvie is indicating that he has one final question.

**Patrick Harvie:** I am grateful, convener. I accept that we are not looking for a prejudgment on any future application, but I asked specifically whether the carbon emissions arising from the use of shale gas would form part of the consideration—not just local environmental considerations but the carbon emissions at the end point of the extractive industry.

**Fergus Ewing:** All I can say is that all relevant considerations will be looked at, for the reasons that I set out. We would consider that matter along with any others, should the occasion arise.

**The Convener:** I thank the minister for his evidence and the members for their questions. That brings to an end the public part of the meeting.

12:33

*Meeting continued in private until 13:07.*

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e-format first available  
ISBN 978-0-85758-792-3

Revised e-format available  
ISBN 978-0-85758-806-7

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Printed in Scotland by APS Group Scotland

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