

# New Deal for Business Group Report on progress and recommendations

June 2023

# New Deal for Business Group

## Report on progress and recommendations

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## 1. Forewords by Co-Chairs

### Cabinet Secretary for Wellbeing Economy, Fair Work and Energy, Neil Gray MSP, Co-Chair of the New Deal for Business Group



A strong partnership between government and business is essential if we are to deliver an economy that is fair, green and growing. Our ambition is for Scotland to be the best place to do business. Scotland will only be a successful nation if our businesses are successful and support our contribution to achieving a Wellbeing Economy.

This vision for a Wellbeing Economy where business and trade can thrive while caring for people and planet was set out by the First Minister in his Policy Prospectus just a few months ago and is at the heart of the *National Strategy for Economic Transformation*. In order to achieve this, all sectors must work together.

The New Deal for Business Group was set up to explore how we can work more closely with Scottish businesses, to better design policy and its implementation.

The group was deliberately intended to be a short-term project, but with longer-term consequences. In the six weeks that we have been working together, members in their sub-groups have drawn on their experience, expertise and knowledge to deliver a set of practical recommendations that have the potential to make a positive difference. Experience tells us that we need to prioritise what we deliver and follow through on that. So we have identified those recommendations where early progress is critical.

Implementing actions arising from these recommendations will require a change in approach to policy development within the Scottish Government, a renewed commitment to partnership working between government and business, and a continued dialogue.

Looking ahead, the report has been submitted to the First Minister for his endorsement and we are working on an implementation plan to maintain the pace of this work.

I firmly believe that if we can get this right we can not only create the conditions to support our businesses to achieve their ambitions, we can also make more effective progress on issues like tackling child poverty and delivering a Just Transition to Net Zero.

We also now have the foundations in place for a more fruitful and meaningful relationship with our business community and I'm looking forward to seeing how much we can achieve through a collective effort to reach our full economic potential.

## Dr Poonam Malik, Head of Investments, University of Strathclyde, Co-Chair of the New Deal for Business Group



The New Deal for Business Group has been set up at a time when business is operating in tough times – coming to terms with the impact of Brexit, recovery from the Covid pandemic, rising inflation, the cost of living crisis and the continued conflict in Ukraine. The need to ensure business, industry, academia and government have strong, constructive relationships is a timely and urgent one. As we aim to move out of the challenging economic landscape of the last few years, it is critical that we build forward together and have a trusting, meaningful relationship, focussing on the priorities to meet our common goals.

The aim of the Group is to reset and reframe the relationship between businesses, industry and government while moving forward towards a Wellbeing Economy. We can only achieve that by engaging better, more effectively and efficiently, while firmly keeping focus on our people being at the centre of all of our strategies and plans across private, public, academic and third sectors.

In the six weeks that we have been working together, I have been impressed by members' desire for change and a positive mindset to really make this initiative work. Growing trust, building a stronger partnering relationship to scale our economy and allow our businesses to thrive with purpose via diversity of all kinds and inclusion of our people has been the central focus of conversation. There is a recognition that we need to keep up the momentum, remain motivated, respectful and action focused.

I see government and business as two foundational pillars that ought to work together towards the same goal – to deliver a healthy and happy future for an equitable, diverse and fair society, with a thriving economy that prioritises the wellbeing of people and planet, with responsible profits driven by purpose-led investments. That is why it is important that we are in sync with each other, to be open, with innovative and creative thinking that will iron out the main challenges, understand and overcome existing barriers to high productivity and growth, and set out recommendations with a short, medium and long-term actionable framework to support successful outcomes.

I believe that these key consolidated recommendations as a guiding thesis go a long way to helping us achieve our shared ambitions. They aim to ensure Scottish Business co-designs with government policies that impact on them and nurture the wellbeing of our society and people globally. I know that deepening the relationship with businesses, actively listening in, innovating entrepreneurially and working in meaningful partnership on common goals, will reap rewards for government and communities for improved socio-economic outcomes and for growing a high growth economy for the nation in the longer term.

I look forward to us continuing to work together and focussing on accountability for the recommendations from this Report as we implement actions for positive changes for a happier, healthier and sustainable thriving society.

## 2. Executive Summary

There are over 360,000<sup>1</sup> enterprises in Scotland sustaining over two million jobs. These businesses, companies both large and small and comprising enterprises within a range of industries with different business models, 99.4% of them Small and Medium Enterprises (SMEs), contribute vital goods and services as well as supporting supply chains and communities across Scotland. A healthy, successful business sector is a foundation of a healthy, successful country.

It is long established that effective engagement between government and businesses of different sectors and sizes will enable positive outcomes in overcoming the broader economic, societal and environmental challenges we face as a nation.

More effective engagement will also allow a greater understanding of the needs and interests of businesses and removal of potential barriers to the success of government policies. This is a key ingredient for ensuring that Scotland is the best place to do business.

Business also understands that there is a role for regulation when for wider societal benefit, that government will require them to do things that they may not choose to do and that may come with a cost. When these situations arise it is even more important to involve them to find ways to deliver the purpose and outcomes desired of the policy in a way that delivers for business and society. Ultimately, better engagement results in better policy implementation, which delivers better outcomes for everyone.

### Structure of the New Deal for Business Group

As part of the [policy prospectus](#) announced by the First Minister on 18 April 2023, the Scottish Government committed to “*engage widely with business leaders to develop and agree a 'New Deal' with the private sector, for how we will work with business to deliver a growing economy that increases wellbeing.*”

The New Deal for Business Group (NDBG) was quickly established to fulfil this commitment. Co-chaired by Dr Poonam Malik, Head of Investments at the University of Strathclyde alongside the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy, Neil Gray MSP, the Group had four key areas of focus linked to economic and public policy. These are:

- Shared awareness of the Economic and Business Environment;
- Developing the Best Environment to do Business;
- Enhanced Partnership Working; and,
- Contribution to a Wellbeing Economy.

Five subgroups sat under the main NDBG, each led by Group members who brought in representatives from the wider business community to provide advice and experience.

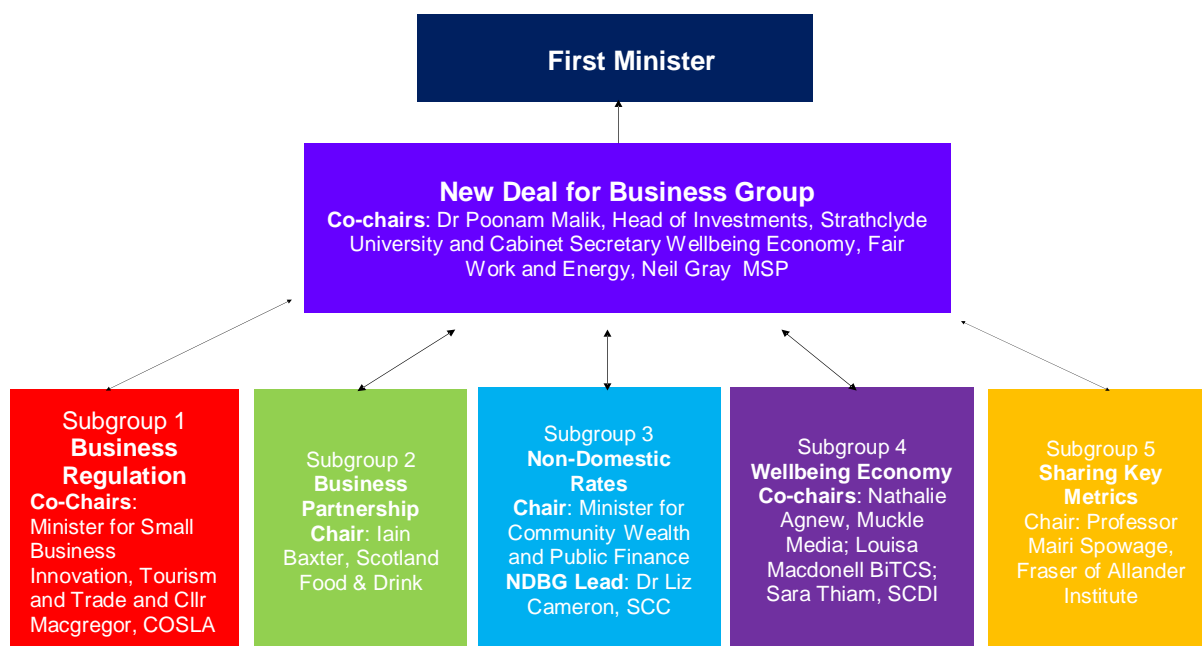
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<sup>1</sup> [Businesses in Scotland: 2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/businesses-in-scotland-2022/pages/1-introduction/)

The Subgroups are:

- Regulatory Review – linked to the Joint Regulatory Task Force chaired by the Minister for Small Business, Innovation and Trade
- Business Partnership
- Non-Domestic Rates – a consultative group linked to the work led by the Minister for Community Wealth and Public Finance
- Wellbeing Economy
- Sharing Key Metrics

Figure 1: Structure of New Deal for Business Group



### New Deal for Business Group Membership<sup>2</sup>

- Cabinet Secretary for Wellbeing Economy, Fair Work and Energy, Neil Gray MSP (Co Chair)
- Dr. Poonam Malik, Head of Investments - Strathclyde University (Co Chair)
- Dr Liz Cameron, Scottish Chambers of Commerce (SCC)
- Sandy Begbie, Scottish Financial Enterprise (SFE)
- Julie Ashworth, Institute of Directors (IoD)
- Sara Thiam, Scottish Council for Development and Industry (SCDI)
- Colin Borland, Federation of Small Businesses (FSB)
- David Lonsdale, Scottish Retail Consortium (SRC)
- Iain Baxter, Scotland Food and Drink (SFD)
- Marc Crothall, Scottish Tourism Alliance (STA)
- Louisa Macdonell, Business in the Community Scotland (BITC)
- Professor Mairi Spowage, Fraser of Allander
- Nathalie Agnew, Muckle Media
- Cllr Gayle Macgregor, Convention of Scottish Local Authorities (COSLA)
- Barry White, Chair of NSET Board

<sup>2</sup> Further information on the group, including notes of the meetings, can be found on the Scottish Government website here: [Business: New Deal for Business Group - gov.scot \(www.gov.scot\)](https://www.gov.scot/business/new-deal-for-business-group).

- Gopalan Rajagopalan, Tata Consultancy Services (TCS) Scotland

## **Main Recommendations**

The sub-groups have each provided reports on their work to the NDBG along with recommendations. These have been considered collectively by the main NDBG and have been sent to the First Minister for his consideration. To ensure that we are able to follow through on our work we will develop an implementation plan covering the recommendations in full.

In order to have the greatest impact we have prioritised those key recommendations that will make the most immediate difference. These are as follows:

1. A new Business and Regulatory Impact Assessment and Toolkit, developed with business, that has a stronger focus on small business and consumers.
2. A return of the Independent Regulatory Review Group (chaired by Professor Russel Griggs) which will work with industry and government on a renewed remit to advise Ministers.
3. A full and deep dive into the Scottish Government policy development cycle to reinforce the need for and capability to undertake effective engagement at all stages wherever possible – including pre-policy – particularly when regulation is a potential outcome.
4. Systematic mapping of current engagement with business by policy areas across Scottish Government to properly capture a wide range of business voices in the development of particular policies.
5. Keep all Non-Domestic Rates policy reforms under review to ensure that the Non-Domestic Rates system delivers the most competitive environment to do business whilst also supporting our communities.
6. Review the design of the administrative and digital processes of the Non-Domestic Rates system to ensure a more productive and efficient environment for all.
7. Early work should be taken forward between business and government on labour market participation, with a focus on supporting parents and carers into work, and on the skills and support businesses need to transition to Net Zero.
8. Scottish Government, businesses and others should work together to create a simple description of what the Wellbeing Economy is and how business can contribute. This should build on the work of the Business Purpose Commission and include metrics to measure the impact of business actions on the economy, workforce, community, society and environment.
9. Share and use data on the type of support businesses are searching for to help government understand business needs.



10. Review and share information on key sectors and market opportunities, building on the work in NSET on new market opportunities.

## **Next Steps**

The membership and frequency of the group will be reviewed further as we move to implementation phase but there is an expectation that this group could continue in some form for up to 18 months to oversee efficient implementation. While this group is of course only part of our engagement with business, which needs to be wider and broader across Government, the leadership of this group will ensure accountability for effective delivery of the recommendations. This will be essential to yield the changes we need to deliver successful outcomes, that is business growth leading to Wellbeing Economy transformation.

To ensure that the Group's work realises its full potential, it is vital that these critical recommendations are adopted in full and followed through with achievable and impactful implementation plans. These will include short-term, medium-term and long-term actions that wherever possible are specific, measurable, achievable, realisable and time-bound (SMART). We will develop those over the summer. We will need to prioritise what we do and when we do it to maintain focus and maximise our collective resources.

The Group has identified the key outcomes we seek to achieve and the recommendations that are most important in delivering those. These will be integral to delivery plans alongside other supporting actions. We will also need to keep our progress under constant review. That means: ensuring progress on delivery of actions is monitored; reviewing to make sure that what we are doing is having the desired impact; and, maintaining effective dialogue between business and government. While it is vital we make early progress and deliver on the critical recommendations set out, this is a longer shared journey, and the steps taken here will make us better able to evolve and adapt our plans together for all our benefit. That shared approach is consistent with the Culture of Delivery set out in the [National Strategy for Economic Transformation](#).

### 3. Subgroup One: Business Regulation

#### Overview

The Joint Business Regulation Taskforce was established in December 2022 following the Emergency Budget Statement in response to the cost crisis, on 2 November, where the former Deputy First Minister committed to “*establishing a Taskforce with COSLA, local authorities, our regulatory agencies and business to consider the differing impacts of regulation on business and drive early progress on the commitment made in the National Strategy for Economic Transformation to review and improve the process of developing, implementing and reviewing regulation to meet our economic and societal aims for the longer term.*”

The Taskforce met for the second time in February this year and following the changes at Ministerial level, the group was chosen to become the sub-group of the New Deal for Business Group, focussing on regulations, with an objective to identify recommendations to improve the way we as a government develop and implement policy proposals which have an impact on business and how business engages with that process.

The purpose of the Taskforce, now sub-group, is to provide a forum to discuss and where possible take action, on concerns raised by businesses, regulators and other stakeholders. The ongoing cost crisis highlighted the cumulative impact of not only increased costs generally, but also the resource required to understand, plan and invest to comply with the range of regulations in development, both at UK and devolved level. This is especially difficult for small and micro businesses.

The Scottish Government made a commitment in the NSET to review and improve our process of developing, implementing and reviewing devolved regulation to meet our economic, environmental and societal aims for the longer term, while also supporting our international commitments. This work will help us meet that commitment.

#### Issues considered

- Discussing specific issues with specific regulations and ensuring these concerns are being fed back to relevant officials for consideration. Issues discussed include the need for policy leads to find out what businesses are doing already to address the issues and if they could voluntarily do more, before moving straight to regulation;
- Ensuring the cumulative impact of devolved regulation on businesses is understood by Ministers and officials by developing a “matrix” of upcoming regulations, with a commitment to continually updating this tool and making it available to business and regulatory stakeholders;
- Reviewing, improving and strengthening the guidance and templates for Business and Regulatory Impact Assessments (BRIAs), with a particular focus on early engagement and co-design where possible;
- Agreeing the terms of reference, remit and priorities for a reconstituted Regulatory Review Group;

- Working with local government to ensure officials are cognisant of the challenge of resourcing compliance, support and enforcement and the need for early identification and engagement with regulators tasked with this role;
- Identifying regulations currently in development as a test of the new processes we want to develop;
- Developing a Best Practice Policy Cycle which highlights the key steps officials should take when developing policy options with an impact on business, including BRIAs and the Regulatory Reviews Group, to provide better system design, strategic overview and tighter governance of policy development with an impact on business.

## Recommendations

### Short-term recommendations (6 months)

#### Policy Development Process

1. Scottish Government teams should provide clarity on the policy objective and supporting evidence, to provide the context for why we need to take action.
2. If business is identified as impacted by or can help meet the objective, early engagement must take place to understand what sectors are doing already. These could be direct via roundtables, discussion papers, via existing sector groups etc.
3. Officials need training and support to engage. We talk about engaging earlier and improving data but not necessarily how it's done. Continuing Professional Development (CPD) for officials in this and to be more radical in how we traditionally go about standard policy engagement should be considered.
4. Small businesses especially are time poor so this must be considered to enable businesses of all sizes to engage in proposal development.
5. Note that there are some specific exclusions to this e.g. public health policy in relation to tobacco. However, it should be clear what the basis is for any exclusion.
6. Officials should look at regulatory policy initiatives underway or proposed in other devolved administrations and at UKG level, and consider alignment where this will have an impact on businesses operating across the UK.
7. Voluntary action, codes of practice and standards and other forms of voluntary self-regulation from sectors should be explored before regulation. This must be balanced with policy intent, risk of harm and consideration of the availability of data to monitor self-compliance. Voluntary regulation should be considered in line with the good practice in the [SRC's Framework for Government Sponsored Voluntary Regulation](#)
8. Appropriate consideration of possible unintended consequences for any new proposals.
9. Early engagement with UKG and devolved administrations on proposed activity which will include Internal Market Act considerations.
10. In the course of any engagement with business about developing new policy proposals, we should be clear on what wider action is being undertaken by the public sector alongside any requirement on businesses.
11. There should be a presumption that Government will take ownership of policy measures which impact on consumers (as was the case with the single-use carrier bag and minimum unit pricing of alcohol).

## Business and Regulatory Impact Assessments (BRIAs)

12. BRIAs should be started at the earliest point of the policy development process.
13. Policy teams completing BRIAs should explicitly set out:
  - Who will be responsible for complying with requirements
  - Relevant delivery bodies and their roles
  - Enforcement bodies and enforcement expectations
14. Partial BRIAs should be published with **every** consultation which has an impact on business. It should be clear how the responses to the consultation exercise will be used to update and improve the BRIA.
15. The impact on consumers should be given more prominence given the cost crisis we are currently experiencing.
16. Better data should be sought from sectors that may be impacted.
17. The Scottish Government should not lose sight of valuable work from previous years, revisiting reviews which have been undertaken prior to the pandemic, and the recommendations and actions which came from those, particularly around regulatory enforcement.

## Governance

18. There should be a formal escalation route to the Cabinet Secretary for the Wellbeing Economy, Fair Work and Energy on issues businesses have concerns about but aren't getting any traction through direct engagement. This will allow the Cabinet Secretary and Ministers to articulate business concerns with Ministerial colleagues – supported by parallel processes between officials.
19. The Regulatory Review Group, previously chaired by Professor Russel Griggs, should be reinstated and reinvigorated, as the main forum for working through the detailed impact of implementation of regulations.
20. Other areas of the Scottish Government consider that a policy proposal does not require completion of a BRIA should require input from Economic Policy leads before sign-off. The role of Cabinet Secretary Economy (or equivalent) in terms of all BRIAs that impact on business should be considered to ensure Economic Ministers and officials have sight of work early in development to support Business engagement.
21. There should be a lessons-learned process to ensure issues that have arisen with recent regulations are addressed for future regulation development.
22. Co-develop a Regulatory 'vision statement' – what will good look like? – building on the framework set out in the Regulatory Reform (Scotland) Act 2014 and taking account of subsequent action, particularly including lessons learned from the Covid-19 pandemic response.

## Communication

23. To ensure that clear expected implementation timescales are in place for all proposed regulations, alongside clear communication and guidance for businesses and regulators alike. We must utilise lessons-learned from Covid on the need for clear accessible communications via [findbusinesssupport.scot](https://findbusinesssupport.scot), for example. Technology has a fundamental role, alongside making the business support landscape clearer and more

accessible for business. A whole system approach to improvement is required which includes business regulation.

### **Medium-term recommendations (12 months)**

#### **BRIA**

24. There needs to be explicit consideration of the impacts on small businesses as part of the impact assessment process. Consideration should be given to the introduction of a standalone **Small Business Impact Assessment**, as is already employed by administrations in England and Northern Ireland.
25. The BRIA template, toolkit and training should be overhauled to provide officials with the tools and support to engage with businesses effectively, understand impacts, and consider appropriate mitigating action and enforcement.
26. The BRIA section on 'Compliance and Enforcement' should identify prospective regulators and key bodies at the earliest stage, and guidance should set out the engagement required to fully understand the impact of additional enforcement activities on regulators.
27. There should be a Quality Assurance process for BRIAs in development to ensure that partial and full robust BRIAs are published in accordance with the guidance.

#### **Governance**

28. There should be a clear and published Matrix of consultations, bills and regulations in development, continually updated, to provide better strategic oversight of all policy proposals and regulations in development to better assess the cumulative impact on businesses and regulators, and to provide businesses with the information and timescales they need.
29. The recommendations from this work, particularly on cumulative impact, should be considered each year in the development of the Programme for Government.

#### **Communication**

30. Improved, clear communications and updates on regulations with an impact on business to support better understanding across government, parliament and the wider public.

#### **Regulatory Policy Development**

31. The Scottish Government should develop a process for identifying, considering and removing regulations no longer required, driven by active engagement with business.
32. Further work with business should be undertaken to identify 'proactive' regulations which will support business, especially small businesses.
33. A review should be carried out of the provisions in relation to better regulation in the 2014 Act, and the scope for further use of those provisions.
34. Implementation of Primary Authority provisions in the 2014 Act should be considered.

## **Long-term recommendations (18 months)**

### Governance

35. Improved strategic oversight of all Impact Assessments (IAs), including BRIAs, to enable Directors, Directors General and Ministers to assess full impacts across all IAs, understand the unintended consequences, trade-offs and make decisions based on a full understanding of both intersectional and conflicting impacts.
36. Improved monitoring and reviewing of the impact of regulations in place, and revisiting BRIAs to assess how accurate the BRIA forecast was and take action to mitigate impacts.

### Communications

37. More joined up signposting across relevant bodies to provide support and guidance, and communicate additional information.
38. Where regulations require a registration process, actively consider single points of registration/engagement and re-use of existing data and processes.

### Regulatory Policy Development

39. Consideration of common commencement dates each year for devolved regulation so businesses have a single date to work toward for any changes required to their premises, policies or practices.

## **Subgroup membership**

The core membership of the Regulation Taskforce/NDBG Regulation subgroup is listed below with contributions provided through these subgroup members. Additional attendees have been invited/will be invited to the Regulation Taskforce, as required, to contribute to discussions on specific issues or regulations.

- Co-Chair, Minister for Small Business, Innovation and Trade, Richard Lochhead MSP
- Co-Chair, COSLA Spokesperson on Environment and Economy, Cllr Gail Macgregor
- Chair of Regulatory Review Group, Professor Russel Griggs OBE
- NDBG is represented by Colin Borland and Stacey Dingwall, Federation of Small Businesses (FSB)
- Elaine Morrison, Business Support Partnership
- James Fowlie and Fiona Richardson, COSLA
- Maggie Sandison, SOLACE
- David Mackenzie, Chair of SCOTSS
- Brian Lawrie, Chair of SOCOEHS
- Stacey Dingwall, FSB
- Leon Thompson, UK Hospitality Scotland
- Ewan MacDonald-Russell, SRC
- Catherine McWilliam, IoD
- Joe Hind, Food and Drink Scotland
- Paul Togneri, Scottish Beer and Pub Association
- Colin Wilkinson, Scottish Licensed Trade Association

- Marc Crothall, Scottish Tourism Alliance
- Clare Reid, SCDI
- Dr Liz Cameron & Charandeep Singh, Scottish Chambers
- Rob Dickson, Visit Scotland
- David Thomson, Food and Drink Federation
- Jane Wood, Homes for Scotland
- Susan Love, ACCA

## 4. Subgroup Two: Business Partnership

### Overview

The Business Partnership subgroup was tasked with developing a shared agreement and commitment on how Scottish Government will not just communicate, but also work in partnership with business on policy development from the earliest stages to ensure that the cumulative impact of policy on businesses is fully understood and that policy implementation is effective and proportionate.

It will also have a strategic role to play in designing the next phase of implementation for the NDBG workstreams, ensuring recommendations arising from all sub-groups which involve the systems and processes of government are delivered in a consistent and efficient way and that the right people are involved to maximise impact.

### Issues considered

- Perceived issues from business perspective:
  - There is a lack of openness and transparency in the government policy development process that has led to a lack of credibility and trust in the government on the part of business.
  - Data and insight is not used enough in policy making vs political ideology policy creation.
  - Businesses are not involved at an early stage in the policy cycle when they could help form the potential solution to a policy problem.
  - The Government communicates too late so businesses do not get the chance to prepare.
  - There are unintended consequences to business of policy development from those areas in government not in regular engagement with them.
- The focus of the group is on strategic issues. It is a systemic issue we are seeking to resolve around business input to the policy development cycle as well as at the pre-policy step. Open and transparent discussions with business at the outset on the challenges faced by government would offer up potential solutions.
- We have seen cases where the co-design of policy has been successful e.g. A Trading Nation and aspects of the Visitor Levy. However, there were also examples of where businesses are not consulted before policy announcements are made. The cumulative impact on business of the wide and varying policies and regulations imposed were also not always considered. There is also a need to understand/measure the unintended consequences of policies in some areas of government which might not see business as an important stakeholder.



- It is important to hear the voice of business at all stages of the policy cycle to understand policy impacts at the implementation and delivery phases too. The Scottish Government has adopted an outcome-based approach to policy making.
- One way in which businesses will be able to have faith that the Scottish Government is really including them in policy development is where they recognise their input in plans which government then brings forward. There is a perception that consultations are not always meaningful, they only happen when the Scottish Government has already made its decisions. A failure to act on constructive feedback can breed a justifiable cynicism which harms the ongoing relationship and the quality and quantity of consultation responses in future.
- All of this is about much more than communication. It is about a genuine partnership, a two-way street and open loop, co-designing government interventions at every step in the process. Also Planning Preparation before Execution (PPE) is key. Businesses are looking for dialogue, for no surprises and for lead-in times appropriate to the scale of the change being required of them.
- It is also noted that business appreciate continuity and value the relationships with portfolio Ministers who have knowledge of the policy issues.

### Scottish Government Policy Making Approach



*Figure 2 - Scottish Government Policy Making Approach*

- This process is a starting point whilst also recognising that policy making is complex, non-linear and can vary across teams and directorates. For this approach to work, however, we need to ensure stakeholders are engaged at every step.

- In order to develop a high quality functioning relationship with business there are 3 key stages – Engagement, Alignment and Partnership. Here is how business needs those stages to work:

**Engagement** – the conversation between government and business. There is a lot of this already using different forms of communication – but we can always improve. We want this to be a dialogue to enable the SG to listen and build relationships. Communication also means closing the feedback loop and reporting back on decisions taken and their rationale. We also need to be sure that government is talking to the right stakeholders at the right time.

**Alignment** - avoiding unnecessary tension between SG policy and business needs is good for business and good for the government’s ability to meet the wider public policy objectives. Where possible it should also be about finding opportunities for businesses to thrive from the SG policy choices made. This will require a change in the way in which policy is made across government, including (but not only) effective and consistent use of Business Regulatory Impact Assessments (BRIAs). However, SG must go much further than that to get this stage right. The government needs to ensure it has a macro view of its policies and their cumulative impact and ensure policy is properly informed about what business is doing already to achieve their strategic outcomes and potential unintended consequences of their actions beyond narrow sectoral interests.

Good policy design should involve businesses from the start and should result in not ruling out options early in the policy development stage. Understanding the scope and reach of SG policy is vital too.

The SG needs to be able to upstream and escalate issues and share intelligence and concerns with relevant people within government in real time.

The SG and business need to also recognise that there are some things government will deliver that business do not like so “alignment” is not always possible. SG needs to be honest in communication to business (and the public) about the rationale which has informed decisions. Where this occurs, a “good faith” approach should be adopted by all sides to ensure effective policy delivery and minimal business disruption/costs.

**Partnership** - this is about government working together with business so that they can support shared outcomes. An example might be on the skills agenda, international trade policy, or corralling private finance to support investment in the net zero transition. Another example might be to identify policies in areas like health that can help to keep more experienced workers in the workforce for longer. But we can only maximise the full set of opportunities from partnership if we get the first two steps right.

- We have the Business Principles Agreement which was launched in December 2021 and which business organisations and trade associations signed up to. This is a good foundation from which to build but it is relatively unknown both inside and outside of SG due to other priorities and pressures having to be

addressed in recent years e.g. Covid, Ukraine and the cost crisis. With NDBG we have opportunity to refresh and embed these principles in our ways of working.

- The long term aim is an institutional change in the culture and to create a more open and transparent environment where we are engaging with business at the right time and in the right way.

### **Subgroup summary**

Policies will be more successful where they are easiest for businesses to implement and most closely align with their business model and practices. A better process for engagement with business will give policymakers access to the skills of those in business, who by definition are creative, innovative and practical. Longer term societal and environmental challenges are best tackled by government, business and civil society working together.

Business understands that there are times when government will want or require them to do things that they would not choose to do and that come with a cost. When these situations arise it is even more important to involve them in co-designing an intervention ahead of developing the specific operational aspects of the policy, because they may be able to find ways to deliver the purpose and outcomes desired of the policy in a way that delivers for business and society.

Our ambition is for Scotland to be the best place in the world to do business because of its strong partnership between business and Government.

We will achieve this by creating an active and trusted relationship between business and government in the long-term. The focus will be on the co-development of the delivery of policy aims which draws on the experience and innovation of business to create an economy that is growing, fairer and greener.

### **Recommendations**

#### **Short-term recommendations (6 months)**

1. Undertake benchmark metrics on the current views of business via NDBG group and subgroup members.
2. Undertake benchmark metrics on capability across SG on business engagement.
3. Develop a logic model approach to determine a measurement for success.
4. Review and refresh of the Business Principles Agreement, followed by a comprehensive communications campaign.
5. A full and deep dive into the policy development cycle and review the process map to ensure engagement happens at all stages of the policy cycle – including pre-policy engagement. Taking into account the different policy reactions that happen – reactive/interactive/proactive. Ensure the policy

development cycle is stress tested to ensure it remains in place in times of crisis and include data-based reporting at each stage of the policy process.

6. Mapping across SG of all policies (existing and future) that impact business to avoid/understand the cumulative impact and adapt accordingly.
7. Develop a phased timeline for implementation of NDBG recommendations.
8. Ensure alignment within the Scottish Government between the New Deal for Business and New Deal for Local Government.
9. The Business Partnership subgroup will continue until August 2023 at which point it will recommend the scope and membership of the New Deal for Business Working Group which will be responsible for overseeing the implementation of all recommendations of the Group.

### **Medium-term recommendations (12 months)**

10. Consider the development of a Business Impact Assessment (BIA) for non-regulatory policy impacts and how that interlinks with the Business Regulatory Impact Assessment (BRIA).
11. Consider the introduction of client relationship managers ensuring join up across Government areas for different sectors.
12. Review the systems and processes that are used when seeking input from business in order to streamline the process, provide better coordination for all and improve the customer experience.
13. Undertake systematic mapping of engagement with business by policy areas to ensure the Scottish Government properly captures a wide range of business voices in the development of particular policies.

### **Long-term recommendations (18 months)**

14. Establish a full cultural shift in the way the Scottish Government develops policy with business including bringing business voice into government as required. Ensure the 'system' works to make the necessary connections to ensure the right engagement.
15. Including opportunities for secondments – to increase business voice

### **Subgroup membership**

- SG lead, Lisa McDonald, Deputy Director, Strategic Business and Economic Engagement
- Business lead, Iain Baxter, Scotland Food and Drink
- Louisa Macdonell, Business in the Community.
- Marc Crothall/ Elaine Wilson, STA
- Fiona Campbell, Association of Self Caterers

- Professor Mairi Spowage, Fraser of Allander
- Hugh Lightbody, Business Gateway
- Steven Montgomery, Scottish Hospitality Group
- Fiona Kell, Homes for Scotland
- Julie Ashworth, Institute of Directors (IoD)
- Claire Phillips, Baker Hughes Aberdeen
- Dr Liz Cameron/ Charandeep Singh
- Shan Saba, Brightwork Recruitment
- Colin Loveday, Scottish Chambers of Commerce

## 5. Subgroup Three: Non-Domestic Rates

### Overview

The consultative sub-group on Non-Domestic Rates (NDR) was established under the New Deal for Business Group to advise on further enhancements to the NDR system, following the implementation of the final recommendations of the independent Barclay Review of Non-Domestic Rates on 1 April 2023. The recommendations of the Barclay Review were aimed at delivering a system which better supports business growth and long-term investment, which increases fairness and transparency and improves ratepayers' experience.

Non-domestic rates (NDR) are a tax based on property which plays an important role in helping fund the range of public services that councils deliver, and in 2023-24 are forecast to raise over £3 billion<sup>3</sup>.

Scottish Government sets NDR policy including tax rates and reliefs, and local authorities are responsible for the administration and collection of NDR, and can also offer local relief. NDR income is notionally pooled at a national Scottish level before being redistributed back to councils. As such, it is important that any proposals for significant change or reform to NDR be considered within the context of the partnership between Local Government and the Scottish Government, under the New Deal with Local Government. Scottish Assessors who are responsible for the valuation of non-domestic properties and are independent officials, albeit they work collectively through the Scottish Assessors Association (SAA), also have a vital role when considering any proposals.

The remit of the group was to consider and report to the New Deal for Business Group, and Scottish Ministers, on further enhancements to the operation and administration of the Non-Domestic Rates system.

This consultative sub-group considered the current operation and administration of the non-domestic rates system, with the objective of ensuring the best environment to do business and deliver a growing economy whilst supporting our communities, and also recognising the importance of non-domestic rates income in funding the delivery of local public services.

The group met on the following dates: 30 May, 6 June, 13 June and 20 June 2023.

With a large and diverse membership, these meetings facilitated wide ranging preliminary discussions, agreed the need for further work and consideration of the best configuration to take that forward.

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<sup>3</sup> [Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy \(www.gov.scot\)](http://www.gov.scot)

## Issues considered

At the first meeting the sub-group's members raised the main issues for business with the current operation and administration of the NDR system.

These issues were discussed at subsequent meetings to inform the short, medium and longer term recommendations set out below. This included the view from business representatives that the current NDR Valuation and Billing systems are:

- overly complex
- too inflexible to changing economic circumstances
- a barrier to potential sources of capital investment
- demonstrating inefficiency in the system/processes

Assessor representatives were of the opinion that their current status delivered a strong national view of NDR whilst having the capacity to deliver at a local level.

In the NDR system we currently have:



legislation which is complex and multiple dating back to 1854



over 15 different reliefs and 3 property rates



a multi-layered system with 14 independent Assessors and 32 billing authorities

## Progress since the Barclay Review 2017

Since the independent Barclay Review published its Report in 2017<sup>4</sup>, the Scottish Government has implemented a range of key reforms and changes to deliver a system to better support business growth and investment, improve administration and increase fairness of the non-domestic rates system, including more frequent revaluations with a shorter gap between tone dates and revaluations. The sub-group's initial discussions recognised there may be ways in which the rates system can be improved further, to deliver a simpler system and building on the progress made establishing a three-year revaluation, which came into effect from 1 April 2023.

Assessor representatives also made the point that there has been significant change following the Barclay Review, the Non-Domestic Rates (Scotland) Act 2020 and subsequent secondary legislation which still have to be worked through and the impact assessed and that time is required before these changes can be evaluated and further structural change proposed. It was highlighted that the revaluation on 1 April 2023 is only the beginning of the first three-yearly revaluation cycle, and that it

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<sup>4</sup> [Non-domestic tax rates review: Barclay report - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2017/06/Non-domestic-tax-rates-review-Barclay-report-2017.pdf)

is being delivered alongside a new, untested, two-stage proposal and appeal process.

### **Moving forward in partnership**

Members valued the open dialogue this sub-group provided and the opportunity to consider a range of both historic and current issues in respect of NDR.

The sub-group considered that having such a forum with the Minister for Community Wealth and Public Finance was a positive indication of a desire to reset the relationship with business, to listen to the views of business in relation to NDR policy and to explore how NDR can best support business growth, investment and competitiveness, while acknowledging the important role NDR income plays in funding public services.

Business representatives agreed that further reform is necessary to the NDR system to grow our economy, create jobs for all, and be a place to invest in, and that partnership working between the Scottish Government, the Scottish Assessors, Local Authorities and business was essential to achieve that.

The group recognised the critical role that public sector partners play in the delivery of high-quality public services throughout Scotland, which must be appropriately funded and resourced.

Some business representatives asserted they are seeking major transformational changes, not only in processes, but in a mindset and attitude where a common goal emanating success for our economy and citizens is worked towards. This will require change and investment to and in Government (local and national), the business community, and Assessors.

The early interaction in this subgroup has been generally constructive, recognising where improvements can be made, but also acknowledging that in some areas, this is not practically possible or desirable.

The group also recognised the opportunity going forward to align NDR with other areas of taxation work across Scottish Government including the Joint Working Group on Sources of Local Government Funding and Council Tax Reform as changes to the NDR system may have an impact on Local Government Funding.

While the focus of this sub-group was NDR, following the last meeting of the sub-group, Scottish Chambers of Commerce raised the proposal that consideration should be given to a one-off cost of doing business grant for retail, hospitality and leisure sectors (like the Retail, Hospitality and Leisure Business Grant Scheme administered during the pandemic) in recognition of the disparity with England on retail, hospitality and leisure relief, and to help these sectors in Scotland.



## Recommendations

### Short-term recommendations (6 months)

1. Reflecting this is only the start of the process, dialogue and engagement will continue to consider progress on the recommendations, discuss any emerging issues and identify future potential areas of joint work with business on NDR. Meetings will be held as required. The next meeting of the sub-group will take place in September 2023 to agree a forward work programme and structure of future engagement.
2. NDR must feature among the considerations of the Tax Advisory Group as part of the Scottish Government's broader approach to engagement on tax policy, taking account of how the tax environment can best support economic growth, employment and competitiveness.
3. The points raised in the NDR sub-group, and forthcoming Tax Advisory Group, must be taken into consideration by Ministers when setting NDR and other fiscal policy at Budget 2024-25, and thereafter.

*The sub-group noted the continued manifesto commitments around the Small Business Bonus Scheme and the Higher Property Rate. It also discussed calls for parity with England on Retail, Hospitality and Leisure relief, the request from businesses to avoid the introduction of ad hoc supplements or levies, and also the request from business representatives to reverse changes made to Material Change of Circumstance appeals. It noted the need for NDR to support business growth, investment and competitiveness, and raised a number of issues around NDR (poundage, supplements and reliefs).*

4. Some business members of the group requested that Scottish Government give urgent consideration to extending the timetable for submitting a proposal challenging a valuation from 31 July to 30 September 2023. Other members of the group expressed concern that any changes to the deadline for proposals would introduce significant risks to the integrity of the system and the ability to deliver a three-yearly revaluation cycle with a two-stage appeal process. It was noted that the first ever draft revaluation roll was delivered in November 2022 and that draft Valuation Notices were issued to all proprietors, tenants and occupiers.

### Medium-term recommendations (12 months)

5. The sub-group will explore further the role of NDR and reliefs in supporting and encouraging property improvements and investment, including the better promotion of existing reliefs and whether there should be further review or targeting of reliefs to better support these goals.

*Business representatives asserted that, when property investors and developers are considering redevelopment of major properties in and around Scotland, they believe the application of the Valuation Framework in England is much more favourable than in Scotland. Scotland should want, and needs, to attract property investors into Scotland, not only to remain an attractive place for them to deploy*

*their capital but also so they can deliver the modernised quality stock that occupiers will need to have.*

6. The Scottish Government must work with Assessors and other stakeholders to identify what, if any, further improvements can be made to the transparency of valuations and the information provided in valuation notices.

*The sub-group noted that continuous and efficient flow of accurate and complete information to Assessors is key to the success of shorter revaluation cycles. Consideration should also be given around the communication of messaging to business to reinforce that the provision of factual up-to-date information to the Assessors and Local Authorities is essential. The sub-group further noted that any proposed changes must be consulted on and could be implemented in advance of the next revaluation in 2026.*

7. Scottish Assessors will continue to engage with sector representatives, where appropriate, on valuation methodologies and consider any evidence provided to support a case for change.

*Business representatives called for the valuation issues brought up by the hospitality sector in the sub-group to be taken forward through a solution-focused work group involving sectors, assessors, local authorities and Scottish Government. In the sub-group, Scottish Assessors noted their willingness to have further evidence-based discussion on valuation methodologies including Practice Notes with sector representatives in advance of revaluations, whilst highlighting that disagreements on valuations should be taken forward through the statutory proposal and appeals process that exists to respond to such issues.*

### **Long-term recommendations (18 months)**

8. Recently implemented NDR reforms, such as changes to the thresholds for Small Business Bonus Scheme relief, must be kept under review to ensure that the NDR system effectively supports businesses and communities. The Scottish Government will undertake an initial review of the devolution of Empty Property Relief before the next revaluation in 2026, with agreed terms of reference set out in advance following engagement with relevant stakeholders.

*Clear and timely communication as well as consultation, where appropriate, on future proposed changes to the NDR system is also important as businesses are required to navigate a varied policy landscape across Scotland and across the UK.*

9. Scottish Government, Local Government and relevant stakeholders must jointly give further consideration to the digital administration of the NDR system. These, and wider discussions on NDR with local government, should take place under the auspices of the New Deal with Local Government taking account of the fact that NDR is a locally administered tax.

*The sub-group discussed that in recent years local authority billing processes and systems had struggled to meet the growing tasks required of them to administer*

*the NDR system. The processes and systems used by local authorities should support a reliable, effective, and efficient process for all.*

10. Taking account of the importance of the recommendations above to deliver a stable, efficient, effective and fair system, business representatives felt that consideration should be given to moving towards annual revaluations or annual self-assessment. Assessor representatives were of the view that a period of stability was required to allow the Barclay Review recommendations that were implemented to be embedded within the current rating system before further alterations are considered.

### **Subgroup membership**

- Chair: Tom Arthur MSP, Minister for Community Wealth and Public Finance
- Dr Liz Cameron, Scottish Chambers of Commerce (SCC) (NDBG lead)
- Marc Crothall, Scottish Tourism Alliance (STA)
- David Lonsdale, Scottish Retail Consortium (SRC)
- Stacey Dingwall, Federation of Small Businesses (FSB) Scotland
- Leon Thompson, UK Hospitality Scotland (UKH)
- Colin Wilkinson, Scottish Licence Trade Association (STLA)
- Paul Togneri, Scottish Beer & Pub Association (SPBA)
- Fiona Campbell, Association of Scotland's Self Caterers (ASSC)
- Stephen Montgomery, Scottish Hospitality Group (SHG)
- David Melhuish, Scottish Property Federation (SPF)
- Brian Rogan, CBRE
- Martin Clarkson, Gerald Eve
- Mirren Kelly, Convention of Scottish Local Authorities (COSLA)
- Jonathan Sharma, Convention of Scottish Local Authorities (COSLA)
- Les Robertson, Institute of Revenues, Rating and Valuation (IRRV)
- Alan Puckrin, Local Authority Directors of Finance
- Pete Wildman, Scottish Assessors Association (SAA)
- Heather Honeyman, Scottish Assessors Association (SAA)
- Ellen Leaver, Local Government and Analytical Services Division (SG Lead)
- Anouk Berthier, Local Government and Analytical Services Division

## 6. Subgroup Four: Wellbeing Economy

### Overview

The Wellbeing Economy subgroup was tasked with considering how business and government can better work together towards a Wellbeing Economy.

Meeting three times, the subgroup was able to draw on the expertise of a wide range of businesses, from the largest multi-national corporations to family farms and everything in between. This report captures the themes that emerged during discussions and the resulting recommendations.

### Issues considered

- What is a Wellbeing Economy?

The members of the subgroup looked at several definitions of a Wellbeing Economy aligned with the Scottish Government's vision for an economy that is fair, green and growing, and good environmental, social and governance (ESG) practice in business. The group did not see value in agreeing a definition in the time available and this is addressed further in the recommendations.

The most successful economies with sustainable growth are those in which there are high social standards, fair work and a high-quality natural environment. These are not coincidences; the success of business and of society are intrinsically connected. A society with citizens that have incomes high enough for a good standard of living, good health, nurturing and accessible childcare, a rewarding natural and built environment and fairness and meaning in their work will be one with productive employees and a growing customer base who can afford their products and services. And wellbeing in the long term depends on our growth being sustainable.

Just as business owners need to prioritise the wellbeing of their staff, the Scottish Government needs to prioritise the wellbeing of those who are essential to delivering its objectives. This means treating them with respect, giving them the opportunity to grow their business and be profitable, only adding to their workload where essential and giving them the ability to be truly heard.

- “So what?”: Communicating a Wellbeing Economy

In its [National Strategy for Economic Transformation](#) the Scottish Government said; “Our vision is to create a wellbeing economy: a society that is thriving across economic, social and environmental dimensions, and that delivers prosperity for all Scotland's people and places. We aim to achieve this while respecting environmental limits, embodied by our climate and nature targets.”

The subgroup felt that in order to engage, businesses would ask “so what?” and need to know three things:

1. *The what*: the constituent parts of a Wellbeing Economy;
2. *The why*: the reasons a Wellbeing Economy is good for their business specifically, and for business in general; and,

3. *The how*: the actions businesses can take to contribute to a Wellbeing Economy, such as: improving diversity, equality and inclusion in their recruitment and in their workplaces, which increases their potential pool of employees, improves employee retention and supports an engaged, productive, innovative and agile workforce invested in the business success; or taking steps to manage their environmental footprint and energy use, mitigating against future costs and risks.

The overarching lesson we learned is to use the right language to communicate with businesses. Only a minority would understand what is meant by a 'Wellbeing Economy' and the language used around it can turn business owners off where it is perceived as being governmental and academic.

At a practical level, businesses can learn from each other by sharing examples of the tangible actions they are taking that contribute to a Wellbeing Economy, both in Scotland and further afield, which in many cases are immediately beneficial to them.

The subgroup considered that the greatest effect could be had in encouraging and supporting previously unengaged businesses to take their first steps in this space, rather than focussing on those already well advanced in their journey. It will likely not be possible to reach every business, but shifting the culture generally to one that has greater purpose will deliver benefits over time.

- Business with a Purpose – answering the why

A Wellbeing Economy is best for all businesses. Reflecting the findings of the world-leading Business Purpose Commission's [Business Purpose Commission's final report](#) in 2022, a greener, fairer, growing economy is one in which businesses who make a contribution can:

- Be profitable, innovative and productive;
- Lower their costs and use resources and materials most efficiently;
- Recruit, retain and get the best out of the right people;
- Create a loyal and growing customer base;
- Make a positive impact on the communities in which they operate;
- Attract investment; and,
- Ensure that they will be around for the long term.

Actions that lead to a Wellbeing Economy should not be thought of as something ancillary to a business' purpose, like corporate social responsibility often is. They should be at the heart of what the business is for. Many business leaders in Scotland are consciously moving their businesses towards Wellbeing Economy objectives, while others are taking actions that support Wellbeing Economy outcomes, recognising their contribution to a more successful business without any awareness of the concept.

Scotland is not standing at the bottom of the mountain; good businesses recognise the positive contribution they can and do make to society, and new economic thinking is moving towards profit by delivery of societal and environmental outcomes. They know that they benefit from the success of their sector, supply chain and local economies too. This is a strong basis from which to work.

- Overcoming the Barriers to Create a Wellbeing Economy

*Business viability*

In order to deliver on wider societal and environmental challenges businesses must be viable first and foremost. The Covid-19 pandemic, energy costs, rising inflation, war in Ukraine and the UK's exit from the EU have had a significant impact on profitability. The number of challenges facing businesses can make it difficult to find the thinking space or resources to devote to the medium or longer term strategic decision making even while recognising the benefits of doing so.

Nevertheless, many businesses have shown themselves to be adept at pivoting, for example finding new ways to reduce energy costs, building more resilient supply chains and changing working practices and non-salary benefits to attract and retain talent, which are also ingredients of a Wellbeing Economy. Business of different sizes, in different parts of the country and in different sectors have very different capacity to manage change. In this context, responding to additional policy-driven change comes at a cost, particularly if not aligned with business pressures.

*Partnership working*

The opportunities for partnership working between government and business towards a Wellbeing Economy are considerable and imperative. The experiences shared in this subgroup – heavily truncated here – are also relevant in the context of future collaboration in tackling broader societal and environmental challenges:

- It will allow government a greater understanding of the needs and interests of businesses and the potential barriers to the success of a Wellbeing Economy;
- Policies will be more successful where businesses have the opportunity to prepare for implementation;
- It will give policymakers access to the skills of those in business, who by definition are creative, innovative and practical;
- It is simply a matter of fairness to include in decision making those who will be most impacted by those decisions; and,
- Longer term societal and environmental challenges are best tackled by government, business and civil society working together.

All of this is about much more than communication. It is about a genuine partnership, one which recognises, welcomes and appreciates the role of business, co-designing government interventions at every step in the process. Businesses are looking for dialogue, for no surprises and for lead-in times appropriate to the scale of the change being required of them.

Many of Scotland's large employers are not headquartered in Scotland, or in the UK. Working across multiple jurisdictions causes great complexity in their work and compliance across markets and comes with costs.

*Government action*

While the focus in the New Deal for Business Group is on the relationship between the Scottish Government and business, the concepts apply equally to the UK

Government and local government. And there are strong dependencies on partnership working on adjacent fronts, such as Community Wealth Building.

While powers and levers may be shared by different levels of government, one over which the Scottish Government has significant control is procurement. We have seen a move towards more conditionality, especially around fair work, climate action and community benefits, and reduced weighting on price. Businesses will take their lead from what their customers want, and for large parts of the economy, the Scottish Government and its agencies are among the most significant customers. We recognise that procurement is seen as a tool to advance a very wide range of policy objectives and that it is not easy to accommodate all of these and to avoid increasing the burden on bidders. So, the need for clear guidance and proportionate demands will always exist.

To benefit from government procurement, businesses first need to be registered on the [Public Contracts Scotland website](#), where all larger public sector contracts are advertised so they can take advantage of support provided to bidders, such as the [Supplier Journey tool](#), free training for SMEs and 'Meet the Buyer' roadshows. These give businesses a better understanding of how their contribution to a Wellbeing Economy can support their bids for public contracts.

#### *The right investment and finance*

Inward investment is of huge importance to any successful economy, not least that of a relatively small country. In the past we have seen short term grants employed to attract investment that has led to external companies exporting the value from their activities in Scotland and then leave as soon as they could find better profitability elsewhere, so it needs to be the right investment. The finance sector is already aligned behind this objective and has a clear role to support a Wellbeing Economy. Both government and business need investment that is long-term, sustainable, beneficial to the Scottish economy and furthers our vision for a Wellbeing Economy.

#### *Skills*

Underpinning all of this is the need to have the right skills and support. This manifests in several ways. For those out of work or in a job that they find unfulfilling, a widely identified barrier to their own wellbeing is lacking the life and work skills needed to benefit from society's opportunities, including everything from work experience to nutrition. Additionally, business owners and their employees need the skills and support to help them make the transformations that we all want to see.

- Building on solid foundations

The Business Purpose Commission's [final report](#) in 2022 presented the business case for Purpose, and sets out the practical actions all businesses can take. It also provides examples of Scottish businesses leading the way in making Scotland known for nurturing purposeful businesses which make a positive impact on economic prosperity, social wellbeing and environmental sustainability.

As well as the opportunity to learn from and share experiences of companies large and small there are several pathways, standards and certifications that companies can pursue. These will both help them on their journey and demonstrate that they

are contributing to a Wellbeing Economy through high standards of social and environmental performance, transparency, and accountability.

Examples highly regarded by the subgroup include [B Corp certification](#), British Standards [Guidance](#) on purpose driven organisations and the [journey approach](#) of BITC. Encouraging more businesses to participate in such initiatives and engage with them meaningfully is a clear way to increase their contribution to a Wellbeing Economy. The Scottish Business Pledge is currently under review, drawing on recommendations from the Business Purpose Commission. However, participating in a scheme is not a pre-requisite for being a purposeful business. Some business models too contribute to a Wellbeing Economy by their nature including employee ownership and share awards.

- Whose Wellbeing?

One of the most significant ways in which many businesses support Scotland's transition to a Wellbeing Economy is through implementing fair and inclusive work. At present, the fair work and just transition aspects of the Wellbeing Economy are orientated towards employees.

However, the wellbeing of business owners is as much a part of a Wellbeing Economy as the wellbeing of staff. [Hundreds of thousands](#) of people in Scotland are self-employed, and hundreds of thousands manage businesses with fewer than 10 employees. Many of these business owners are very low paid and under significant pressures; for example, farming has one of the highest suicide rates of any industry and around 40% of farm businesses can't afford to pay the [Minimum Agricultural Wage](#) to unpaid labour – the farmers who run the businesses.

### Measuring a Wellbeing Economy

We have tried to answer the questions, as have others before us; “What does a Wellbeing Economy look like? And how will we know when we get there?” Regardless of the answers to these questions, good data is required to know where we are in our journey, whether we are moving in the right direction and how fast we are moving.

The Scottish Government collects and publishes an array of relevant data, notably as part of the [National Performance Framework](#) and the [Wellbeing Economy Monitor](#) and many trade organisations, academics and others also produce robust data. However, this is generally at an economy-wide level and it is difficult to discern from them the impact of individual policy interventions or the individual and cumulative effect of actions taken by business.

We will need more finely detailed metrics that help demonstrate the impact of government and business actions in the shorter term, and in doing so not overly burden businesses with surveys.

### **Recommendations**

The Business Purpose Commission [report](#), echoed in the Scottish Government's [response](#), made a set of recommendations for businesses and Government, which



they are encouraged to consider taking forward as far as possible in their own individual contexts. The recommendations below build upon that work to focus on creating the conditions in which further transformative change can be achieved through partnership working towards a Wellbeing Economy.

1. Building on the new approach to partnership working being developed in the New Deal for Business Group's Business Partnership subgroup, and recognising the existence of a number of government and business-led policy fora relevant to the Wellbeing Economy, including the Wellbeing Economy Expert Advisory Group, as potential vehicles to drive the change, the subgroup agreed that **policy topics offering considerable opportunity for early engagement soon**, to start over coming weeks, should include:
  - a) Labour market participation, with a focus on supporting parents and carers into work.
  - b) Skills and support businesses need to transition to Net Zero and environmental sustainability.

Engagement will start in coming weeks, led by the respective policy teams in line with new ways of working.

2. The Scottish Government, businesses and others should work together **to create a simple description of what the Wellbeing Economy is and how business can contribute. This includes identifying metrics** to measure the impact of business actions contributing towards a Wellbeing Economy, evaluate the impact of interventions, demonstrate the positive steps taken and assess the maturity of businesses' approach to purpose. This should build upon existing sources and reporting frameworks and look to provide guidance for businesses to monitor their own impact. The New Deal for Business Group's Sharing Key Metrics subgroup can support this work.
3. Business and government interests in a Wellbeing Economy are closely related, but only a minority of businesses are engaged in the work. Reaching beyond 'the usual suspects' is essential to the success of the shared aspirations. The Scottish Government, trade bodies and businesses should work together to better establish the business case for supporting a Wellbeing Economy and find ways to **showcase the benefits** and **share good practice** to all parts of the business community in Scotland. This should be **led by business**, building on the work of the Business Purpose Commission, through their networks, because they are best placed to understand how to craft the message. A first step will be for businesses involved to agree the approach.
4. Businesses that want to begin or further their contribution to a Wellbeing Economy often do not know where to look for advice and resources. As well as the important business-to-business support above, the **assistance required to encourage and help business pivot to Wellbeing Economy objectives** should be considered as part of the review of business support announced in NSET, and in the meantime as opportunities arise.

5. Public sector bodies should promote opportunities for purposeful businesses to advance sustainability, fair work and community benefits through **public procurement**. This has two purposes: awarding contracts to such companies provides better overall value for money and moves us towards a Wellbeing Economy and incentivises other businesses to follow that route. As well as registering as suppliers to see the impact they can have, purposeful businesses can look out for planned roadshows and the forthcoming SME procurement action plan that builds on the [public procurement strategy for Scotland](#).

### **Subgroup membership**

Many organisations were invited to participate either in meetings where possible or to contribute via New Deal for Business Group members or Wellbeing Economy subgroup participants. Below is a list of the organisations that were represented at one meeting or more. The Group was co-chaired by Nathalie Agnew, Sara Thiam, Louisa Macdonell and Lewis Hedge.

- Nathalie Agnew, Managing Director, Muckle Media
- Lewis Hedge, Deputy Director of Fair Work and Labour Market Strategy, Scottish Government
- Louisa Macdonell, Director Scotland, Business in the Community
- Sara Thiam, Chief Executive, Scottish Council for Development and Industry.
- Aberdeen International Airport
- Bella & Duke
- BP
- Colleges Scotland
- Connect Three
- COSLA
- DWF
- Edinburgh International Festival
- Jerba Campervans
- Homes for Good
- PG Paper
- Prickly Thistle
- Pure
- Scottish Agritourism
- Scottish Hospitality Group
- Scottish Land & Estates
- Scottish Retail Consortium
- Sodexo
- Springboard
- TBCo
- The Circle
- Weir Group

## 7. Subgroup Five: Sharing Key Metrics

### Overview

The subgroup is to propose an agreement on collating and sharing key metrics and real-time evidence across different sectors, with the aims that (i) the Scottish Government is aware of the business climate and can consider policy in the light of this and (ii) Scottish businesses can use metrics and data to capitalise on sectoral and international market opportunities and to contribute to the National Strategy for Economic Transformation (NSET) metrics.

Achieving each aim requires different metrics and therefore two different sets of data.

The purpose of the work of the subgroup has not been to identify a common baseline of metrics that could be reported at top line level and broken down into sectors but rather to consider what metrics industry is using, how to co-ordinate and feed this into policy making within the Scottish Government and to gain a better understanding of how the data is used in policy making.

The work of the subgroup has included:

- Reviewing the strategies of Industry Leadership Groups (ILGs) to identify priorities for sectors that will drive and shape data and metrics as well as to identify domestic and international opportunities for business.
- Mapping the industry metrics to NSET metrics of success to identify common ground.
- Summarising available business resilience metrics.
- Collating case studies of available survey data and reports.
- Identifying best practice in data sharing, including the role of technology and data platforms.

### Issues considered

#### Existing metrics and data

There is a wide range of data collected across sectors, businesses and Government and a range of metrics. The challenges are around getting real time data and synthesising data into accessible data and digestible reports.

There is a need to make sure that the right data is being collected on the barriers businesses are facing so it can be used to inform policy. There is also a need to avoid duplication and to avoid a plethora of indicators and instead have a focused set of metrics.

Government statistics tend to be top down (aggregated) and have a bit of a time lag. Industry can provide more bottom up/on the ground data that is also more timely. There is a need for both.

Work undertaken and published alongside the NSET set out [Evidence from Industry Leadership Groups and Sector Groups](#). It summarised the ambitions, opportunities and challenges of each. Looking at the ambition statements across ILGs, the following industry metrics are most common in measuring ambition in industry strategies:

- GVA and/ or turnover
- Jobs
- Investment
- Emissions/ net zero

There are also sector specific indicators, for example, visitor numbers for tourism. Some sector metrics are very specific, others are more general. Other themes from industry metrics are the importance of global markets, data and digital as well as recovery from the pandemic. It is also important to include the higher education sector as there is not a separate ILG for this but investment in skills, research and commercialisation is important for industry generally.

NSET metrics are high level measures of success and are representative of the key areas where the NSET programmes seek to shift the dial to maximise impact. The ambition indicators in NSET align with the industry ambitions noted above in terms of broad themes of GDP, emissions and workforce. The NSET annual report sets out the NSET measurement framework with details of specific measures of success for each programme. Alignment with NSET metrics is critical for business and industry to demonstrate their contribution to NSET.

#### The decisions metrics are used to inform

Metrics inform a range of decisions and have different purposes. Shorter term performance metrics differ from high level ones that are used to monitor progress towards long term outcomes. For example, the NSET ambition indicators are longer term in nature. Industry can align behind the longer term goals to demonstrate fit with NSET.

As noted above, achieving the aims for this work requires two different sets of data – one on business resilience and one on market opportunities.

Business reliance metrics are critical to understand the business climate and can help identify short term constraints that may be limiting the ability of industry to achieve its stated ambitions as well as its intended contribution to NSET. Identifying metrics on business conditions will help Government respond to the challenges businesses face. They can provide an ‘early’ warning of sectors experiencing viability issues and used as part of ‘preparedness’ for economic shocks. They can also be used as part of Business Regulatory Impact Assessments (BRIAs) to understand how business will be affected by regulation.

The fortnightly [Business Insights and Conditions Survey](#) is good source of information on business conditions. There are other sources that can also inform business conditions, including industry surveys with metrics on cash flows, recruitment difficulties, supply chain issues and so on.

An initial set of business resilience metrics is shown in Box A. These can be reported on a regular basis and can be used to provide cross sectoral comparisons. This is an initial set and further metrics can be added as survey questions are made more consistent over time. The metrics can be supplemented by sector specific information

#### **Box A: Initial Set of Business Resilience Metrics by Sector** <sup>5</sup>

- Economic performance overall, and by sector and trend since pandemic. <sup>5</sup>
- How long cash reserves will last, by sector and trend since the pandemic.
- Business risk of insolvency, by sector and trend since the pandemic.
- Business debt repayments as share of turnover, by sector and trend since the pandemic
- Confidence in meeting current debt obligations, by sector and trend since the pandemic.
- Difficulties recruiting employees, by sector and trend since the pandemic.
- Ability to get the materials, goods or services needed from within the UK/EU, by sector and trend since the pandemic.

Metrics that Scottish businesses can use to capitalise on sectoral and international market opportunities require a different set of data. There is potential to use the information from trade missions as well as to use data from the business support networks to identify these. The key is making the information available in a useful format. As part of this, there may be a need to consider metrics on emerging industries and technologies, such as net zero but also automation.

#### Challenges in sharing metrics

Getting reliable data on micro and very small businesses is challenging. Engaging with COSLA and Enterprise Agencies is voluntary so not all businesses will choose to engage.

Although there are regular surveys carried out across industry, there is limited co-ordination of surveys and survey questions. There is no agreed 3 or 4 key metrics that each survey could ask to get a more holistic national picture. There may be opportunities to improve coordination across surveys and have agreed core questions.

Government synthesises analysis on economy through monthly economic briefs and this could be expanded to include more on business conditions.

There is a need to ensure that the data collected from members gets seen by Government and raises awareness of current business conditions. The channels through which information is currently disseminated should be clear.

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<sup>5</sup> Source Scottish Government, National Accounts. [GDP Monthly Estimate: March 2023 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/gdp-monthly-estimate/march-2023/pages/1-to-3.aspx)

Early and co-ordinated sharing of data could help responsiveness of policy decision making and there are important links to the work of the New Deal for Business subgroup on Business Partnership.

There is innovative work in NSET on implementing the Master Customer Record programme across the Business Support Partnership. This will make better use of the data already held about businesses across the public sector and make it easier to target support at businesses. There are opportunities to use the Business Support Partnership data analytics programme to identify market opportunities for industry.

There is a role for technology, including data market places and data sharing platforms that could be developed over the medium to long term. These platforms facilitate data visualisation and are interactive. There are some good examples of platforms that do not store data directly and therefore do not compromise privacy and security aspects of data.

### **Case studies**

The sub-group has shared a number of case studies of current practice. These include but are not limited to the following:

#### *Regular Surveys and Reporting*

- Scottish Chambers of Commerce run a major quarterly economic survey, looks at the past three months and looks ahead to the next three months. Covers a lot of metrics. Scottish Chambers of Commerce works closely with Skills Development Scotland (SDS) and Local Authorities. Some local Chambers of Commerce have capacity in this area, too. For example, the energy transition survey from the Aberdeen and Grampian Chamber of Commerce.
- The Fraser of Allander Institute produce the quarterly Scottish Business monitor.
- The Federation of Small Businesses produces regular surveys.
- College sector give quarterly statistics to Scottish Funding Council – some with sophisticated methods. For example, College sector data held by Scottish Funding Council and captured in quarterly returns, and SDS hold rich data as a result of monthly returns. Universities Scotland also publishes statistics and Higher Education Statistics Agency (HESA) has an open data platform with information on higher education and its impact.
- Financial services sector has good data and reports, although some data is confidential. Financial services produce a report monthly compiled from all main banks in Scotland into a qualitative report on conditions.
- A quarterly 'Tourism Short-term Indicator Dashboard' is prepared by Scottish Government (OCEA) and VisitScotland (Insight team) for the Tourism & Hospitality ILG but due to data sharing arrangements this cannot be circulated wider than that ILG.
- Scottish Tourism Alliance has a quarterly industry survey.
- The Scottish Hospitality Group sit on the Tourism & Hospitality Skills Group within SDS alongside colleagues from the Scottish Tourism Alliance and relevant reports on Sectoral Skills Assessment Tourism.

- The Royal Bank of Scotland reports the survey of Purchasing Managers index.
- Lloyds Bank publishes a Business Barometer.
- Scottish Engineering publish a quarterly review.
- Scotland's Rural College undertakes a regular farm survey.
- The Institute of Directors undertakes an annual Scotland State of the Nation Survey and monthly Policy Voice surveys.

#### *Reports synthesising evidence*

- The Scottish Government produce regular reports on the economy.
- Fraser of Allander Institute produce regular reports, blogs and podcasts.
- The Scottish Tourism Observatory aims to make tourism data for Scotland easy to find and use, and to enrich the data available.
- Skills development Scotland produces regular reports on the labour market
- Visit Scotland produces research insight reports.

#### *Role for technology and data sharing and management, including approaches to sharing in real time.*

- Examples shared were the rail data market place for the Rail Delivery Group and work for the Improvement Service.
- Technology Sector metrics are set out in the annual Scotland Is Technology Industry Survey.

## **Recommendations**

### **Short-term recommendations (6 months)**

#### To improve understanding of the business climate

1. Government to publish a synthesis of business conditions in its monthly report on the economy.
2. Monitor and report business resilience regularly using a consistent set of business resilience metrics that can also be used in Business Regulatory Impact Assessments.
3. Share and use data on the type of support businesses are searching for to help government understand business needs (for example through Find Business Support).
4. Provide channels for Scottish businesses to share sectoral intelligence with Government.

#### To improve business and industry understanding of market opportunities and contribution to NSET

5. Share and use data on the market opportunities businesses are seeking (for example through Find Business Support).
6. Share information on key sectors and market opportunities, building on the work in NSET on new market opportunities.
7. Identify a few core measures which would help Scottish businesses align to NSET and could feed into enhancements in data collection in business and industry surveys.

### **Medium-term recommendations (12 months)**

8. Improve coordination across sectoral and industry surveys with a view to agreeing a core set of questions.

### **Long-term recommendations (18 months)**

9. Explore the role of a data market place to share data.

### **Subgroup membership**

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- Claire Vekic, Colleges Scotland
- Sandy Begbie, Scottish Financial Enterprise,
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- Tracy Slaven, University of Aberdeen
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