

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 29 September 1999
(*Morning*)

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE 4th Meeting

CONVENER :

*Mr John Swinney (North Tayside) (SNP)

COMMITTEE MEMBERS:

*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

*Miss Annabel Goldie (West of Scotland) (Con)

*Mr Nick Johnston (Mid Scotland and Fife) (Con)

*Marilyn Livingstone (Kirkcaldy) (Lab)

*George Lyon (Argyll and Bute) (LD)

*Ms Margo MacDonald (Lothians) (SNP)

*Mr Duncan McNeil (Greenock and Inverclyde) (Lab)

*Dr Elaine Murray (Dumfries) (Lab)

*Elaine Thomson (Aberdeen North) (Lab)

*Allan Wilson (Cunninghame North) (Lab)

*attended

THE FOLLOWING MEMBER ALSO ATTENDED:

Mrs Margaret Ewing (Moray) (SNP)

WITNESSES:

Mr Alan Sim (Managing Director, Local Enterprise Company Operations, Scottish Enterprise)

Sue Baldwin (Scottish Enterprise)

COMMITTEE CLERK:

Simon Watkins

SENIOR ASSISTANT CLERK:

David McLaren

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 29 September 1999

(Morning)

[THE CONVENER opened the meeting at 10:03]

The Convener (Mr John Swinney): Good morning. I welcome members of the committee and members of the public to the meeting. All mobile phones should be switched off and all pagers switched to an appropriate setting, as mine now is.

Before I come to today's agenda, I draw members' attention to the note that the clerks have left on the table about the visit by members of the New South Wales Public Accounts Committee. Secondly, the chief executive of Cadence Design Systems, Ray Bingham, is visiting the Parliament this afternoon and will be in the visitors' gallery just before decision time. He has asked to meet me at 5.15, after close of business, in committee room 5, and any members who wish to join me there are very welcome. We will discuss Cadence's work and Project Alba, which is very important in Scotland's economic development.

Local Economic Development Inquiry

The Convener: Item 1 on our agenda is the formal confirmation of the remit of the committee's first inquiry. You will recall that, at our previous meeting two weeks ago, we decided on this inquiry. The clerks and I have formulated the detailed paper that has been circulated, paper EL/99/4/1. Some comments by members have already been incorporated. I am aware that Marilyn Livingstone wants to raise a further point on the contents of the first paragraph.

Marilyn Livingstone (Kirkcaldy) (Lab): As well as workplace training, we have talked about post-school education up to higher level, and I feel that that should be reflected in the paragraph.

The Convener: Are there any other comments on the remit? No? All right.

I have spoken to the clerks, Marilyn, and the proposal is that, after the comma following the words "economic development", we delete "workplace training" and insert "post-school vocational education and training (excluding higher education)". That is not quite as straightforward as it was before, but is everyone

happy with that?

Members indicated agreement.

The Convener: The remit is confirmed.

Today we are having our first evidence session from Scottish Enterprise and its network operations team. I want to invite wide-ranging contributions to the inquiry, and I think that it would be helpful to arrange an opportunity for the committee to outline to the press the work that we intend to cover. I propose to invite a member of each of the political parties that is represented on the committee to take part in that press briefing, which we will hold at a convenient time in the next week or so.

Members indicated agreement.

The Convener: Item 2 on the agenda is the start of our inquiry into local economic development services. We will take evidence from Alan Sim, who is the managing director of Local Enterprise Company Operations of Scottish Enterprise.

Good morning, Mr Sim, and welcome to the committee. I will ask you first to introduce your colleagues, and then I will invite you to proceed with your presentation.

Mr Alan Sim (Managing Director, Local Enterprise Company Operations, Scottish Enterprise): Thank you. It is a pleasure to be here. May I introduce Imelda Molloy, who is manager of the corporate office at SE, and Sue Baldwin, who is manager of strategy and planning.

The Convener: I hope that you have seen the remit of the committee's first inquiry. Our objective is to examine the delivery of economic development, post-school vocational education services and business support services at a local level in Scotland. We recognise that at the heart of the delivery of almost all those services are the local enterprise companies and the work of SE.

We felt that, before we delve into the immense detail and, dare I say, complexity that surrounds these issues, we should hear from Scottish Enterprise about the approach that is taken to the structure of the network and the issues that are involved. We will use that evidence as a backcloth to the submissions that we invite other parties to make to the committee. I invite Alan Sim to deliver his presentation and then I will open up the discussion to questioning from members.

Mr Sim: Thank you, convener. I will start with a very brief presentation. I recognise that colleagues who gave early evidence showed some of these slides to members and I apologise for the duplication. However, I thought that it would be useful to do some high-level scene setting and to introduce one or two issues that are very dear to

our hearts as we move into the millennium. I will use the slides as a starting point for any subsequent questions.

As can be seen from slide 1, my presentation will take the format of a quick look, to remind members, at the four strategic goals that Scottish Enterprise has identified with the Parliament, at accountability and relationships within the Scottish Enterprise network and at the budget distribution across the local enterprise companies. I will also talk briefly about, and clarify issues that relate to, local enterprise company boards and governance. We have recently completed a customer survey and there is a slide that shows some of the lessons that we are picking up from that.

Members may recall from an earlier presentation that there are four key strategic objectives that Scottish Enterprise seeks to achieve with its partners: creating innovative, far-sighted organisations; developing positive attitudes to learning and enterprise; creating a competitive Scotland; and developing an inclusive economy. Members will see from slide 2 that Scottish Enterprise's activities overlap into each of those four areas, as do those of many of our partners, which I am sure that we will touch on later.

Slide 3 sets out the structure within which Scottish Enterprise operates—the network is an oft-misunderstood beast. The company was established under the Enterprise and New Towns (Scotland) Act 1990 and reports to the Parliament via the Executive. The First Minister appoints Scottish Enterprise's independent board, which sets strategic guidance, allocates budgets and monitors performance as its primary functions.

The executive arm of the organisation has a central division, which we call Scottish Enterprise national, and 13 local enterprise companies. Jointly, we refer to ourselves as the network and, if members do not object, I will use that as a generic term. The local enterprise companies are bound to Scottish Enterprise by annual contracts to deliver certain pre-agreed outputs, although they are independent organisations—companies limited by guarantee—with independent boards.

In turn, local enterprise companies create a plethora of other contracting arrangements with training providers, such as enterprise trusts, local authorities, chambers of commerce and the like. There is a complete web that starts with the Parliament, reaching down to on-the-ground delivery.

Slide 4 serves as a brief reminder. The area marked in green is referred to as lowland Scotland and is the responsibility of Scottish Enterprise. The purple area at the top is the responsibility of our friends and colleagues in Highlands and Islands Enterprise. The 13 local enterprise companies are

also listed.

10:15

Slide 5 indicates the percentage spend across the network by local enterprise companies and by the national part of the organisation. I have figures available for the network's budget distribution and can make them available to members, should they so wish. Programme design and delivery absorbs 95 per cent of our spend, while the remaining 5 per cent goes on background research and administrative things such as year 2000 compliance. Of the Scottish annual budget of £455 million, 95 per cent goes directly on delivery and is allocated as shown in the pie chart on slide 5.

Slide 6 sets out some of the guiding principles for local enterprise company board membership. Each board has a maximum of 18 members, all of whom are unpaid volunteers. They represent the public, private and voluntary sectors, although each board must be private-sector led—each LEC chair is a representative of the private sector. Board members are unitary, not representative, which is a point worth making because each local authority has a seat on a LEC board. Those individuals are there, however, in their own right and not as representatives of a particular local authority. There is guidance that encourages a balance in board membership, both in terms of gender and in terms of balance across the business sector, from large to medium to small businesses.

A key governance issue is the appointments procedure for board members. There is a requirement that LECs convene a nominations committee with external representation on it and that all vacancies to the LEC boards are publicised within the local area to identify prospective board members. Board members may serve more than one term, but the maximum permitted is three terms of three years or two terms of four years. As they are independent companies, there is some flexibility in what the local memos and articles of the organisations establish as a term, whether it is three years or four. In exceptional circumstances—for example, to preserve continuity during a time of change—those terms may be extended by up to one year. Conflict of interest procedures for each LEC are publicly available.

At the beginning of my presentation I mentioned a customer survey that we recently completed. This slide shows some of the key findings of that. The point that I would like to make first is that 80 per cent of our client base is very satisfied with the services provided. The full report is available for committee members, but I wanted to emphasise that point. I do not want to indulge in too much praise for the network in this presentation; I simply

note that fact and identify for you the key strengths of the network as reported by our customers.

The first one is the local focus: the distributed network across Scotland is seen as a major strength. Secondly, the international role of the organisation through Locate in Scotland and Scottish Trade International is seen as a major strength by the business community. Thirdly, the quality of business advice is deemed to be high, and fourthly, the strategic role of the network is held in considerable regard. In the survey, the business community urged Scottish Enterprise to use its strategic role in helping to guide the decisions of this Parliament. That is a key remit from our customer base. Finally, our staff is perceived to be of a high quality.

The weaknesses that were identified in the survey, on which we are currently working, include a perception that there is a lack of available information. I suspect that that does not relate to volume but to ease of assimilation and quality and consistency of information. There is also a perception of bureaucracy, and more than a perception that we do not help all companies equally. Business decisions are made about investments and that is one of the key underlying principles of the economic development agency that we represent. There are perceived financial restrictions. Any organisation that does not recognise that it works within fairly tightly constrained financial guidelines is atypical in today's world.

Another conclusion of the survey, which is perhaps not as explicit, is a perception that there seems to be some sort of internal competition in the economic development network as a whole, which includes economic development providers such as local authorities, chambers of commerce and many other organisations.

There is a strong view that the service available across Scotland is inconsistent and that there is a real requirement for us to simplify access. We are taking all those issues to heart this morning. If members wish, I will happily outline the action that we are taking in that regard.

That is the end of the formal part of the presentation. I had intended to put up a slide about the operating targets that are set by Scottish Enterprise, against which the local enterprise companies are measured. However, it would be less than helpful as it runs to several pages of fairly closely typed information. We would be pleased to make them available, but I would like to draw your attention to one fundamental change in the network, which is the way in which we get involved in target setting.

Historically, there has been a bottom-up assimilation of information and a top-down

imposition of targets. Last year, we created four leadership groups for each of our strategic goals, each chaired by a local enterprise company chief executive. Those groups, which are mainly comprised of practitioners from the local enterprise companies, identify the key performance targets, in qualitative and quantitative terms, in each area of interest. Those are then assimilated, reviewed and approved by the Scottish Enterprise board and become the targets for the network. The determination of targets is an integrated process.

In addition, we aspire to targets that are set down by the Parliament and outside agencies. The majority of the key targets that we will be examining will have been set by the network rather than having been imposed by our operation in Bothwell Street. That was my introduction. I will happily move to questions.

The Convener: Thank you, Alan. I should have said at the outset that Alan moved house yesterday. He has been very fluent despite that ordeal.

Because of the nature of the inquiry, I am required to invite members to make any appropriate declarations of interest at this stage. I ask Margo to declare hers.

Ms Margo MacDonald (Lothians) (SNP): Yes, I am proud to be married to Jim Sillars, who is a member of the Scottish Enterprise board.

The Convener: Thank you, Margo.

We move on to questioning Alan. You mentioned the relationship between Scottish Enterprise and the local enterprise companies in relation to target setting. One of the areas that we have discussed is the extent to which local enterprise companies are free to pursue their own priorities and the degree of guidance that they receive from Scottish Enterprise. Could you say more about the role that Scottish Enterprise plays in pursuing a particular policy and strategy direction with local enterprise companies? How does that translate into target setting and how effectively can the two be linked?

Mr Sim: I will take as an example the work that we do in assisting new business formation in this regard. It is a good example of the way in which the network is now working. The network is eight years old, and how it operates has changed significantly over that time.

Last year, the Chancellor of the Exchequer established challenging targets for the establishment and formation of new business in Scotland. Scottish Enterprise, which is a key player in helping small businesses establish themselves, decided to undertake a review to determine how better we could service that marketplace.

I will briefly outline the process that we used, which will perhaps answer some of your questions, convener. Having identified that we needed to improve our performance, we established a small group of six practitioners from across the local enterprise companies. I chaired that group, and should say that I am a former LEC chief executive. I was chief executive of Grampian Enterprise for three years, before taking up my current post a year ago.

We undertook an in-depth review of our performance and the methodologies that we deployed to help companies establish themselves. We quickly identified that three of our 13 companies were performing significantly better than the others. The group determined that that had to be our benchmark for performance for the whole network. The performance figures that we had identified were made available to the network and the respective boards around Scotland. We determined that those would become the performance targets for all the LECs, in terms of business starts per thousand head of population. We set about encouraging LECs to look at each other to share best practice.

One of the surprises was the extent to which there was variety in the LECs that came out top of that poll. One of them was Scottish Borders Enterprise, a small LEC in an area with industrial and commercial difficulties at the moment. Another was Lothian and Edinburgh Enterprise Ltd, and the other was Forth Valley Enterprise. We had three radically different LECs: one comprising one of the largest urban areas in Scotland; another comprising a mixed and substantially rural economy; and another one exclusively rural, which faced some industrial difficulties, especially with the demise of the textile industry.

We felt that it was useful to get the LECs to talk to each other. It would have been singularly inappropriate to task Dumfries and Galloway Enterprise with finding out how new business formation was undertaken in the city of Edinburgh, as the populations and the mechanisms available for delivery are so different. However, it has been engaging in a useful dialogue with its colleagues in the Borders. We are in the middle of that process. From our interim results, we are confident that the improvement in performance that we get this year will get all—I say all with a degree of caution as we are mid-year—of the performance levels up towards our top quartile figure.

That is indicative of the way that we are approaching particular issues. Our primary concept is that we encourage local variance, because we serve so many diverse communities. What we seek to impose—if that is the right word; perhaps agree to adopt is a phrase that I would be more comfortable with—are matters related to

quality and performance standards, not necessarily the methodologies adopted. Those must be appropriate to the communities that the LEC is serving.

To summarise the policy of Scottish Enterprise, it is to address at the national level issues of consistency, quality and performance targets and to encourage LECs to develop local initiatives that suit their local communities and share those with equivalent communities.

The Convener: To take that example of new business starts, what degree of difference in performance existed between the lowest quartile and the top quartile? You indicated that the focus on new business starts was as a result of business formation targets created by the chancellor. In other policy areas, is Scottish Enterprise actively considering setting ambitious business targets, or is there a gentle, rather than a more ambitious, pattern of development?

10:30

Mr Sim: The short answer is that we do not view any of those development patterns as particularly gentle. Some organisations will have to improve their performance by between 30 and 40 per cent this year to meet the target that we will set.

When we have internally benchmarked the performance of local enterprise companies, our next target in that sector will be to consider appropriate external benchmarks outwith Scotland, to lift the whole game. Across the spectrum of Scottish business, we are setting what we consider robust and challenging targets. I will happily share with members the detailed operating plan for the network that sets out all the targets and shows the year-on-year improvements that we are expecting to make. If appropriate, we can supply copies of that plan.

The areas in which we are looking for the most significant improvements are those of export performance. We have key objectives in the areas of knowledge businesses and the creation of global companies. The latter is a new item on our agenda; we recognise the need for Scotland's businesses to be able to compete internationally and behave in a totally different way from companies that only occasionally export. Some ambitious targets have been set in those areas, which are detailed in the network operating plan.

Ms MacDonald: I have a quick question, Alan, that follows on from what John was saying about business starts and the way in which they are benchmarked. I am pleased, proud and happy that Lothian and Edinburgh Enterprise Ltd is among the three top performers. However, is there a uniform pattern of business starts throughout the LEEL area?

In all the presentations that we have had, and in much of our discussion, comment has been made on the difference between different types of communities. I do not like to use jargon, but the folk who have not got enough, the excluded ones, do not start as many businesses as those who have a bit more. That is why the Lothian region is interesting—there is a complete demography to judge from. Is there a uniform standard of business start successes in the local enterprise company areas?

Mr Sim: There is not. The types of businesses that are started are also radically different, depending on the groups from which the prospective business starts come. In my own area of Grampian—which is not dissimilar to Lothian—there is a fairly high percentage of high growth, technology-type company start-ups, as one would expect in a prosperous city such as Aberdeen. In the rural communities—West Lothian, Banff and Buchan, for example—there are unique difficulties. In those rural areas, we could learn a lot from our colleagues in the Borders, where there are smaller, fairly disadvantaged communities. We are trying to encourage colleagues who have a major conurbation in their area to consider examples elsewhere in addressing business start-ups.

There is no doubt that that can be difficult. One of the differences that will help us, in that sense, is the different use of the enterprise trust network, or the way in which enterprise companies work with the local authorities. The issue of inclusion was alluded to. We believe that the business birth-rate strategy is a useful tool in helping us to ensure economic inclusion and in bringing people back into work. However, we cannot do those things in isolation—we must work with partners in local authorities, who are responsible for the social exclusion issues as well. One of the emerging themes, in response to those difficulties, is the establishment of local partnerships to investigate local delivery. It is interesting that the most active partnerships that are being formed are in the areas of greatest deprivation, where factors such as social and economic exclusion go hand in hand.

The short answer is that there is no uniformity. That is recognised, and we are seeking better ways of delivering in the areas where there is underperformance.

Allan Wilson (Cunninghame North) (Lab): My question is along the same lines as the convener's comments. Am I correct in thinking that you said that there was a 30 to 40 per cent variance in performance in relation to targets for new business starts per head of population, and that the best performers were in the east, south and north of Scotland, but not in the west?

Mr Sim: You are.

Allan Wilson: I assume that part of the process of target setting would be to bring up the poorer performers to the standard of the best ones.

In comparison with our European and international competitors, there is an identifiable structural weakness in the Scottish economy in respect of creating small to medium-sized enterprises, so how far can target setting be extended to take account of the statistics for new business starts in continental Europe and throughout the United Kingdom? How can Scotland's performance be measured against European and other UK standards?

On the same theme, it seems pointless for us to try to reinvent the wheel. If your network has identified weaknesses, such as bureaucracy and the lack of readily available information, and has also identified a possible solution as involving simplified access, for example, how will you put your findings into practice? We have all met constituents who have complained about complicated access and about lack of information. How can your plans combat those problems?

Mr Sim: The first question was about benchmarking Scotland's performance with that of continental Europe and the rest of the UK. The answer is that we are in the process of benchmarking and we are gathering the necessary information. Our initial decision was that we had to identify where the best performance was in Scotland and identify how far short of our targets we were in more deprived and difficult areas.

We know that, for a variety of reasons, it is more difficult to establish a new business in parts of the west of Scotland. Hitherto, we have had no mechanism for measuring how much more difficult it is and what it means for business start-up statistics—that is why we started to establish measurements for businesses in Scotland. The strategy was to raise our game within Scotland as near as we could to our domestic best in class. After that, we intend to publish benchmarks for what we consider to be appropriate international best practice for economies that are comparable with Scotland's.

The process has several steps. We have taken the first step and the outcome is looking very promising. I suspect that raising the standard of Scotland's performance in the international scene will be more challenging, but that is on our agenda.

We have a number of initiatives on access and we are engaging in dialogue with various parties. One of the difficulties with dialogue is that Scottish Enterprise cannot talk only to itself. It must talk to its network of local enterprise companies and they have to talk to an extended network of more than 20 enterprise trusts, umpteen chambers of

commerce and more than 30 local authorities, all of which support economic development. All the members of that network add to the noise in the system and therefore to the confusion.

We propose that in each regional area there should be a single point of entry. At the moment, we have what are called business shops, which exist to provide information. We will be doing more work on that concept, to develop the service more widely throughout Scotland, and we will encourage all our partners in the delivery chain to use business shops as the first point of entry.

With the exception of Tayside—where business shops actually provide assistance—business shops typically act like enterprise trusts. Tayside no longer has enterprise trusts. The norm in Scotland is for the business shop to be a point of information, a point of signposting and a point of entry. We seek to reinforce that; we are about 20 per cent into the process of examining how we can do it. We are looking closely at technology. Members may have seen a recent initiative based on electronic kiosks to give people ready access to information on business start-ups. There are some 13 or 14 of those kiosks, the purpose of which is to trial the concept of providing ready access to information, thus eliminating the need for a long journey. The concept of a Scottish call centre for the provision of similar advice and for subsequent signposting is also being considered.

I reinforce my earlier point: Scottish Enterprise cannot have this conversation on its own. Through our network, we can fairly readily tidy up our bit and we will certainly do that. The more challenging aspect is to work with all our partners and bring everyone together. We are confident that there is a shared belief that that is what partners want and we will deploy significant resources on that in the coming months.

The Convener: I want to push you a little further on that point. I am interested in the distinction that you made about what Scottish Enterprise can control and what requires partner involvement. In effect, that gets to the nub of why we are carrying out this inquiry—this is a wider debate and we want to help to improve that process.

As a Tayside MSP, I am familiar with the Tayside example. I have arrived at the conclusion, from the business shop exercise, that although there may be a single point of information, that system has led to a deterioration in service for certain types of companies, particularly smaller companies, which seem to have lost contact with the network. I understand the logic of the single point of contact, but should the single service providers be represented by that single point of contact or should a multiplicity of providers continue to provide services behind that front shop? How would you tackle those relationships?

Mr Sim: The short answer is that we believe there will continue to be a multiplicity of providers. There is no rational alternative. We must ensure that we manage—and drive out—the overlap between the providers. For a variety of reasons, the most appropriate provider for certain types of business in an area may be the chamber of commerce, which could have more knowledge about aspects of the business. Similarly, in areas where social inclusion is a big problem, the local authority might be a better vehicle, because of its social work activities and social inclusion remit.

We cannot move to a single, simplistic model. The existing multiplicity should, in many ways, be encouraged. In front of me is a paper that we developed recently to find out the key issues. Those issues are quality standards—irrespective of who is providing the service, the individuals involved shall meet a certain performance standard and the organisations shall meet a certain minimum quality standard. We must also have some consistency in the financial support that we provide; that last point is probably more for Scottish Enterprise.

10:45

The other key—and this is the approach that Scottish Enterprise will adopt—is to use what we call the account manager system. In other words, we will assign people to companies or groups of companies, to maintain continuity of service with those companies for as long as we can and to develop a relationship with them. That means that, if we do not hear from the companies for six months, we will be able to make contact and offer them a health check.

Local authorities, for example, may choose to proceed slightly differently, but we believe that one key is to have an overarching set of quality standards. We also believe that appropriate consultation in the area of small-business formation is needed. There are 300,000 self-employed people and small businesses in Scotland, and it is difficult for any of the providers to be fully engaged and understand the needs of that diverse community. We think that improvement is needed in how that engagement takes place.

Our main thrusts are in the areas of quality, consistency and consultation. Under those umbrellas we see not duplication, but a multiplicity of delivery being allowed to thrive.

George Lyon (Argyll and Bute) (LD): John raised the issue that I want to pursue. In your response to the previous question, you mentioned the multiplicity of providers. Bureaucracy and inconsistency of service were identified as weaknesses across the network. Are you saying

that there is no room for rationalising service provision? Do you believe that we still need a multiplicity of service providers, which will obviously create bureaucracy of their own? When companies are engaging with a range of different service providers, it is difficult to control the consistency of the product and it is also very difficult to put strategic objectives in place.

Mr Sim: I do not think that it is inconsistent with anything that I have said to say that there is room for rationalisation. That does not mean getting rid of multiplicity entirely. The question is, how much is enough?

I will take the example of Fife, where the local enterprise company is currently engaged in a mapping exercise with its local council. I should note at this point that that exercise is easier in Fife than in many other parts of Scotland, because there is a one-on-one relationship between the local authority and the local enterprise company. They are mapping out all their support activities, particularly in the area of small-business support. The purpose is to identify where there is overlap and, if so, which organisation is best placed to deliver support. Once that has been done, it is proposed that one party should cede the activity to the other.

That process has started in other parts of Scotland—Fife is probably the most current example, as the exercise is continuing there as we speak. That is the rationalisation to which I referred, which removes duplication but will not, we hope, eliminate healthy diversity—we would still seek to encourage that. At issue is whether there is inappropriate duplication, which we certainly want to prevent.

The Convener: We take the point about Fife being a one-on-one situation in which progress can be made. Does that not demonstrate that in other areas, where there are a number of local authorities to one local enterprise company or vice versa, the case for pursuing rationalisation is even more compelling?

Mr Sim: Convener, you are absolutely right. At present, every local enterprise company—without exception—has a local strategy that it has developed with its partners. Frequently, the partners are two, three or even four local authorities. Over the past couple of years, getting a joint strategy has in many instances been a long and difficult process. However, now that we have joint strategies, we believe that we are well placed to move forward to the sort of rationalisation that I have described in Fife. Fife is a good example because rationalisation is easier to achieve there.

The situation is made more difficult by the fact that there may be competition between, for example, a rural area and its adjacent urban area.

Somehow or other, the local enterprise company with responsibility for that combined area must deal with that issue. I suspect that there will be a lot of detailed debate in future months about how that is to be dealt with.

Mr Nick Johnston (Mid Scotland and Fife) (Con): My first question follows on from John's remarks. This map of local enterprise companies has been in force for nine years. What mechanisms are there to determine whether the enterprise companies are relevant to the areas that they cover or whether the map should be redrawn?

My second question concerns business start-ups. Have you any information on how many start-ups are influenced by local enterprise companies, as opposed to those that start up independently with no contact with the local enterprise network?

Thirdly, have you done any research on the impact of legislation on business start-ups? I am thinking of the working time directive and the minimum wage legislation. Is the bureaucracy that is involved in record-keeping a disincentive to businesses starting up?

Mr Sim: I shall start with the easiest question, which relates to the map. I am not aware of any plan—certainly not in the executive of Scottish Enterprise—to redraw the local enterprise company boundaries. Those boundaries have been in place for eight years, and we will plan on the basis that they will remain until we are directed otherwise.

Around 5,000 small businesses per annum start up with direct assistance from local enterprise companies. We have fairly strict rules on attribution. It is not the case that, when a new McDonald's opens up in Dunfermline High Street, the local enterprise company can claim a new business start-up. There are specific rules on attribution, which relate to the number of business advice assists that were given.

We have not carried out any detailed analysis into the working time directive. We are aware that that directive is an issue and that others are working in that field. Part of the consultation process that I mentioned will bring together the various groups in Scotland that are interested in that issue, which will enable information on it to be shared more easily.

Mr Johnston: You said that 5,000 businesses started with assistance from the local enterprise companies. Altogether, how many new businesses are started up in Scotland annually?

Mr Sim: I think that there are between 20,000 and 23,000.

Mr Johnston: So, you are involved in about 20 per cent of business start-ups?

Mr Sim: That is correct.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): This review is obviously intended to find the best means of delivering economic development in Scotland. Reading the "Pathfinders to the Parliament" document—which was commissioned by the Scottish Office—I was struck by the fact that no fewer than 300 bodies are involved in the delivery of economic development and training. That seems to be too many.

You mentioned the need to remove overlaps and duplication. We are trying to audit the existing provision, which seems to be a difficult task. When local authorities or chambers of commerce give evidence to us, it is unlikely that they will suggest that they are the ones whose role should be diminished. Would you regard it as part of your function to provide an audit of Scottish Enterprise and Highlands and Islands Enterprise, together with a statement on your perception of the way in which services are overlapping or duplicated? There is substantial duplication, and we all want to eliminate that, although none of us has any preconceived ideas or prejudices about how it should be done.

Secondly, you mentioned that 95 per cent of the £455 million budget goes on delivery. Does that include money spent on consultancy? If so, are you able to isolate—because I have not found it in any of your reports—the total amount spent on consultancy? Is it too much?

Thirdly, there seems to be a real problem with the development of tourism. Marketing is a function of the Scottish Tourist Board and development is a function of Scottish Enterprise and Highlands and Islands Enterprise. Therefore, development and marketing are divorced. I have a genuine problem with that, as it could be a barrier to effectiveness.

Finally, on structures, I straddle, in my constituency, the areas of Scottish Enterprise and Highlands and Islands Enterprise. It is perhaps the only such constituency in Scotland—although it is not the only tight spot that I am in from time to time. I wonder whether Moray Badenoch and Strathspey Enterprise might be more at home in the HIE network than in the Scottish Enterprise network.

The Convener: This feels like the Schleswig-Holstein question all over again.

Mr Sim: With respect to your first point, Fergus, if it was considered appropriate and if we at Scottish Enterprise were requested to do so, we could certainly carry out the kind of mapping across Scotland that you describe. We probably have a significant part of the information, but we have not brought it together into a national

document. In each of our local enterprise company areas, we can do the mapping and we could, if we were requested to, bring it all together.

You mentioned training providers. Thus far, I have been mentioning providers of business start-up services and economic development services. I would concur with your number—which is indeed a very large number—when training providers are added. It is perhaps worth noting that, when we are discussing working in partnership with local authorities, numbers can become an issue.

I will explain what I mean by that: we will seek to remove duplication by working with local authorities to identify who does what best. I suspect that that will lead to the formation of joint-venture organisations. As the convener knows, the business shops in Tayside are owned jointly by the local authority and the local enterprise company.

One of the difficulties in forming such organisations across the piece is that local authorities are frequently commercial training providers. Scottish Enterprise would always seek to keep its role, which is to fund, regulate and quality assure training and ensure that that training is appropriate for its purpose, available where necessary and divorced from the commercial activities of some of the providers, which are involved to secure a profit base. Issues are raised about the extent to which we get into bed with some of those organisations. We would always wish to maintain resolutely the divide that I have spoken about.

In answer to your question on consultancy, yes, consultancy spend is included in the sum of expenditure that I mentioned. Each local enterprise company is required to publish, on a six-monthly basis, a list of all the consultancies awarded in its area. That information is in the public domain. It is not pulled out anywhere, but it is not difficult to bring the 13 documents together and add the figures up.

You then rightly mentioned tourism, which is a key industry in Scotland. In answering your question, I can advise members of an on-going initiative in the development of tourism. I am sure that members will have heard about Scottish Enterprise's cluster approach to various key economic sectors. Some of my colleagues may provide a different, more technical definition, but mine is this: rather than our dealing with tourism in Edinburgh and the Trossachs as different issues, the cluster approach is an examination of how an industry functions across Scotland and how it could function better. The concept of the cluster approach is to look at things in the round.

Highlands and Islands Enterprise, Scottish Enterprise and the Scottish Tourist Board are

developing a cluster action plan for tourism in Scotland. A steering group that comprises representatives of those bodies and of the trade sector is responsible for that work. I represent Scottish Enterprise on the group, which is led by Tom Buncle of the Scottish Tourist Board. We are examining the Scottish tourism product in the round. Over the next six to nine months we will develop an action plan, which those bodies will review and which will inform future decisions about investment and support.

11:00

I suspect that the overarching structures for tourism will be determined in another place. Suffice it to say that the three bodies are working together at the executive level to examine support for the tourism industry.

The Convener: Thank you. I will ask the clerk to write to you about the mapping exercise.

Ms MacDonald: I am interested in consultancies, in particular public relations consultancies. Although I appreciate that contracts are made public on a six-month rolling programme, I am interested in the tendering for such contracts. You can work out why, given that I have read in the papers this week about Beattie Media's public sector contracts. I would like an assurance that every PR contract for local enterprise companies goes out to competitive tendering. Can you give me such an assurance?

Further to that, were all of the current PR contracts for LEEL awarded after competitive tendering, or is there an employee of Beattie Media working with LEEL who did not have to go through such a process?

Mr Duncan McNeil (Greenock and Inverclyde) (Lab): Convener—

The Convener: Please respond to the question on competitive tendering, Alan—that will keep us on safe ground.

Mr Sim: Each local enterprise company has a threshold—it is determined by company audit committees and is slightly different for each company—below which single-source contracts can be awarded. Such contracts tend not to be numerous or valuable. They are usually designed for the provision of services for two or three days by someone with specific expertise. All contracts above the threshold values are competitively tendered in accordance with practices that are audited regularly by local enterprise audit companies.

Miss Annabel Goldie (West of Scotland) (Con): I was interested in your response to Nick Johnston's question: you said that, unless you were directed otherwise, there were no plans to

redraw the map. Where would that direction come from?

Mr Sim: That is a very good question. I suspect that direction would come from the Parliament. The minister would probably direct the chairman of Scottish Enterprise.

Miss Goldie: You do not think that the decision would originate within Scottish Enterprise?

Mr Sim: I am not in a position to answer that. There may be conversations to which I am not privy. The board of Scottish Enterprise may have it in its gift to give that direction, but I am not sure whether that is the case.

The Convener: Could you write us a letter to confirm what the procedure is for changing the map? That would help the committee.

Miss Goldie: I am intrigued at the massive slab of the budget that goes to SEN—I presume that that is Scottish Enterprise national? Network wide gets about 29 per cent. That could equal two or three LEC budgets. What strategic direction is given to how much SEN spends itself before it doles out to the LECs?

Mr Sim: Budget allocations are determined exclusively by the board of Scottish Enterprise. Proposals are made by each of the operating units. There are 13 LECs and an organisation called Scottish Enterprise Operations which does the Locate in Scotland and Scottish Trade International work. That is all in that other spend. Every year, each of the 13 LECs and the national organisation submit forward business plans for consideration by the Scottish Enterprise board, which deliberates on the balance between regions and the balance between spend at the national level—in support of organisations such as Locate in Scotland and Scottish Trade International and various other centrally funded activities—and by individual LECs. That is entirely at the call of the Scottish Enterprise board.

Miss Goldie: I am grateful to you, Alan. Does that lead to any conflict of self-discipline? Who would make a harsh judgment that too much is retained at the centre and not enough distributed to LECs?

Mr Sim: The way in which Scottish Enterprise is now governed—and I will draw the distinction in terms of now as opposed to the way it was before—is one in which LECs are engaged in almost all of the decision-making processes although not to the extent of self-determining what they will get, which is ratified by the board. Sir Ian Wood, chairman of Scottish Enterprise, meets the chairmen of all the LECs immediately before board meetings. He discusses with them the issues of the day, which include national expenditure—what it is going on and how the national programmes

are performing.

The chairmen of LECs have complete insight into the expenditure at the national level. There is complete transparency on that, and free and vigorous debate on whether national programmes represent value for money, are appropriate and relate to business support at a local level.

Allan Wilson: How does the relationship work between the LECs? How are resources allocated between them and what are the criteria for doing so? Is need assessed, as well as relative levels of prevailing unemployment and prospective travel-to-work areas?

I also have a brief question about business start-ups. I notice that the Scottish Enterprise annual report cites a figure of 5,433 new business start-ups. Other interesting statistics were that you had 11,000 visitors to seven personal enterprise shows and that you distributed 24,000 business start-up packs. There is a substantial disparity between the number of business packs that are distributed and actual business start-ups. There will obviously be a disparity between the two, but is it at a level that you would expect? Is every pack that is issued followed up?

Mr Sim: I will start with the easier question, which is the second one. Yes, every business start-up pack that is issued is followed up. We have been doing this exercise for two years, and the percentages that we quote seem to be holding solid. That is indicative of the kind of people who come along. There are other people who may visit two or three personal enterprise shows and then make a decision to start a business in two or three years' time.

We are also aware of many others, and we get statistics on new business start-ups from the banks every quarter. There can be no doubt that some businesses—we cannot say exactly how many—will simply go away with enough information to start and then seek professional advice. We must not lose sight of the fact that we have a whole business community besides the banks providing business start-up support.

We are confident that the personal enterprise show—the key aim of which is to stimulate interest and give access to opportunity and information—serves a very useful purpose. It would be nice if we could get more attribution directly to local enterprise companies, but we believe that, over the longer term, those figures will work through the system. In fact, Sue Baldwin advises me that that detailed evaluation is being undertaken as we speak.

I have had the privilege of attending several Scottish Enterprise board meetings and I have heard no more impassioned debate than on the subject of need versus opportunity. The network

endeavours to serve as both sides of the equation. When local enterprise companies submit their bids, they do so under a number of annual operating plans that are submitted for consideration at the beginning of the funding round. We identify activities against our main strategic objectives, and it is clear which activities require significant spending in the areas of inclusion.

Others, however, may have less pressing inclusion agendas but may have significant opportunities. One need look only at the conurbation of electronics and semiconductor companies that is growing up around Project Alba to see that there are significant opportunities to take a long-term stake in Scotland's future economy by developing and taking advantage of investment.

The need-versus-opportunity debate cannot be resolved on a formulaic basis; we are dealing with issues that are too complex for that. At a local level, local enterprise company boards debate and discuss the balance between need and opportunity in their areas when they make their submissions. At a national level, the Scottish Enterprise board includes passionate advocates for both schools of thought, with representatives of economic development agencies that want to invest only in opportunity and others who believe that the primary investment should service need. That debate is passionate and Sue is responsible for acting as executive, trying to reconcile and resolve the differences between the two sides so that the board can sign off decisions.

Marilyn Livingstone: I know that target setting is important, particularly for small businesses, but I am interested in the soft indicators that underlie target setting, mainly in vocational education and training. I am interested in how targets and indicators relate to the other main players in the area. I am from Fife, so I am well aware of the target setting and mapping that has been going on. People have been looking at other individuals' and other organisations' development plans, and that is crucial. The soft indicators underneath are very important, especially in terms of qualifications.

Alan Sim mentioned bureaucracy, but I want to use the word rigidity. Sometimes, the way in which qualifications are offered to people does not help our efforts to create a healthy economy. I have concerns about the way in which local enterprise companies contribute to the social inclusion agenda. A lot of good work is being in done but, in Fife at least, some £8 million of the budget is allocated to vocational education and training.

I would like to know what contribution that makes. How do we ensure that what we are delivering is what people need? Are we delivering

it to the people who need it most? The rigidity of SVQs being all that is available to 16 to 18-year-olds flies in the face of everything else that we are trying to do with the new deal and with people who come into full-time vocational education and training. However, I am mindful that we are considering only non-advanced education.

11:15

I want to try to prove my point about rigidity and bureaucracy by giving just one example. A 16 to 18-year-old skillseeker, can study only for an SVQ. If they need something different and their tutor, lecturer or personal adviser knows that, it makes no difference—an SVQ is all that will be funded by the Scottish Enterprise network. I am very concerned about that, and so are many of my colleagues. Do not get me wrong; there has been integration of education and training. I have made representations to the enterprise company at a local level, but I am told that unless—

The Convener: Will you ask the witness a question?

Marilyn Livingstone: I am sorry. In my area, there have been pilot schemes to integrate education and training, but it is worrying that a large amount of money that is going into enterprise companies to fund vocational education and training is being used to deliver targets, not to deliver what people need. What, if anything, are the enterprise companies going to do to change that? I am sorry that was such a long question, but this is a complex issue.

The Convener: It was a long question with a sharp point.

Mr Sim: I recognise that it is a very important question with no clean, distinct answer. Before I try to answer, may I clarify one point? You mentioned social inclusion. Social inclusion is not explicitly on SE's agenda—economic inclusion is. Our partners in the local authorities deal with the more social aspects of inclusion. I hope that, jointly, we are in a position to provide a comprehensive package of support, covering both the social and the employment-related aspects, to those areas that require it.

I am very sympathetic to the view that you must not force people into training or force them to get an SVQ or whatever, if that is not what is required to make them job ready. We need job-ready people, not people who have a piece of paper.

Our organisation is required to be accountable and one of our difficulties is measuring our performance. There is no doubt that people like counting things, and counting vocational qualifications is quite an easy thing to do. If I am absolutely honest, I suspect that that is part of the

reason why we focus on such things: we can count outputs and then explain to committees such as this one that, in return for the investment made in us, we have attained this number of outputs, and they are called vocational qualifications.

We will have to work together to decide what meaningful, softer measures should be. It would be inappropriate for someone such as me to be called in front of a body such as this and be held accountable for the spending of public money without being able to say that we had helped to create this, that or the other. We are talking about something very complex. The key issue is how we can develop measures whereby the use of public money in support of people who seek to become job ready can be tracked and measured in a way that stops us having to fall back on using the vocational qualifications measure, which in many instances is singularly inappropriate.

My colleague is engaged professionally in this area and might care to add something to that.

Sue Baldwin (Scottish Enterprise): It might be worth saying that we are currently engaged in training colleagues in the Scottish Executive to find better ways of measuring success, so that we are not measuring training and employability programmes by—as Alan says—a piece of paper showing vocation qualifications. That is looking very promising at the moment. We now have an opportunity to talk about people progressing into sustained employment, which is why we are delivering the programmes in the first place.

We are also examining how to make training provision much more seamless. Again, the focus is on delivering what is best for the individual, rather than a whole series of training programmes. That, too, encourages the development of more appropriate measures for delivering what we are trying to achieve.

Marilyn Livingstone: That was a really honest answer. It is the first one that I have had, and I appreciate that.

My background is in education and training, and I know that it is easy to count qualifications. Will you seriously consider doing what everyone else does and examining the Scottish Qualifications Authority portfolio of approved qualifications at levels 2 and 3? That is what happens in further and higher education and with the new deal. Professionals and the work place should be left to decide what is best for individual young people. Some people are not job ready and they need an education as well as a training input. On behalf of the people out there whom we are short changing, I ask you to consider that urgently. It is too easy to count VQs.

The Convener: It would be much appreciated if

we could have a note on the discussions with the Scottish Executive that Sue mentioned, to give us some idea of what is being proposed. This gets to the heart of one aspect of our remit—the synergy between local enterprise companies and further education colleges in relation to the provision of post-school vocational education.

Does anyone want to follow up on the point that Marilyn raised, or shall we move on?

Mr McNeil: I will try to be brief, principally because Alan and Annabel raised the issue that interests me—budget allocation. I do not know how open and transparent the budget is, but I am interested to know why Renfrewshire receives only 5 per cent of it. Is that a reflection on the negotiating skills of Renfrewshire's representatives—what they asked for and the quality of the bid that they put in—or does it reflect their clout within the network?

Away from the centres of influence, such as Edinburgh and Glasgow, the budget appears to fragment and the money allocated to diminish—more than 60 per cent is shared between five areas. I am interested in how much more open the process could be and how we might influence it. Why did Renfrewshire's representatives bid for such a small amount of the money and why are they not better negotiators?

Mr Sim: The folks from Renfrewshire who made the bid showed no lack of passion or skill, although Mr McNeill's analysis of the outcome may lead him to believe otherwise. Members should be aware of how the budget split matches up with the population split. As is obvious, the large centres of population take proportionately larger chunks of the expenditure, particularly as a high percentage of the budget is allocated to training, which has to do with numbers of people.

I will happily share with the committee the comparison between the budget split and share of population, if the convener wishes me to. That will make clear that Renfrewshire is not disadvantaged to the extent that Mr McNeill suggests.

As always with such figures, a health warning needs to be attached. Included in the figures are what we call major national projects. They are projects that will last for one or two years. I am certain that in a year or two, Renfrewshire will propose projects that will be deemed to be major national projects which, for the period of time that they are live, will distort the figures in favour of Renfrewshire.

A couple of years ago, because of the construction of the Hyundai plant, the Fife allocation was apparently distorted in Fife's favour. That dynamic happens year on year.

The Convener: That is an unfortunate example.

Mr Sim: Currently, we have major projects in the east and west of Scotland. They tend to move around, depending on need and opportunity. Within the figures are large chunks of money that can distort the year-on-year figure. I ask members to examine the underlying base lines minus those distortions: we can help to provide that information.

The Convener: There is a point that we have not got to the nub of: which information that comes to this table needs to be discussed? I am sorry to ask you for another piece of paper, but we would like to hear more about how the process of distributing resources operates. I appreciate the point that you made concerning big projects, but there seems to be a lot of explaining required, which I am not sure a one-off discussion this morning can address. Would that be helpful?

Allan Wilson: Can we have the per capita distribution of resources, so that we have something to compare with the actual distribution?

Mr Sim: We would be pleased to submit that information. By way of information, this is a complex issue and we are continually evolving how we do it: it is not a science. This year will, in essence, be a hybrid year because we are in transition. We are asking local enterprise companies not to bid for money but to say—I hate to return to the famous SVQs—"Next year we wish to create 3,000 level 3 vocational qualifications in our area. We wish to bring back into use x hectares of derelict, contaminated land. We wish to create so-many hundred new start-up small businesses."

We are encouraging local enterprise companies to bid for what they think their regions need. We will allocate funds after examining how that need can be accommodated, rather than have LECs bidding for big-buck budgets. It may be more appropriate for LECs to have more money for a particular area of need than simply to have a bigger budget. We are trying to move the conversation to one of outputs rather than inputs, with money being the input.

The important point is the outputs that are achieved with the money, not the money itself because, for example, some of the large capital projects that are important at a Scotland level do not have hugely significant impacts in the local areas in which the money is being spent. We are trying to move the discussion to one of considering what the LECs wish to achieve for their communities in terms of outputs, and then allocating appropriate resources to those activities, rather than simply focusing on all LECs chasing a large budget.

The Convener: Does not that process involve also the local enterprise companies having a good

look at their own organisation and determining whether they are output focused and have objectives, such as the transformation of x hectares of contaminated land? Some aims of the LECs may be habitual. They may say, "We have that facet of our organisation in year one, so we will have it in year two." Does not that view require to be challenged as well?

Mr Sim: You have hit on something that is topical and appropriate: it does need challenging. Almost without exception, LEC boards are challenging their executives, particularly in light of the strategy that we are now working to, which I remind members is a new strategy that was introduced at the beginning of this year. Potentially, it changes the focus quite a bit, with regard to what Scottish Enterprise and the LECs do. It requires new skills and new people, and that debate is on-going with regard to the appropriateness of our organisations to deliver the new agenda, as opposed to the agenda that the network started with eight years ago.

11:30

George Lyon: In some ways, the convener has highlighted one of the issues that I wanted to ask about, which is the targets and benchmarks that are being set. We talk about businesses created, jobs retained and jobs created, but often risk is not taken into consideration.

One of the issues raised when Crawford Beveridge was here was that in Scotland we lag behind in the willingness to go into business, to take risk and to create new enterprise compared with, for example, the United States. How much does the meeting of the targets that we have put in place—so that it is easy for a chairman of an enterprise company to say, "We did X, Y and Z"—preclude him from going for projects with a greater risk and therefore a greater chance of failure, which will not make his performance look good? Do you take riskier projects head on at Scottish Enterprise, rather than at individual company level?

The second question is again about the relationship between Scottish Enterprise and its 13 LECs. What are the sanctions in the contracts if an enterprise company is not performing? Can the Scottish Enterprise board say, "This is an unacceptable performance and how will you improve it?" given that the company must apply for the contract every year?

We have talked about business start-ups. What are the measurements to judge the success of such businesses? It is all very well to start up 5,300 businesses, but we must know how many last for more than 12 months. Businesses often run into trouble after the initial 12-month period,

especially if they start to expand and lack of capital becomes an issue, and they need extra help in the second or third year to get them on their feet. How much work is done in that area, and how many measurements are taken to show how successful the businesses are, in that they are in existence in two or three years' time?

The Convener: When you answer George's second question, will you tell us how the Scottish Enterprise network has demanded higher performance by individual local enterprise companies over the eight years of the history of the organisation? What sanction has been employed, in extremis, when that performance has not been delivered?

Elaine Thomson (Aberdeen North) (Lab): Is there any difference in business survival rates between businesses that you have assisted and these that you have not helped?

The Convener: That is a triumvirate of questions.

Mr Sim: The first question was about risk. I think that the question was where the network takes risk: is it at LEC level or is it nationally? The answer is that it should be at both levels. We seek to encourage the taking of risk, because that is where many of the big prizes are. I offer as an example the much discussed Project Alba, which I am sure members will have heard about. That was a high-risk project to secure investments from foreign direct investors in a sophisticated area of system-on-a-chip development work, which was done jointly between Scottish Enterprise, four of Scotland's universities and the then Scottish Office.

At local level, anecdotally, there are numerous projects. Tourism was mentioned earlier—the network has supported financially a large number of risky tourism projects. By risky, I mean that when we build a visitor attraction such as Our Dynamic Earth, there is no guarantee that X thousand people will visit it per annum. The network is in risk-taking mode. There is a discussion to be had about whether there should be more risk taking, or whether we are so bureaucratically constrained by the public accountability issues of a public body, such as we are, that it makes us risk averse.

That might be something for the board of Scottish Enterprise, the Executive and the committee to consider. If a country has a culture of openness and accountability and counts expenditure of public money against outputs, there is a tendency to create a risk-averse culture. My organisation has an internal ethos that strives not to be risk averse; we have several successful projects which, although they now look like good investments, were substantial risks when they

were started.

I cannot answer the convener's question about the sanctions that Scottish Enterprise has taken against non-performing local enterprise companies in the past eight years, as I have been involved for fewer than four years. The ultimate sanction that Scottish Enterprise has is not to renew the company's contract, which must be renewed annually. What happens then has not been tested—obviously, the community would still require the provision of services. Would another LEC be asked to undertake that work? Would a separate organisation be asked to bid for it?

The Convener: That is an unlikely scenario. The point that members are driving at is that that is an unrealistic sanction, so it acts as neither carrot nor stick.

Mr Sim: At a pragmatic level, you are correct. At a working level, the key mechanisms are down to relationships and reporting. As local difficulties arise, the chairman of Scottish Enterprise is active in meeting the chair and the boards of those organisations. The chairman of Scottish Enterprise has the right to approve the appointments of LEC chairs and chief executives. It is at that level of influence that difficulties will be resolved.

In a significant number of minor instances, the relationship between the chairman of Scottish Enterprise and the chairman of the local enterprise company has helped to resolve local difficulties. It would not be appropriate for me to give specific examples in a public forum, but the mechanism works effectively.

Ms MacDonald: I do not agree that this is not the appropriate forum to discuss changes to the personnel or management of a local enterprise company. When I asked a question in the chamber about a change in management that had taken place in Fife, I was told that it was not appropriate for me to ask the minister, and now you are telling me that we cannot talk about it here. How do I find out about that?

Mr Sim: In Fife, the chief executive resigned. The other matters, in terms of the day-to-day regulation of a business, are for the board of Scottish Enterprise, unless they are matters of public accountability, in which case I am sure that the Parliament will learn of them. We are an open and accountable organisation that is externally audited. On-going operational matters are reviewed regularly, just as they are in any organisation.

The Convener: Will you say more about business start-ups?

Mr Sim: A key point is that business start-ups are related to survivability. We monitor survivability on an on-going basis, first after 18 months and

again after three years. We are studying whether businesses that are assisted by organisations such as ours have better three-year survivability than start-ups that go down a wholly commercial route. We do not have that information yet, but we are identifying trends.

The Convener: When is that likely to be concluded?

Mr Sim: In November.

Dr Elaine Murray (Dumfries) (Lab): I have three brief questions, the first of which relates to accountability. Mr Sim outlined how the LEC board members are appointed; he stressed that they are unitary rather than representative and that members of local authorities on those boards are there as individuals rather than as members of local authorities. Mr Sim has said quite a bit about the accountability of LECs to him, but will he comment on the accountability of LECs to their local communities?

My second point is about the customer survey. Were only businesses surveyed, or were others involved with the LECs—for example, those who have lost their jobs and are in retraining for employment elsewhere—also surveyed?

I would like to ask about the network's identified weaknesses and the claim that LECs do not help all companies equally. How does Mr Sim respond to comments made to me that the LECs are interested in inward investment and crisis management when companies fold and that they are interested in starting up new businesses, but that they are perceived to be less concerned with supporting existing businesses and helping them to expand?

Mr Sim: Nothing prescriptive is laid down to cover accountability of LECs to local communities, but I think that I am safe in saying that every LEC has at least one public meeting a year. Most LECs run some form of public session for discussion of their performance on particular business issues.

Some LECs have membership schemes that are open to individuals and companies. Members have access to a much wider range of LEC information than they would otherwise have.

The main vehicle for public accountability outside membership of boards is the public meeting. However, if board membership is properly brought together in accordance with guidelines, it will represent well small, medium and large businesses, the third sector and the local authority in any area.

The mechanism should be self-regulating. We would have some concerns if it were not. All the work in the past two years by all the LECs in developing their own strategy and their contribution to the new national economic

development strategy have been carried out through public consultation. There were focus groups and an enormous Scotland-wide consultation. That work at national level brought all the local work together.

The work at national level is an aggregate of the work at local level. The local enterprise company for which I used to be responsible undertook significant focus group work. The focus groups were representative and included trainees, members of small, medium and large businesses, representatives of third sector organisations and our local authority partners. The survey that we undertook was not only of a small, satisfied group of business customers; it was designed to be as representative as we could make it and included trainees, customers in receipt of support and some randomly selected businesses. Information relating to the selection surveyed is available in the customer survey documentation, in which there is specific analysis of those surveyed.

I cannot read my writing; could you remind me of your last point?

Dr Murray: It was about the criticism levelled by some businesses that the LECs are not giving all businesses the same support.

11:45

Mr Sim: That is another version of the old chestnut, which questions the balance between foreign direct investment and support for indigenous businesses. About 80 per cent of Scottish Enterprise spend goes on the support of existing and indigenous businesses; 20 per cent is spent on attracting new business. It is a complete fallacy that local enterprise companies are not interested in businesses that are already up and running.

Elaine Thomson: Part of my question was asked earlier, but I want to know whether Scottish Enterprise has a strategic goal. We have heard that there is a whole range of training providers—public sector, private sector and all sorts. Does Scottish Enterprise have a role in examining the provision of workplace training in a region in relation to its needs? Which organisation carries out that role if Scottish Enterprise does not?

Mr Sim: We have assumed that role, and work-based learning is near the top of our agenda. In recent publications, co-authored with Highlands and Islands Enterprise, we have brought that issue to the fore. We have a role, but it is not exclusive. It is one of those difficult areas where it is unclear whether there is a lead body with primary responsibility. As far as I am concerned, there is no lead body.

Alongside employers, the Scottish Enterprise

network is taking a role in developing various methodologies. We are providing significant support for work-based learning across Scotland. However, other bodies, such as colleges and local authorities, are also involved in such activities; there is a substantial overlap of involvement.

The Convener: Does the absence of a lead body undermine the effectiveness of the delivery of those services?

Mr Sim: Yes. When many people are engaged in something—for all the right reasons—there will be a tendency to duplicate. I think that everyone involved in work-based training would agree with that.

The Convener: I shall draw this part of the meeting to a close at 12 o'clock; we have time for a few more points.

Mr Johnston: You will be relieved that your ordeal is nearing its end, Alan.

I would like to ask a question about the figures you gave for the distribution of the network budget. Will you expand on the network-wide spend, which amounts to roughly £60 million? If that spend is split among the 13 enterprise companies, they should receive between £4 million and £5 million each. How is that spend allocated to individual enterprise companies?

My second question relates to management and administration charges, which seem to vary widely, from 10 per cent up to 16 per cent. The smaller enterprise companies spend a lot more of their budgets on management and administration. Are they being over-managed? Is there any scope for merging them? That goes back to Duncan McNeil's point about the difference between the budgets of different LECs—if an enterprise company receives 2 per cent of the overall budget, is it a viable company?

Mr Sim: I would like to answer the last question first.

There is no doubt that critical mass is an issue for smaller local enterprise companies and that there is a minimum establishment that is required to run the business, which can be diluted for the larger local enterprise companies. It is the old argument about whether small organisations are more effective than larger organisations, which is particularly the case when one has the burden of reporting, as we have. It does not matter whether one is talking about Glasgow Development Agency or Moray Badenoch and Strathspey Enterprise; statutory returns still have to be completed, to allow Scottish Enterprise to assemble the information to share with those who have reason to ask for it.

Smaller local enterprise companies have a larger percentage of spend engaged in simply

running the business—answering the telephone and so on. Whether one could make more effective use of the money by merging local enterprise companies is a much more complex issue. If the name of the game were simply to be the most efficient, one would not do it the way in which it is done at present. The way in which communities are serviced in the present structure is probably far more important than simply running the organisations at the absolute minimum cost. If it were done in that way, there might be less provision in some of the remoter parts of Scotland.

The Convener: Is not there another way of looking at that? I would need a bit of persuasion to say to large parts of rural Scotland, "You can have your one big enterprise company." Is there always a need for all those functions to be carried out at local level? This is the nub of a key structural factor about the status of local enterprise companies. To deliver the local character that flows from Scottish Enterprise's customer survey, do they need to be limited companies with all the—quite legitimate—reporting constraints? Would not they be more effectively and locally focused if the books were done by a central accounting team, for example?

Mr Sim: You raise a good point, which we are seeking to address. We are putting in place a common chart of accounts for all local enterprise companies, which will allow us to move towards a system that is much closer to the model that you describe. Because they are independent limited companies, each with responsibilities under the Companies Act 1985, the local enterprise companies account for themselves in whatever way their boards determine is appropriate. However, the common chart of accounts, which is a major project, will use technology to remove as much of that burden from local enterprise companies as possible. Putting in place a more appropriate system should release some of the administrative overhead costs. However, that begs the question whether all the local enterprise company boards will be satisfied with that; they might require the probity of their own finance director and auditors. As directors of companies, the boards would be irresponsible if they did not give due consideration to that.

On the question about the 15 per cent network-wide spend, I will ask Sue Baldwin whether we have any details on that, as we came prepared to answer questions on local enterprise companies and not on the network as a whole. I do not know whether that information is available.

Sue Baldwin: We can send the details but, for example, the network-wide spend includes approximately £6 million that is managed by the skills directorate in Scottish Enterprise operations, to deal with the follow-through of the new deal

scheme and the new futures fund. Although Scottish Enterprise manages that budget, it is spent at local level. It also includes development of the Scottish university for industry, which is managed at Scottish level, but is delivered locally. Training allowances are also spent locally.

Mr Johnston: It would be helpful to have the detail on the network-wide spend.

The Convener: We will add that to the list.

George Lyon: I want to return to the answer that you gave to my question about risk. It seems to be a fundamental question in the context of the performance of the enterprise network.

You said that you believe that the enterprise network is not averse to taking risks, and that it is willing to take on high-risk projects. You gave the example of Project Alba. You also said that, if either the Scottish Executive or the committee decided that hard targets for public accountability should be put in place, the Scottish Enterprise network could become risk averse. That would be detrimental. Will you explain and expand on that issue? It will be central to some of our future deliberations on the performance of the network, and will influence whether we conclude that changes need to be made.

Mr Sim: I can offer some thoughts on that, but there is no definitive Scottish Enterprise answer to that complex question. In addressing the issue of risk, I shall simply reflect on the differences between an organisation such as this and organisations in the oil and gas sector, in which I have spent most of my working life. If someone in that world engaged in a project that was not successful, at the end of an accounting period it would be clear that there had been a failure, or that the risk had been inappropriate. The organisation would then take whatever measures were appropriate to ensure that that did not happen again. There would be no issue of public accountability.

Organisations in the private sector can and do take risks regularly behind closed doors, and most of their employees do not know the risks that the organisations are taking when they bid for work or attempt to take over other organisations. It is, therefore, far easier to take risks in that environment, as the issue is resolved in private with the organisation's board of directors or with line managers. That encourages the taking of risks. The reward system for the individual in private organisations leads to people being far less risk averse, as their personal rewards result directly from the success of the ventures that they lead. It is a different culture.

A publicly accountable body such as Scottish Enterprise has a completely different set of characteristics. There is the key issue of public

accountability, of counting money in and counting outputs out. Woe betide anyone who hiccups on that road. We would have heard an awful lot more about Project Alba if it had failed—if public funds had been spent in significant measure on a project that had not attracted any industry interest. I suspect that, without any shadow of a doubt—and I am being as honest as I can—such a culture is not one that encourages taking risks to the extent that organisations do in the private sector. Although the private sector model might be considered to be good, in encouraging innovation and risk taking, aspects of the public sector tend to legislate against that model.

The Convener: I shall allow a further three brief questions.

Allan Wilson: Your organisation seems to have accepted responsibility for its lead role in identifying skill shortages, yet it does not seem to accept the consequential responsibility, as the lead organisation, for designing the workplace training that would bring together the social partners to address the gap.

Mr Sim: I did not say that we did not accept that responsibility. I said that we are active in that area, but that others are also active. Were Scottish Enterprise mandated to design such training, we would be delighted to do it. We will do it in any event. What I am saying is that we are not alone in doing that, and that others have it on their agenda. We are quite happy to take responsibility for following through the things that we consider important, but there is overlap with other bodies in that area.

Fergus Ewing: Obviously, risks must be taken in business, and due diligence must be exercised when dealing with any application. I am concerned about the access to capital for business start-ups, especially for people from poorer backgrounds, who have no security. Traditionally, in Scotland, the house is used as a means of security to fund new businesses. At the moment, the access to capital for small business start-ups is not adequate, although we have heard from Crawford Beveridge that there are various schemes.

Do you consider that there is a need for a small business enterprise bank, such as the Federation of Small Businesses has advocated and, if so, do you foresee that the Scottish Enterprise network will be the means of delivering such assistance to meet the Executive's target of creating 100,000 new businesses in Scotland?

12:00

Mr Sim: As Crawford Beveridge has previously said, we are satisfied that there is enough provision to meet need. It can always be proved that demand is never absolutely satisfied;

however, there is not much evidence, other than anecdotal evidence, of a lack of available funding. Whether such funding is available on sufficiently commercially attractive terms is another issue. Although we are satisfied that there are adequate mechanisms for delivering support, certain individuals who seek to start up a business may not find the terms under which that support is offered as attractive as they might wish. We certainly have no specific proposals to do anything as radical as Fergus has suggested, although we would not rule that out in future.

Ms MacDonald: It has been said that this is the era of co-operation, not competition, between the LECs. Mr Sim mentioned getting best value for money by having LECs that spend a much higher percentage of their budget on administration costs tap into some kind of central servicing. However, could we also cut costs by stopping the duplication of consultancy reports?

Mr Sim: Yes, we must do that. We are aware that such duplication happens from time to time.

Ms MacDonald: There is a lot of duplication.

Mr Sim: That is true. Although it sounds trite to talk about knowledge management and the knowledge age, that is the point we have reached. Scottish Enterprise is undertaking major internal work to capture what knowledge we have from the people who work for us and from the reports that we have commissioned and will continue to commission.

We have to bring all that knowledge together in a way that is readily accessible across the network, so that people will not need to duplicate work. In the past, there has been duplication because people have not been aware that information might have been available elsewhere and we must provide tools for them to find that out before they spend money on recommissioning work. That is a high priority for us.

George Lyon: Could we have a briefing on that issue?

The Convener: Certainly.

George Lyon: Perhaps we could have a written briefing instead of a presentation.

Mr Sim: We have a paper detailing our knowledge web project that I could circulate to members.

The Convener: I want to draw this part of our meeting to a close by thanking Alan and his colleagues for coming today and for so fully answering our questions. Alan, do you have any other comments before I wind up?

Mr Sim: Thank you very much for the opportunity to address some constructive questions. Perhaps had we wanted to run Scottish

Enterprise in the most effective and easiest way, the organisation would have been designed differently. However, we have a lot of strengths. We have 200 LEC board members who give freely of their time and who actively participate in determining the economic development needs of their areas. We believe that the efforts that we make to manage LECs within our structures are well worth the return that we receive from the unpaid commitment of those board members. Perhaps perversely, our network is much stronger because it is not necessarily the easiest business machine to operate.

The Convener: Thank you, Alan. The clerks have identified eight items of follow-up information that we want to secure from you. Because of time, I will not go through those items just now, but I will drop you a note that sets out all the points that emerge from the *Official Report* of this meeting. Committee members will receive that information as soon as it is brought to hand. Thank you for participating in our meeting. I am sure that, in the fullness of our inquiry, we will ask you for more information and, possibly, to appear again.

Rating Revaluation

The Convener: Now that the coffee cups have been replenished, I call this meeting to order so that we can pursue the remainder of the agenda. Item 3 is on rating revaluation. Members have expressed an interest in investigating the impact of the rating revaluation on business in Scotland in a single session inquiry. I raised that with the convener of the Local Government Committee, and the conclusions of our discussion are recorded in the paper that is before the committee today.

The paper was formulated over a week ago, and I have since spoken to the Local Government Committee convener again. She has reflected further on the subject, and she is anxious that the investigation should be taken forward by that committee. Input from this committee would be welcome as part of that process. This committee acknowledged, when we first raised the issue, that it was in the province of the Local Government Committee. I now seek your guidance on where we go from here.

Allan Wilson: I was going to suggest that a discussion with the convener of the Local Government Committee might resolve the matter.

The Convener: I am happy to do that, but if anyone is going to investigate this, it must be done *pdq* for the inquiry to be of any value. If the Local Government Committee is going to pursue this inquiry because the subject is in its province, then it must do so swiftly. On Tuesday, I was at a meeting of the conveners' committee and one of

the points that we discussed was hybrid issues such as this, which must be resolved by dialogue between conveners.

Fergus Ewing: I am pleased to hear that the Local Government Committee shares our sense of the subject's importance. Business rates could benefit from the more detailed scrutiny provided by the Parliament and its committees. I think, however, that this committee might be the better forum. As far as businesses in Scotland are concerned, rating revaluation is a business question. From our point of view as part of the system of government, it is a local government issue. We should, however, look at things from the point of view of the people and businesses affected. We have shown the appetite for this investigation and there is interest from all the parties represented on this committee.

If the Local Government Committee considers the impact of rating revaluation, it is essential that, as you said, it should do so very soon and that all of the members of this committee should have the opportunity to participate in the hearing of evidence. I understand from the clerks that there might be complications over scheduling as the Local Government Committee meets at the same time as this committee does, although the Local Government Committee is on a weekly cycle of meetings.

I think that it would be preferable for this committee to hear the matter, given that we have raised it. If that is not to be the case, there are practical problems to be resolved. It would be very bad indeed if members of this committee could not participate in Local Government Committee meetings on rating revaluation, should that be the forum that considers it.

George Lyon: My colleague on the Local Government Committee has told me that it is very keen to take this issue forward. At a meeting of the Liberal Democrat parliamentary group, we discussed the paper that was circulated by the Federation of Small Businesses. We thought that the Local Government Committee should take the issue on board, but that this committee should have input. It was felt that a 45-minute session, which was proposed as one way for us to have input, was not long enough to allow us to do justice to this. If we do this, we need to do it properly.

Allan Wilson: When I suggested that the two conveners discuss this, I was not trying to kick it into the long grass. They should meet with the proviso that they plan and agree a programme of action that would involve the Local Government Committee taking on the immediate inquiry that this committee would otherwise undertake. Hopefully, that inquiry will be held at a time that is convenient for members of this committee. From

discussions with the convener of the Local Government Committee, I understand that that can be achieved.

Miss Goldie: I am slightly concerned that the business imperative has been lost sight of. This is a very pressing matter, which is already a problem for the business community. As Fergus rightly said at our previous meeting, either we do something about this now, or we leave it. I am concerned, frankly, that if there is a bureaucratic exchange between two committees over who does what, the moment will be lost.

I see no reason why the two committees cannot work in tandem. Is there any reason why we should not draw up a provisional schedule, as proposed in this paper, with a view to calling people? If the Local Government Committee then finds that it has too much to do, or whatever the explanation might be, and cannot examine rating revaluation, at least we will not have lost ground.

Mr McNeil: We are getting a bit overexcited. Rating revaluation was fourth on our list of priorities. I see some members shaking their heads, but at our previous meeting only two members spoke in favour of dealing with it as a priority. We decided on other priorities. As rating revaluation is a pressing matter, Allan and others have offered a solution to get it on the agenda. We are dealing with another committee. There is a question about how detailed an examination there can be. I do not know whether the Local Government Committee will have more time to discuss it than the 45 minutes that we would have if we went ahead. Therefore, motives have to be questioned. What can be achieved in 45 minutes? Let us work with the Local Government Committee to get real debate on the issue.

The Convener: Allan's proposal is that I meet with the convener of the Local Government Committee to agree on a programme of inquiry that can be undertaken with input from this committee. If members agree, that is what I will do. I will ensure that the legitimate points that have been raised by external organisations and by committee members will be pursued.

Regional Selective Assistance

The Convener: The fourth item on the agenda is the timetable for the review of regional selective assistance, which has been raised at previous meetings. Paper EL/99/4/3 sets out the time scale for the review of RSA. This is a reserved matter, and the UK Government's final proposals are due to be submitted to Brussels in October.

I suspect that much of the input on the issue has been made and that there is very little that the committee can do to influence those deliberations, other than pursue further information.

Mr Johnston: The second last paragraph mentions tier 3 areas in England and Wales. I want to ask the Executive whether it envisages having similar areas in Scotland where small and medium business would receive assistance.

Allan Wilson: The matter has been looked at in some detail by the European Committee—Margo can confirm that. The Finance Minister was questioned about it. My recollection of that discussion leads me to believe that the questions that we have asked today would be answered in the affirmative. The European Committee will meet Jack McConnell again to discuss the matter, but there is no reason why we should not pursue the matter with the Executive.

12:15

Ms MacDonald: It was a nudge-nudge, wink-wink sort of thing, but I think that Allan is right.

The Convener: "Nudge-nudge, wink-wink"? Thank you, Margo. The European Committee is obviously the place to be.

European Structural Funds

The Convener: The European Committee has referred the matter of the Scottish operational plan for objective 3 funding to this committee for its views. That paper—it is more than a paper, it is a tome—has been circulated to committee members.

The issue is likely to come back to the European Committee on 19 October and I suspect that, as Allan and Margo are members of the European Committee, members should make their comments directly to them.

Allan Wilson: The European Committee had a long discussion about this matter yesterday. A number of important issues were raised on which consensus was reached. At some point, I will report back to this committee on the matter because of the correlation between structural funds and economic development.

The European Committee discussed developing a rapporteur system. It was stated that each committee could develop its own means of reporting. We might want to consider a system whereby Margo and I could report back to this committee about matters of joint interest and perform the same function in the European Committee. That would not interfere with members' rights to attend both committees, but it would formalise the process.

Ms MacDonald: A witness who came before the European Committee spoke about the structural fund and mentioned many areas that were relevant to what we were talking about yesterday.

The Convener: To protect Allan and Margo, committee members should make their comments to the clerk, who will compile them and pass them on.

Highlands and Islands (Visit)

The Convener: The next item is the committee's visit to the Highlands and Islands.

The committee heard from many organisations in August about issues of priority for our remit. We decided not to talk to representatives from the Highlands and Islands at that time as we thought that it would be inappropriate to summon them to the central belt. We decided that the committee, which has responsibility for economic development in the Highlands and Islands, the University of the Highlands and Islands and the Gaelic language should spend some time consulting in the area.

The proposed date for that visit is Wednesday 20 October, which is in the second week of the recess. The conveners committee has approved the visit on the basis that the official report and the other facilities of the committee will be present, and that a formal hearing will be conducted in Inverness.

In the light of that, I propose to undertake a part of our inquiry—effectively the equivalent of what we have done this morning with Alan Sim—with Alan Sim's counterparts from Highlands and Islands Enterprise. It will be interesting to hear whether there are different approaches to the issues of local enterprise company relationships and their practices in the Highlands and Islands. The meeting will not be an exercise simply in gathering information—to which some of our time has been allocated—but will be part of our formal inquiry.

Our proposal is that the working day should start at 10 o'clock on 20 October. Because of the distance that some members will have to travel to get to Inverness, I imagine that we will have to stay overnight, to guarantee that we will be able to have a decent crack at the business that is involved.

George Lyon: Are there any other organisations that you propose to invite?

The Convener: Yes. We intend to hear evidence from Highlands and Islands Enterprise, representatives of the University of the Highlands and Islands, and Comunn na Gaidhlig. Although we have not reached a decision on it yet, we also hope to visit a facility in the Inverness area that has some relation to the remit of the committee—whether in the field of lifelong learning or in the enterprise environment. We are anxious to do that.

George Lyon: Would it be worthwhile asking

one or two of the local enterprise company chairmen or chief executives to come along, to give us the Orkney, Shetland or Western Isles perspective? In Highlands and Islands Enterprise, spending limits and the way in which decisions are taken on projects over a certain limit are different from their equivalents in Scottish Enterprise. There may be some value in exploring such issues with the outlying local enterprise companies. Some of their agendas may even be totally different from the central one of Highlands and Islands Enterprise.

Elaine Thomson: This will be the first time that we have met any of the organisations from the Highlands and Islands. I think that the day should be split up into a part at which the official report is present and a part that is more like an informal briefing. Most organisations have had an opportunity to speak to this committee informally, but none of the organisations in the Highlands and Islands has. I wonder whether there would be any value in dividing the day, so that one part is official—as part of the inquiry that we have undertaken—and one part is simply an informal briefing.

The Convener: Okay. Any other points?

Mr Johnston: Is it envisaged that the clerks will make the arrangements for the booking of hotels and things for us? Will we all go up together and stay in the same hotel? I am thinking of what Elaine said.

Elaine Thomson: I can travel to Inverness in the morning.

Mr Johnston: There could be an opportunity for some of us to meet some of the organisations informally the night before.

The Convener: Any other comments?

Fergus Ewing: I would not recommend that members travel up in the morning if they plan to travel back on the same day. If we are in Inverness the evening before—I would have thought that that would be advisable—would it be possible to meet some people informally at about 8 o'clock? That would address the point that Elaine raised about having an informal chat. Over the years, many useful informal chats have been held at 8 o'clock or later in the Highlands.

George Lyon: To be clear, is Fergus Ewing proposing that we stay overnight before the meeting and then go home when the meeting finishes?

The Convener: Are there any other points before I respond to that?

Dr Murray: Will there be an opportunity to talk to someone from the University of the Highlands and Islands while we are there?

The Convener: The overnight stay will be on the night before the meeting, because we plan to finish in good time on 20 October to let people get away in the evening.

We intend to see representatives of UHL. I welcome George's suggestion of inviting the chair and/or chief executive of a local enterprise company. We will try to incorporate it into the programme so that we can both carry out a reasonable amount of the formal part of our inquiry and receive some more general briefing.

On the subject of whether the meeting should be formal or informal, we made a proposal to the conveners committee that it should be an informal information gathering exercise. It decided that—as we are the first committee to go outside Edinburgh—we should conduct our business formally, with all facilities provided and the official report present, so that the people we meet know that we are taking the meeting very seriously.

I am not sure of the answer to Nick's point, but the clerks will confirm the logistical arrangements and the contents of the agenda within the next few days.

Allan Wilson: Can you confirm that the formal/informal part of the proceedings will be confined to the Wednesday?

The Convener: I feel constrained by the decision of the conveners committee to say that the whole of 20 October will be a formal hearing with the official report present. If we have other informal discussions the evening before, perhaps it would be better if they are not recorded—certainly if the discussions that took place in Inverness after 8 o'clock last week are anything to go by. [*Laughter.*] But I will be in touch with you about the final details.

Youth Enterprise Challenge

The Convener: The Presiding Officer has referred a proposal to the committee that we should invite the successful team in the challenge to join us for coffee before the next meeting in Edinburgh on 27 October.

George Lyon: I was one of the judges and some excellent projects were put before us. I wondered whether we could extend our invitation to include the second-prize winners.

The Convener: Excellent projects—and from Mr Lyon's constituency, unsurprisingly.

Ms MacDonald: Why are we not able to finance their visit?

Simon Watkins (Committee Clerk): There is no provision for that.

Ms MacDonald: That is real cheapskate stuff. If

George Lyon endorses a project and this committee then invites the winners to come here but does not pay for the bus, that is terrible.

The Convener: Well, there is no provision for that, but we are happy to accept the proposal to invite the winners and to accept George's point as well.

Thank you all for your contributions.

Meeting closed at 12:28.

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