OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 20 September 2023

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

Wednesday 20 September 2023

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ECONOMY AND FAIR WORK COMMITTEE
23rd Meeting 2023, Session 6

CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

DEPUTY CONVENER

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

COMMITTEE MEMBERS

*Maggie Chapman (North East Scotland) (Green)
*Murdo Fraser (Mid Scotland and Fife) (Con)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Ash Regan (Edinburgh Eastern) (SNP)
*Colin Smyth (South Scotland) (Lab)
*Kevin Stewart (Aberdeen Central) (SNP)
*Brian Whittle (South Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

George Davidson (Association of the British Pharmaceutical Industry Scotland)
Sarah-Jayne Dunn (Citizens Advice Scotland)
Professor Sir Michael Ferguson (University of Dundee)
Adam McGeoch (Fraser of Allander Institute)
Becca Stacey (Money and Mental Health Policy Institute)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 20 September 2023

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Claire Baker): Good morning, and welcome to the 23rd meeting in 2023 of the Economy and Fair Work Committee. Our first item of business is a decision on whether to take items 5 and 6 in private. Are members happy to do so?

Members *indicated agreement.*

Bankruptcy and Diligence (Scotland) Bill: Stage 1

09:30

The Convener: Our next item of business is our second evidence session considering the general principles of the Bankruptcy and Diligence (Scotland) Bill. Today we will hear from money advice and debtor representatives. I welcome Sarah-Jayne Dunn, policy manager for financial health with Citizens Advice Scotland, and we are joined online by Becca Stacey, senior research officer with the Money and Mental Health Policy Institute. As always, if members and witnesses can keep their questions and answers as concise as possible, that would be helpful.

I will come first to Becca Stacey. Just to set some of the context for the bill, does your organisation identify that people are facing more problems with finances and with debt? You will know that there was a recent Parliament report called, "Robbing Peter to pay Paul: Low income and the debt trap", which looked at some of the issues. Could you give us an idea of what the current situation is?

Becca Stacey (Money and Mental Health Policy Institute): Yes, absolutely. Thank you very much for inviting us to give evidence today. The Money and Mental Health Policy Institute is a research charity that is dedicated to breaking that vicious link between having a mental health problem and struggling financially. When we think about the context of the relationship between the two, we know that people with mental health problems are three and a half times more likely to be in debt, and that half of the people who are in problem debt are experiencing a mental health problem.

The more severe people's mental health problems are, the greater the likelihood that they will be struggling with their finances. Therefore, a piece of protection that we campaigned heavily to be brought into place in England and Wales when the standard moratorium was introduced was the mental health crisis breathing space. It was really important to recognise that those with mental health problems will face additional difficulties with their finances. Some of the common symptoms associated with a mental health problem will mean that they really struggle to keep up with bills and payments and to undertake quite simple financial management tasks. We were instrumental in calling for that protection to be in place. It is a great scheme, and we are keen to see the lessons and learnings from its implementation in England and Wales incorporated into the implementation of a mental health moratorium in Scotland.

The Convener: Thank you.

Sarah-Jayne Dunn, will you reflect on the previous committee's report, "Robbing Peter to pay Paul", and give us an idea and impression of where we are at the moment in terms of people experiencing financial problems in Scotland?

Sarah-Jayne Dunn (Citizens Advice Scotland): Certainly. As you know, the citizens advice network across Scotland covers 59 bureaux. As a former money adviser myself, I was instrumental in working with the committee on "Robbing Peter to pay Paul" and bringing lived experience and hearing the voices of people who are in problem debt poverty and struggling with their mental health.

As Becca Stacey pointed out, one in two people who are in problem debt are also struggling with their mental health. In the current landscape, with the cost of living crisis, we are seeing people's budgets and household incomes being stretched beyond breaking point, and that is having a significant impact on people's mental wellbeing. Also, those who have severe mental illness are already struggling, as Becca also pointed out, and that was before the pandemic and the cost of living crisis.

They also struggle with the likes of being able to communicate with their creditors or communicate about their priority bills. If they were struggling with their council tax, for example, which is one of the highest debts that come to our network—in fact, in July this year it reached its peak—somebody with mental health problems would struggle to communicate with their local council. We know that council tax recovery is one of the harshest points of recovery, so they could see their debt triple almost within a month and they are then having to deal with that on top of the fact that they have severe mental health issues.

We are hearing across our network that that is getting worse and worse. However, money advisers do not necessarily have the tools in their toolkit to deal with it. The mental health moratorium could help them to deal with the situation, because when you have a client who has mental health issues or severe mental illness, dealing with their debt is the last thing on their mind and the last thing that they are able to do. They need to focus on their mental health recovery first, and that is where the mental health moratorium could be a very significant tool for a money adviser. That would allow that person to get their mental health to a stage where they are able to discuss their debts and decide what options they want to choose.

As I said, the cost of living crisis is having a significant impact across all households but, as Becca Stacey was saying, it is three to four times worse for somebody who also has mental health problems.

The Convener: You have talked a lot about the mental health moratorium, which is the key policy area in the bill. However, other campaigners are suggesting that the bill should be more robust at this stage and that more should be happening in the debt area. Mike Dailly has talked about that this week and I think that Alan McIntosh has done research on wage arrestments. We saw an increase in savings bank arrestments—the threshold was increased—and they are arguing that there should be an increase of that threshold for wages. Other campaigners are arguing for more measures to be taken recognising the cost of living crisis that you have spoken about. Do you think that that is a fair assessment of the bill? Although the bill has largely been welcomed, do we need to see more happening at this stage, or are you content with the Government's proposal, which is that that will be in the next part of the review?

Sarah-Jayne Dunn: It is one of those difficult things, because I can see the arguments on both sides. As I said, as a former money adviser, I know that, when you are seeing people struggling now, you obviously want action to happen now. However, at the same time, we have to be careful that we do not end up having unintended consequences by bringing things in too early or rushing to bring things in.

That said, there are certain things that do not necessarily need to be brought in by this bill but which we should certainly be looking to bring in as soon as possible through secondary legislation: for example, reducing the reapplication period for the minimal asset procedure for bankruptcy. At the moment, it sits at 10 years before someone can reapply for a MAP, and we are now seeing many clients who are unable to reapply for the bankruptcy that is shorter and better for them because of that 10-year limit.

Reducing that period to five years, so that it matches full administration bankruptcy, would enable us to help a lot of people who are struggling and who should not be going into a full administration bankruptcy simply because they have to reapply for a debt solution for reasons that are probably not their fault. Because we have had to live through the Covid pandemic and a cost of living crisis, we are seeing more people with priority debt and more people who are struggling just to pay their bills. They are not going on lavish holidays or running up credit card bills. In fact, if they are using credit cards, it is to pay their bills.

Such things could be done, but they can be done through secondary legislation. What the bill is good at is focusing on the mental health moratorium. That is desperately needed and we do not have legislation in force that would enable us to do it through secondary legislation. If we were to put too much into this bill, we could end up losing that focus and, as someone who has been working tirelessly on the mental health moratorium for three years, I think that it would be good to see it coming to fruition as soon as possible.

Kevin Stewart (Aberdeen Central) (SNP): Thank you very much for all of that, Ms Dunn. Obviously, you have highlighted the difficulties that there have been over the past few years, what with the Covid pandemic and the current cost of living crisis. There is no doubt that that has had a major impact on folks' mental health as well as on their finances. You talked about using secondary legislation. Is there a danger that, if we were to put too much into primary legislation, we would lose the flexibility that has been required to meet the demands of the likes of Covid and the cost of living crisis?

Sarah-Jayne Dunn: That is a fantastic point to make, Mr Stewart, and I agree with it. It is certainly a lesson that we should be learning from our counterparts down south, as Becca Stacey was suggesting. They put a lot of the provisions on debt respite and the mental health crisis breathing space into primary legislation, which means that, when changes are needed, especially if they are needed dramatically quickly, it is very difficult to make them. The beauty of this bill is that it provides an enabling power to the Accountant in Bankruptcy whereby secondary legislation could be brought in on how the mental health moratorium would work in Scotland.

That is good in that it reflects what we do in relation to consumer credit. When something is to be changed on consumer credit—an example of that is the recent introduction of the consumer duty—a bill is put in place, which gives the Treasury a chance to put out a policy statement. It is usually an enabling power that is provided. It is then for the Financial Conduct Authority to drive out the principles of business and the rules and regulations that will follow from that. In my view, the approach in the Bankruptcy and Diligence (Scotland) Bill is reflective of that process.

The beauty of that is that, when we put something into regulations, such as the eligibility criteria, which I know can be quite a sticking point, as it might appear that we have a narrow scope to begin with, we can learn lessons and adapt quickly. Given that we have the Scottish Mental Health Law Review recommendations coming into force, the mental health strategy that was announced recently and the delivery plan, which is still to be brought into place, when they start to work in practice we will be able to learn lessons from that and, if we need to adapt the mental health moratorium regulations, we will be able to do so quickly.

Sometimes, as we learned from Covid, which you referred to, we need to be able to be reactive. If we were to rely too heavily on primary legislation, that would stop us doing that.

Kevin Stewart: You make some great points. You mentioned the Scottish Mental Health Law Review and Lord Scott's report, which is huge. I am probably one of very few folks to have read it cover to cover more than once—that was because of a previous role that I held. There will be legislative changes as a result of that, which will bring about a lot of good. If we were to put too much into primary legislation, that might lead to a lot of bad.

As a former money adviser, do you think that you and your colleagues are listened to enough when it comes to the formation of legislation? Do you think that you guys should play a part in creating secondary legislation that is flexible enough to deal with the challenges and changes that we have seen in recent times?

Sarah-Jayne Dunn: I have to say yes. Over the past three years, during the Covid pandemic, we were right at the forefront in working with the Scottish Parliament and the Scottish Government in discussing changes to primary legislation, such as the change in the moratorium period, which was increased to six months. We were listened to, and I feel that we continue to be listened to.

You are right—it is so important that the voices of money advisers and people on the front line are listened to, given that we are able to talk about the real-life experiences of our clients. We sit in a room with people whose whole lives have fallen apart. I have had clients who have been suicidal—indeed, I have lost clients to suicide. It is a very difficult job that we do, but we do it because we want to help people and want them to be able to become debt free.

It is fundamentally important to have money advisers' voices at the heart of whatever we do, especially when we are considering adding tools to their toolkit. Unless you know how the system works in practice and how it will work in practice, you could end up bringing in something that is counterproductive.

The Convener: You might be able to give us an insight into when any future bankruptcy reforms will be introduced. The bill that the Government has introduced is a fairly technical one. It includes the mental health moratorium, but the rest of it is quite technical. You mentioned the 10-year limit for minimal asset process bankruptcy. As I have mentioned, there are issues around arrestment of wages and other areas. Do you have an understanding of when the Government plans to introduce secondary legislation or policy in this area? You have talked about the pressure that people are under at the moment. When will we see the other reforms that people need?

Sarah-Jayne Dunn: On the mental health moratorium, Becca Stacey and I were on the working group that worked on the recommendations that have gone to the minister. As far as I am aware, there will be a wider consultation as soon as the bill allows us to have one.

With regard to secondary legislation around the Accountant in Bankruptcy, the intention—again, as far as I am aware—is to make those changes as soon as it is possible to lay the necessary regulations.

09:45

The biggest changes that we are looking forward to will be the changes to protected trust deeds and making mandatory the protocol that was first brought in as a voluntary measure. The sooner the Government can bring that in, the better, especially given that we have issues with many protected trust deeds being mis-sold.

With regard to the example of minimal asset process bankruptcy that I gave earlier, we, alongside our colleagues at StepChange, Christians Against Poverty and Money Advice Scotland, are calling for that change. We have not been able to get a guarantee on that, but we have suggested that it needs to happen before the stage 3 review.

On the stage 3 review—again, as far as I am aware—we have just announced the independent chair, who will look at taking that forward, and there is a ministerial meeting next week, so I hope that we will get some further details on that soon.

I would say that the Government is trying to go as fast as it can. Again, the bill needs to be brought into force as soon as possible, because that will allow us to focus on the detail that needs to be hashed out and consulted on more widely.

The recommendations from the working group that Becca Stacey and I were part of are just that: recommendations. We would obviously want to get the wider money advice and mental health sectors to give us their insights and views as well.

The Convener: We will take up those issues with the minister once we have him at committee.

Colin Smyth (South Scotland) (Lab): Good morning to our panel. I kick off with some questions specifically on the mental health moratorium, in particular the eligibility criteria, which Sarah-Jayne Dunn mentioned earlier.

The mental health moratorium working group recommended that only people who are subject to compulsory mental health treatment should be eligible for the moratorium. That is quite a narrow definition, as Sarah-Jayne mentioned. It is narrower than the criteria in England and Wales, which cover non-compulsory crisis treatment. Is the definition that was recommended by the working group wide enough to support people who are facing mental health challenges when it comes to debt?

Sarah-Jayne Dunn: I can understand your reticence. As I said, I have been working on the mental health moratorium for the past three years. I was part of the Accountant in Bankruptcy working group that recommended that we get the moratorium, and then I was part of the mental health moratorium working group.

The moratorium working group looked rigorously at all sides to see what definitions and what eligibility criteria we could put in place. We were lucky to have Dr Roger Smyth from the Royal College of Psychiatrists, who was able to give us an insight into how the mental health sector works. That is how we came up with the definition and the eligibility criteria regarding compulsory treatment orders.

Compulsory treatment orders can be made for long-standing conditions. Being under the treatment is the compulsory part, but treatment can cover anything from talking therapies to psychotherapy to cognitive behavioural therapy. It can be in-patient or out-patient treatment, or treatment in the community. The definition is therefore a lot wider than you would first think.

You say that the legislation down south covers non-compulsory treatment, but it actually focuses on mental health crisis treatment, which is slightly different from what we are trying to focus on up here in Scotland.

We have tied the definition to the mental health care and treatment plan. It is very difficult—we would love to widen the net, but we need to ensure that the legislation works in practice.

That goes back to what I said earlier: the beauty of putting things in secondary legislation is that, as the Mental Health Law Review changes come into practice, which will change compulsory detention, for example, and move it to in-care community treatment, we will start to see how that works in practice in alignment with money advice and the money advice sector. As we understand those changes, we can then revisit the eligibility criteria under the mental health moratorium, having built the evidence base, and widen those criteria. That will mean that the criteria are fair and balanced for all parties, not just for the person who has mental health problems and money troubles but for creditors, local communities, the economy and society. It will ensure that the legislation will work for everybody.

The scope might be narrow to begin with, but that does not mean that it will be like that for ever. We will certainly not be resting on our laurels in that regard; we will ensure that the definition continues to work for people in practice. However, we have to take our time with it.

Colin Smyth: You mentioned that the timescale for the wider moratorium was extended to six months. I think that my colleagues will have some specific questions on that. However, there is a fear that, if that is reduced and we go back to the previous timescale, a lot of people who have mental health problems will struggle, if they are not covered by those criteria. How many people will be covered by compulsory mental health treatment, and therefore by the moratorium, if they have debt issues? Have you done any modelling? When you discussed the criteria, what sort of numbers were you talking about?

Sarah-Jayne Dunn: Unfortunately, it is not possible to know the number of people who are likely to be in debt, but we can extrapolate from the fact that, last year, there were around 13,000 compulsory treatment orders across Scotland. That might not sound like a lot but, again, the fact is that we need to be able to bring this mental health moratorium in to begin with. The changes that are happening in the mental health sector mean we do not want to widen the net too far. There are people who have a mental health problem—they might even have a severe mental illness—but it is manageable and they could make decisions about their debt. We do not want to put them into the wrong moratorium. That is why the money adviser and other aspects are involved.

The idea is that the mental health moratorium would have two periods. Period 1 would look at the recovery of someone's mental health, allowing them time, space and compassion to focus on their mental health recovery. The second additional period, which we have suggested in line with the standard moratorium, would allow them to focus on their debts. In Scotland, we have a standard moratorium, which, yes, is currently six months to reflect the economic context and the fact that we are in the midst of a cost of living crisis. However, if that is reduced, it will not go back to six weeks. It is likely to be set at 12 weeks or more, because that is what we discussed with regard to the Covid recovery acts and the consultation and legislation around those.

That could still be a sufficient amount of time for someone—even someone who has a mental health problem—to deal with their debts, because we have that standard moratorium. However, the purpose of the mental health moratorium is to separate that out and say that the first period is to look at someone's treatment in order to ensure that they are in a position to deal with their debts. That is why we are calling for the additional period to be aligned with the standard moratorium—to allow someone that period of time to focus on their debts.

Down south, the mental health crisis breathing space affords people only 30 days. As somebody who has worked with people with severe mental illness who have been in and out of treatment or come out of a psychiatric hospital or out-patient community care, for example, I know that, when they come out, they are in no position to suddenly deal with their debts. We need to ensure that the period that they get for the additional protection is sufficient to get them back on their feet with regard to their housing and bills but then to enable them to make a decision on their debts and the solutions that they want to pursue to address those. Thirty days is not sufficient, which is why we argued for it to be aligned with the standard moratorium.

I do not think that the standard moratorium will ever go back to six weeks. The money advice sector certainly would not call for that. We would want a minimum of 12 weeks, which should be sufficient to allow people to deal with their debts. It is about achieving that balance with regard to what the mental health moratorium is trying to achieve, which is allowing time, space and compassion for somebody to focus on their mental health before they deal with their debts.

Colin Smyth: It could still be quite challenging for somebody who has a mental health problem to do that within 12 weeks.

Becca Stacey mentioned the breathing space scheme in England and Wales and your organisation's involvement in developing that. What lessons can we learn from that with regard to the eligibility criteria in Scotland?

Becca Stacey: The key lessons that we take from England and Wales relate more to implementation than the eligibility criteria.

With regard to the working group, as Sarah-Jayne Dunn said, the decision was made that, in focusing on those with more severe mental illness, it is better to capture those who are receiving compulsory treatment under the Mental Health (Care and Treatment) (Scotland) Act 2003. However, the Money and Mental Health Policy Institute would probably suggest that, ultimately, people receiving treatment, whether compulsory or voluntary, should be eligible. However, as Sarah-Jayne said, the key aspect is the fact that if, upon implementation and after a reasonable time, it is identified that a wider net needs to be cast to ensure that those who would benefit from those protections are eligible for them, that could be done through secondary legislation and would be a necessary step that should be taken.

The lessons that we would take from England and Wales relate to the underutilisation of the breathing space. We know that, in 2018, 23,000 people who were in hospital because of mental health problems were in problem debt, so a huge group of people are in need of support. However, in the first 22 months of the scheme's implementation—from May 2021 to March 2023—only 2,075 mental health crisis breathing space applications were made in England and Wales. That shows that the scheme has been severely underutilised compared with the Treasury's estimate that there could be 27,500 mental health crisis breathing space applications in 2021-22.

Our argument is not that it is an issue of eligibility; we agree that people who are receiving mental health crisis care should be eligible. Our argument is that the scheme is not routinely offered to people in England and Wales. There is a lack of awareness of the scheme among healthcare professionals, including mental health professionals, and there is a challenge, in that approved mental health practitioners are the only professionals who can sign off that someone is eligible and meets the criteria.

We would like Scotland to take on board those learnings. That is why, as members of the mental health moratorium working group, Sarah-Jayne Dunn and I called for a routine offer to be made to people who are eligible for a mental health moratorium, for a wider range of professionals to be able to sign off someone's eligibility and for the moratorium to be developed in conjunction with healthcare professionals and money advisers, so that awareness can be developed from the beginning of the implementation process.

Colin Smyth: That is very helpful. You mentioned that you would support a slightly wider definition of the eligibility criteria. What would that definition entail? Would it be the same definition that is used in England and Wales? Are there particular challenges in how we define things? It is quite easy to define compulsory treatment, but widening the definition would make things more challenging.

Becca Stacey: Exactly. That was the point that the working group landed on. We need to bring support into play by finding existing treatment for which it is easy to identify eligibility. That is one of the working group's really important recommendations.

As Sarah-Jayne Dunn mentioned, the context in England and Wales is slightly different, because anyone receiving mental health crisis care, whether under compulsion or voluntarily, is eligible. We would like people in Scotland who are receiving similar levels of mental health crisis care, either voluntarily or under compulsion, to also be eligible. The key point is that, as Sarah-Jayne Dunn said, people who receive care under compulsion are those with the more severe mental illness, so that approach will capture those with the most acute needs and those who will be the most likely to benefit from and need the protections.

There needs to be a built-in recognition that this is a new scheme, as it was in England and Wales, and if, once the scheme has been implemented, mental health professionals or money advisers feel that those who need support are not able to receive it, we should be proactive and respond to that. We should bring in mental health professionals such as Roger Smyth—whom Sarah-Jayne Dunn mentioned—and others whom we have been working with on the working group to identify how, under the legislation, we could capture a slightly broader range of people if necessary.

Maggie Chapman (North East Scotland) (Green): Good morning. I thank Becca Stacey and Sarah-Jayne Dunn for joining us.

I will continue the questioning that Colin Smyth started on how we can make the mental health moratorium as effective as possible and on the potential challenges. Sarah-Jayne Dunn, you mentioned the vital role of money advisers and you have direct experience in that area. You alluded to the increased need for such advisers. What are your thoughts on the money advice sector's capacity to meet potential demand for support? Alongside the bill, what else needs to change or what else needs to be introduced to ensure that there is the right number of money advisers and that they have the support and the resources to be able to do their really important advisory work?

Sarah-Jayne Dunn: I could talk at length about that, but I will try to be as concise as possible. You are correct in saying that money advisers are very important, especially in relation to the mental health moratorium. Some people would say that we are a dying breed, and we certainly need an influx of resources and support. That said, the money advice sector in Scotland will meet the demand that is at the door, because we always have and we always will, but it would be good if extra resources were provided.

10:00

One thing that we definitely need to do—and this has started happening already—is marry the mental health support system with the money advice sector, so that they work in conjunction.

Prior to going to Citizens Advice Scotland and becoming financial health policy manager, I was running the Mental Health and Money Advice service in Scotland. As a money adviser running that service, I found that the more joined up a money adviser was with the client's mental health support network, the quicker things could get done, such as getting the debt and mental health evidence form signed. It is a vital form that makes it possible to request things such as write-offs from creditors; it is so valuable. For a money adviser to know that they are working with a person's carer or support worker, or having conversations with psychiatrists, psychologists or community psychiatric nurses, means that when they then discuss things with creditors, especially priority creditors such as councils, they can provide a better understanding of the client's situation and their mental ability to deal with certain debts.

Citizens Advice Scotland has been calling for that joining up of mental health and money advice services by embedding money advice services in mental health settings, working with local community teams. We have also been looking into training. Many of our money advisers at Citizens Advice Scotland have taken steps in that regard. They are almost scared to have some conversations around mental health, because it takes a lot of understanding of how certain things, such as treatment, drug programmes and medication, can impact on somebody. For example, I had a client who was a paranoid schizophrenic, and they took certain medication. I knew that we should not talk to them in the morning because, when they first took their medication, they were not even able to talk. I had to ensure that their appointments were in the afternoon. I only had that learning, however, because I was working in a service that was dedicated to working with people with mental health and money problems.

We have put together training to give our money advisers support on that. However, as Becca Stacey pointed out, one of the lessons from down south is that we need to bring those in the mental health sector along with us. They are equally worried about having discussions around money with clients. Under the mental health care and treatment plan, there is now a requirement to discuss finances, but a lot of people who are in that world are scared that they might open up a can of worms if they ask somebody about debt or financial worries. It is fundamentally important to train people in the mental health sector or to give them resources so that they can have those conversations.

One of the biggest things that has emerged is the Money and Pensions Service's money guiders programme. We have been working on a pilot down at NHS Borders, where we have been using the money guiders programme to train mental health professionals and then get them connected to the citizens advice bureau network so that, if they have a service user with financial problems, they can have conversations with the person and warm-refer them on to money advice support. We need to ensure that the system behind that is as connected as possible. We can only take such measures by replicating initiatives such as the money guiders pilot that we did down in NHS Borders, across all 14 national health service boards in Scotland.

Maggie Chapman: You make the point about the need for connections into the whole piece, rather than just taking money advice as a single issue.

We heard last week from people involved in the commercial money advice sector, who said that they need to be involved, too. What kind of relationship have you had, or does Citizens Advice envisage, with the commercial sector? How do we ensure that there is not a different approach or a different type of service being provided to people who seek their support?

Sarah-Jayne Dunn: We are a bit lucky when it comes to the commercial sector. The Financial Conduct Authority has brought in certain rules and regulations that commercial firms must follow, such as vulnerability guidance. They must ensure that their processes and procedures take account of the vulnerability characteristics that people may have and treat customers fairly. The FCA has recently also introduced the consumer duty.

I would say that the commercial sector is a little bit further ahead. The focus, however, needs to be on public sector debt. That includes overpayments of benefits, debts to His Majesty's Revenue and Customs and council debts such as council tax arrears and rent arrears.

As I said, council tax recovery is one of the harshest forms of recovery. Within a matter of a month, you could end up owing your full council tax bill. We need to consider the impact on someone who has severe mental illness of going from missing one payment of £130, which is the average council tax payment, to suddenly owing £1,300.

We need to bring those sorts of things into place. The FCA heavily regulates the commercial sector, which has brought about improvements. It is not perfect—certainly, there are things that the sector needs to do better. Citizens Advice Scotland has issued mental health and money good practice creditor guidance, and MAPS has its own version. We are hoping to work with the commercial sector and the public sector to improve how we handle things such as the disclosure of mental ill health and how we can better support people who have mental health and money issues.

Maggie Chapman: I have a couple of questions for Becca Stacey about money and mental health and the thinking around the support that money advisers receive. Last week, I talked about gatekeeping. Do you have any experience of money advisers not supporting people in the way that we might wish them to, especially under the mental health moratorium, due to their not having the skills, resources or the tools that they need? Do you have experience of that from initiatives that are operating elsewhere?

Becca Stacey: We did a big piece of research that looked at some of the common challenges that people with mental health problems can face when engaging with the advice that they receive. A key point is that, essentially, many advisers will always want to do the best for the clients, but because of some of the funding requirements or the restrictions that are placed on them, they often do not have the time or the space that they would like to be able to give to clients who have mental health problems. Often, that is a frustration for them. For example, we know that people who have mental health problems will need longer appointment times when they see money advisers. They might need the discussion to be written up after the appointment, due to their difficulties with memory. They might need to have appointments in smaller chunks of time, rather than one longer slot, to address the fact that they may struggle with their concentration.

It is not that money advisers do not want to provide that tailoring; it is a constraint issue due to the funding remits within which they are working. As Sarah-Jayne Dunn said, when processes try to join up mental health services and money advice services, the understanding of the client group and their needs becomes more embedded in the part of the service that is being delivered, which is really positive. A positive result of that is that there is better understanding of how to respond to people who have mental health problems.

However, as Sarah-Jayne alluded to, if there is an expectation that people who have more severe mental health problems will have their needs met, that needs to be accompanied by an understanding from funders that money advisers will need to provide more time, and that they will need to facilitate a different, more holistic form of support. The focus will need to be not so much on the quantity of people that the money advisers are able to see. It will need to be acknowledged that the relationship may be more intense.

Maggie Chapman: That is really helpful. I have a question about who refers. It is quite clear in the proposals that the application for a mental health moratorium will go through a money adviser only. Is that okay? Could that mean that there is the potential to miss people who would be eligible but have not found a money adviser or cannot do that for reasons relating to their mental health crisis? Are we potentially missing people who will fall through the net or fall through the cracks in that approach?

Becca Stacey: Initially, a money adviser will be verifying that someone is unable, or is unlikely to be able, to pay their debts. The money adviser will approve a person's eligibility for the scheme, which is a point that we discussed and put forward with the working group. It is less about someone having to physically or virtually access a money adviser—it could be the case that their route to the mental health moratorium is through a mental health professional. The mental health officer would routinely signpost the protection that is in place if a person is struggling with their finances and that has been identified as a contributor or an issue that is exacerbating their mental health problem or something that they are struggling with. The mental health officer, or whichever mental health professional it is, can then liaise with a money adviser, who will verify the size of the person's debt. That will be the second part of verifying the person's access to a mental health moratorium.

The issue that we have raised about the standard breathing space scheme in England and Wales is the expectation that someone who is struggling with their mental health can go and access a money adviser, which is how they are required to access the standard breathing space in England and Wales. That is unrealistic and a barrier to access, especially for people who are in in-patient care.

The approach to the mental health crisis breathing space in the bill is the one that we, as workers, have recommended. A debt adviser or money adviser will need to verify the person's entry to the scheme, but it will not be until the second period, once they have recovered or are recovering from their mental health problem and they are in that buffer period, that they will look to engage, ideally, with a debt adviser or a money adviser to implement a debt solution.

Maggie Chapman: Thanks for your really helpful answers. You have both indicated clearly the importance of post-legislative scrutiny to cover a whole range of different issues. However, I will leave it there, convener.

Kevin Stewart: Convener, I have a very brief supplementary question, if you do not mind, given Sarah-Jayne Dunn's comments.

The Convener: You can ask it now if it is brief.

Kevin Stewart: You mentioned the council tax scenario and how often that puts a great deal of grief on to clients. Do you have examples of councils that do this better than others? Would it be wise, in your opinion, to export that good practice across the board?

Sarah-Jayne Dunn: Yes. I can give a very short answer. I know for a fact that the minister has been visiting such areas. He visited Fife, for example, which I always use as a very good example. Others would be Falkirk Council and Dumfries and Galloway Council. They are all doing slightly different things, but there is certainly good practice that can be shared. It was collated in the Improvement Service's collaborative guide to good practice for council tax, which we would really encourage councils to adopt, especially as it has been shown that, when councils adopt that good practice and those collection methods, it leads to better recovery.

Money advisers will always try to prioritise council tax because it is a priority bill. We do not find many people who do not want to pay; it is simply that people cannot pay. That definitely came through in the research that we released recently on the drivers of council tax arrears.

As Becca Stacey said, having the routine question and routine offer built into the mental health moratorium will naturally build links between mental health officers and debt advisers. It will often be a debt adviser who completes the form for a mental health moratorium on behalf of the service user. The person will not necessarily use the same debt adviser when they come out of the moratorium. However, the debt adviser will be aware of the person's case and, because that connection has been made, it is more likely that they will go and seek that debt advice. That is fundamental.

I point out that, most of the time, for a standard moratorium, it will be a money adviser who makes the application. Even though the option is available for the member of the public to do that, it is very unlikely that Joe Public will apply for a standard moratorium on their own.

The routing questioning will be built in and both routes will be allowed. Whether somebody goes to a money adviser first or to a mental health professional first, they will be able to access the moratorium, and links will be built between the mental health sector and the money advice sector at the same time.

Brian Whittle (South Scotland) (Con): Good morning. I want to move the conversation on from what my colleagues have been discussing with you to discuss the practicalities of what is proposed in the bill. Mental health is such a sliding scale and what we are trying to do here is almost to put it into a black and white box, if you like, with regard to who is eligible. It strikes me that, to get to this stage, someone will have to, first, recognise that they have a mental health issue and, secondly, be prepared to go and ask for help. We know that access to mental health care is difficult at the moment, as the NHS and especially mental health services are under extreme pressure, and then, on top of that, the person will have to access money advisers. I wonder whether the decision about who is eligible for the moratorium comes down to what the system is practically capable of, because resources are limited, and whether we will be missing a section of people who should be able to use the moratorium.

10:15

Sarah-Jayne Dunn: As we have said, that is why scrutiny is needed once the moratorium has been implemented. Only then, once we have a system within which to play, will we know what the true landscape looks like. At the moment, we do not have anything, and lots of people are slipping through the net. You are right that we are expecting people to deal with this when they are in a situation of poor mental health; indeed, that is why we are trying to build a mental health moratorium process that wraps around them instead of our simply expecting them to do it.

It is also why we have been thinking about such things as compulsory treatment orders. When somebody under a compulsory treatment order is having their treatment plan decided, a routine question about their finances and whether they have any debts should be built into that process. If they do have debt, that will trigger the mental health officer—not the service user—to liaise with the money advice sector in order to get the mental health moratorium in place for that person. It means that, while the moratorium is running, the mental health officer can focus on working through the treatment programme with the service user who has been placed under the compulsory treatment order.

What is really good about our system—and what makes it different to that in England and Wales—is the fact that we have a review process built into it. The mental health officer has to regularly go to the tribunal to give reasons why a person has to be under a compulsory treatment order. It might be found that compulsory treatment is no longer needed, by which I mean not that treatment is no longer needed, but that it will no longer be compulsory; the person might continue to have a treatment care plan, but they are no longer in a situation of such severity that they need it to be compulsory. In that case, certain bodies can be notified that the compulsion has been lifted off that person's treatment order. What is good is that we can then insert the likes of the Accountant in Bankruptcy into the system. That flags to the money adviser who has put through the mental health moratorium that the compulsory part has ended and the person is moving into the additional period.

Say, for example, that a service user has undergone compulsory treatment for six months. If, after that six months, it is found that they no longer need compulsory treatment—they might continue to receive medication and other treatment, but the compulsion part has ended—the change is flagged up to the Accountant in Bankruptcy, because the review process is built into the system. BASYS, eDEN and ASTRA are already built into the current system, too, and under the moratorium process, the money adviser will then be flagged. They can then contact the service user and say, "We understand that you have come out of this part of your treatment, and that you have some debts. We would like to start supporting you to deal with those debts. Your moratorium period will continue for another six months"—or whatever the length of time is at that point—"and we would like to take that time to build up knowledge about your debt and start to look at your options around it." It means that we have a wraparound system for that client right from the get-go and that we are capturing clients as we go.

There will be people who slip through the net. We know that—unfortunately, no system is ever going to be perfect—but having this particular system will mean that we can start to capture people. As we build evidence from money advisers working in the sector and from mental health professionals working in this field who are saying, "We are not capturing A, B and C, because they are under this treatment", we can start to move, reflect on the situation and change the regulations to suit. Until we put the system in place, though, we will not be able to do that.

Brian Whittle: Thank you.

I will bring in Becca Stacey now. My concern is whether money advisers will be able to take this work on. It seems to me that the system is set up in such a way that, if you are on a compulsory mental health treatment order, this will kick in. However, as we have discussed, mental health does not work in a linear fashion. What if the money adviser has concerns about the client with whom they are working? Are we suggesting here that money advisers should have the capability to contact mental health services to ask for advice?

Becca Stacey: A really interesting conversation that we had in the mental health moratorium working group was on the first point of contact for an individual being a debt or money adviser. As Sarah-Jayne Dunn has said, when it comes to identifying that someone is really struggling with their mental health, the adviser might be the one to understand that the person needs wider, wraparound support. For various reasons, a standard moratorium might not be suitable for them, particularly in the Scottish context, if they are not in a position to keep up with payments and charges on debts. Therefore, the pause on interest and charges would be key, if it were put in place as part of the Scottish moratorium.

If, after speaking to the person's wider network, it was found that their mental health problem was episodic or recurrent, as is quite common, the restriction of being able to apply for a standard moratorium only once every 12 months might be seen as unrealistic. The person might well need to be able to apply for those protections more regularly, which is another reason why we in the working group called for no limit on the number of times that someone can apply.

We also talked about the possibility of a money adviser identifying the need for such support. However, we pointed out that it should always be a mental health professional who determines whether someone meets the eligibility criteria, be that compulsory treatment under the Mental Health (Care and Treatment) (Scotland) Act 2003 or whatever, and that it must be with the authorisation of the individual or, if suitable and if they are in place, a third party acting on the individual's behalf.

In reality, the support might sometimes be instigated initially by a debt or money adviser, but as Sarah-Jayne Dunn has said, the more interactions that take place between money advisers and mental health professionals, the better and more supportive the wraparound support for the individual will be. Again, it is not about the individual having to be the one who instigates the engagement with the two sources of support; it is about that liaison happening on their behalf by those who are involved in their care.

Brian Whittle: That was a really helpful answer.

Let me just put together a scenario from the perspective of practicalities. If a debt adviser recognises a potential issue with a client and contacts mental health services, and there is a delay, as there often is, in accessing that kind of help, what happens in the interim? How do we deal with the period between the recognition that there could be a problem and the diagnosis of that problem?

Sarah-Jayne Dunn: That is the benefit of the standard moratorium. You could put a standard moratorium in place during the diagnostic period—it is a simple form; you just fill it in and the moratorium kicks in—and then the person could move into a mental health moratorium. The only difference is, as Becca Stacey has said, that there would be certain protections under the mental health moratorium, as recommended by our working group, such as freezing interest and charges.

However, there are other mechanisms that a money adviser can use, including the debt and mental health evidence form, which I have already mentioned. That has its own issues, which is why Citizens Advice Scotland and others are calling for the form to be built into the mental health moratorium as a trigger, alongside any statutory reform that might be recommended. That is because the form can do more than the standard moratorium; it can request things such as debt write-off, the freezing of debt interest and charges and other tailored support.

If I were a money adviser in that situation, that is how I would approach things: I would apply for a standard moratorium to ensure that the individual had some breathing space, at least, and I would also get the debt and mental health evidence form in place so that they could look at measures such as the freezing of interest and charges. However, a mental health moratorium would be a benefit. Once the individual was eligible for it, I would apply immediately, because it would take the pressure off the pedal; it would mean that the individual could focus on their mental health. The other options deal with debt, not the individual's mental health.

We need the mental health moratorium as a way of recognising that people need a period of time to go away and recover as best they can so that they are able to come back and deal with their debt. The current tools in our toolkit do not allow for that to happen. As a money adviser, I have had to support many difficult clients with severe mental illness. If we had had a mental health moratorium, an astronomical amount of support and good could have come from it—it would have been such an important tool for me when I was working with clients.

As Becca Stacey has said, it is not that the money advisers do not want to support a client in that situation but, sometimes, we do not have what we need to do it. As much as you might want to support someone as a money adviser, if you do not have what you need, you just cannot do it. Money advisers are crying out for the mental health moratorium.

It would be amazing if we could get a perfect system that worked right off the bat. However, that is not how reality works. Sometimes it is better to start from the basic point and work our way out than to try to build the perfect system and not give the support that is needed the now.

Brian Whittle: Thank you. That was helpful.

The Convener: I want to make some progress. We have a few other questions that will be directed more towards Sarah-Jayne Dunn.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning. I will have to say sorry to Becca Stacey as I think that the questions that I am going to ask are outwith her remit, so I will just direct them to Sarah-Jayne Dunn. I apologise, but you are on your own for this, Sarah-Jayne, if that is all right.

Sarah-Jayne Dunn: It is okay. I am used to it.

Murdo Fraser: I will broaden out the issues a little bit and consider some of the other things that are in the bill as well as what is not in it.

An issue that we have picked up in evidence is the minimal asset process bankruptcy. As you know, there is a rule that an individual can apply for that only once every 10 years, and it has been suggested to us that the bill could be amended to relax that. I am interested to get the perspective of Citizens Advice Scotland on that.

Sarah-Jayne Dunn: Certainly. Alongside others, such as StepChange, Christians Against Poverty and Money Advice Scotland, we are calling for such a move, but it does not necessarily need to be in the bill. It could be done through the Bankruptcy and Diligence etc (Scotland) Act 2007—I am sorry; I mean the Bankruptcy and Debt Advice (Scotland) Act 2014. There are so many of these things.

The change is needed. When the minimal asset process bankruptcy was brought into play, the 10-year rule was seen as a way of militating against abuse and people repeatedly going bankrupt. However, it failed to recognise the purpose of the minimal asset process bankruptcy itself, which is simply to allow people who have no assets and cannot repay their debts to go into bankruptcy. Full administration bankruptcy captures people who are able to make a contribution or have an asset.

The rule that people could apply only once every 10 years was introduced just after the 2008 crash when the landscape of debt was different. However, with the pandemic and the cost of living crisis, people are falling into more and more priority debt—that is, debt that is beyond their control. In Citizens Advice Scotland and Christians Against Poverty, we are seeing a step change: one in two of our debt clients has a negative budget. That means that they do not have enough income to cover their bills and, no matter how much income maximisation a money adviser has done, the situation has not changed. If you put them into bankruptcy for 12 months rather than use a minimal asset procedure, which is for six months, you merely extend the delay until they get debt relief and debt help for something that is beyond their control and not their fault.

We have put a paper together and presented it to the minister. It was clear from the First Minister's recent speech that we are looking to do as much as we can to be anti-poverty—to tackle poverty head on—but we have that arbitrary rule of 10 years that stops people getting the right solution for them at the right time. We cannot see any argument for its needing to be 10 years. We are asking for it to be not less than but the same as the full administration bankruptcy so that we can bring back the purposes of the minimal asset process, which is for people who have no assets and no income with which to make a contribution but who need debt relief, while the full administration bankruptcy is for those who are able to pay something through a contribution or an asset. That is what those processes need to be for, and having a 10-year rule does not allow that.

Murdo Fraser: That was a clear answer.

Are there any risks in moving away from 10 years? I ask the question as a member of the predecessor committee that dealt with the Bankruptcy and Diligence etc (Scotland) Act 2007, which I think introduced the policy in the first place. If I remember correctly, one of the concerns that came up at that point was that if people on a very low income and with very low assets were not able to access mainstream lending in any form, they would, potentially, be left in the hands of the illegal loan shark sector. Might there be some risk of that, if the 10-year rule were relaxed?

10:30

Sarah-Jayne Dunn: Not in that sense, no. There would be no risk, simply because, in order to access bankruptcy in Scotland, people have to have mandatory debt advice. It is, to borrow a word that Maggie Chapman used earlier, gatekept. A gatekeeper—the money adviser—is at that door.

A money adviser will never put someone into bankruptcy unless it is the best solution for them or an option that the client wishes to choose. They will usually make sure that they are applying for bankruptcy as a last resort. At the moment, a lot of money advisers are refraining from going down the statutory debt solutions route, either because the 10-year rule is stopping them or because they recognise that bankruptcy is not going to solve that person's problem. Three, six or nine months down the line, they will be back in debt. Advisers therefore have to look at non-statutory debt solutions.

The fact that a money adviser has to make the application and go through the process almost removes the risk, because they need to be a trusted professional. Do we or do we not trust our money advisers to follow the rules and do what is needed to support clients in accessing the best solutions? The 10-year rule almost says to money advisers, "We do not trust you to put people into the best solution for them." We would argue that the system needs to be fair but accessible, and the 10-year rule is stopping that from happening.

Murdo Fraser: That was very clear. Thank you.

Finally, do you have any comments on bankruptcy reform in the bill, or should anything else be put into the bill that is not currently there?

Sarah-Jayne Dunn: That is a good question. The bill makes sense in that primary legislation is what is needed here to make these changes. Most of the other changes, such as the protected trust deed protocol, can be made through secondary legislation. A lot of what we called for is represented in the bill, but we would definitely push on the MAP 10-year rule.

As for what needs to be in the bill, I have already highlighted the mental health moratorium. Whether it happens in the bill or in regulations, we need to build in the tools that already exist. The debt and mental health evidence form, for example, is used routinely by money advisers and could be used as a trigger for the mental health moratorium. The problem is that a lot of that comes with general practitioners' fees and charges. By bringing the debt and mental health evidence form into the mental health moratorium arrangements, we could widen the process and make it more accessible to other mental health professionals to complete for free.

As I have said, the beauty of the debt and mental health evidence form is that it goes beyond triggering a moratorium; it can lead to creditor forbearance such as debt write-off. It is such an important form, but it needs to be built into the process and used more widely than happens currently.

The Convener: Would it be necessary to put that in the legislation, or could it be in the guidance that will be put together?

Sarah-Jayne Dunn: It should probably just be part of the regulations and guidance, but it is definitely something that should be built in.

The Convener: Are you looking for clarity from the minister on whether the approach will be adopted?

Sarah-Jayne Dunn: Yes.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I have a couple of questions on diligence reform. Sarah-Jayne Dunn is front and centre on that, but if Becca Stacey would like to add anything, she should not hesitate to come in.

My first question is about calls to reform diligence against earnings to, for example, increase the amount that is protected from creditors, or to build in consideration of family size when calculating deductions—I can see issues around that in particular. Does that issue impact on your clients? Do you support such reform?

Sarah-Jayne Dunn: Yes. The protected minimum balance that was brought in with regard to bank arrestments was sorely needed, because what was available was not enough. It could be argued that £1,000 of protected minimum balance is still not enough, especially in light of the current cost of living crisis. Diligence against earnings needs to be considered, especially in relation to household composition. When a client has an earnings arrestment, a set portion of their earnings is taken regardless of whether they are a single person at home or have a family of five. That can result in a real struggle for people in being able to afford to pay their bills, and it could end up leading to more debt than it supports.

As a money adviser, I find that an earnings arrestment often acts as a trigger for people to seek money advice, but only when things go wrong. For example, if someone has an earnings arrestment when they are, let us say, just managing their bills—they are coping by robbing Peter to pay Paul, to steal the title of the report that was mentioned earlier—their situation can then tip over. For example, if they find that they are missing their rent or council tax payments, or they cannot afford to put fuel in their car, and other bills and debts are starting to build up, they will then come to seek money advice. We can look at options such as the debt arrangement scheme, which offers a more affordable repayment plan rather than just taking a full deduction from earnings.

The current diligence scheme does not really take account of an individual's situation—it is just a blanket approach. If someone earns more than a certain amount, it takes a certain amount, and if they earn over that amount, it will take a different amount. That works in practice and it helps employers to put the figures through, but it means that someone could end up in a far worse debt situation.

How, then, could we build in an approach under which individual household components could be considered? There are ways in which we have done it in the past. For example, the debt arrangement scheme variation process works. It certainly needs to be considered, and we should bear in mind Alan McIntosh's proposals. Debt advisers should be able to show creditors that a variation on an earnings arrestment will not prevent a debt from being repaid; it just gives people a little bit longer to repay it.

Colin Beattie: You mentioned the DAS as an appropriate alternative. There is a little bit of controversy about that, and the fact that a lot of people go into that particular arrangement without adequate financial advice.

Sarah-Jayne Dunn: I am not aware of that.

Colin Beattie: It came up in the committee in the previous session of Parliament, and a report came out from the committee at that point.

Sarah-Jayne Dunn: A debt arrangement scheme is applied for by a money adviser. I would hope that a rigorous assessment of someone's financial situation would be done so that the adviser can put them into a debt arrangement scheme that is right for them.

Having said that, there have been certain changes to the process. For example, payment distributors are no longer on the traffic system list. Allowing other organisations to be payment distributors could open up the possibility of someone being put into a debt arrangement scheme when that is not suitable, as can happen with protected trust deeds. Someone might be put into a such a trust deed when it is not suitable for them.

I can understand that there is probably some controversy about that, but it is not necessarily about the debt arrangement scheme itself. I would say that it is about the fact that certain changes were made to the people who could be payment distributors and the expectations around that. There needs to be a little more monitoring of that. Again, it is all about making sure that the person who is seeking debt advice gets the right solution for them at the right time.

I will mention an aspect that needs to come under review at stage 3—I hope that it will do. I have known clients who, because they had a family home to protect, have had to go into a debt arrangement scheme, even though bankruptcy is probably a better solution for them. The debt arrangement scheme allows them to protect their home. If they were to go into bankruptcy or a protected trust deed, they could end up losing their house and becoming homeless, because the house is an asset that needs to be realised for the purposes of the creditors.

There are situations where, because the family home is not protected under other forms of debt solution such as bankruptcy, people are having to go down routes such as the debt arrangement scheme to protect their home. The stage 3 review is so important, because we must ensure that our debt solutions work in harmony with one another, and that, as far as possible, we give people a tray of options that fit as many people as possible.

There are certainly gaps in the debt solution landscape at the moment. The current solutions do not necessarily fit everyone who seeks debt support, and they need to be reviewed and considered at stage 3.

Colin Beattie: I want to return to the issue of diligence against earnings. We have already touched on the slightly more complex way of handling family sizes and the issues around that. If the protected amount stays fixed, how could it be fairly pegged? Should it be attached to the consumer prices index? Is there a way to make it fairer?

Sarah-Jayne Dunn: Yes, there are certainly ways to make it fairer and more grounded in reality. Before certain changes to the protected minimum balance in bank arrestments, the amount that was protected was not reflective of people's living standards and living costs. We need to make sure that any diligence against earnings or anything else is more grounded in reality and reflects what people's costs actually are. If you take a chunk of someone's wages and leave them in a situation in which they will be in financial hardship and unable to pay their priority bills and meet their priority commitments, all that you are doing is worsening their situation. You might be getting them to repay a debt, but you will be putting them into further debt and causing them further stress.

That said, earnings arrestments are a tool that creditors need to have to recover debt. As I said, an earnings arrestment can often be a trigger for the person to seek debt advice and look at their options. We would always encourage anyone to seek debt advice; the sooner they do so, the better. However, we know that people bury their heads in the sand and rob Peter to pay Paul. They try to deal with the situation until it gets to a breaking point, when they can no longer deal with it. Earnings arrestments and other forms of diligence are usually the trigger point.

Colin Beattie: The Scottish Government plans to lay regulations to introduce information disclosure orders and to add inhibition to the options that are available for enforcement after summary warrant. Do you have any views on the likely impact of those proposals?

Sarah-Jayne Dunn: From a money adviser's standpoint, and from the point of view of Citizens Advice Scotland, we would probably welcome the Scottish Government's delaying of the process, because it means that it is giving the issue proper consideration before going down that route.

Those forms of information disclosure order are for the benefit of creditors. There are arguments on both sides as to whether they are necessary. We feel that a precautionary approach is sometimes wiser, because we do not want there to be unintended consequences. Information disclosure orders would allow creditors to assess what assets someone had in order to take further action and diligence against them. However, will an information disclosure order be followed up by activity to encourage the person to get debt advice and to open up discussions about that, or will it simply be a fishing expedition? The proposal can be viewed in different ways.

As I said, the majority of clients whom we see have negative disposable incomes and no assets, so the likelihood of the introduction of information disclosure orders having an impact on them is probably nil. That said, there are people out there on whom it could have an impact. The Government's delaying the introduction of the measure is probably a way for it to ensure that it is balancing the books, in the sense of being fair to people in debt and to creditors.

Colin Beattie: Correct me if I am wrong, but are information disclosure orders applicable only to the private sector and not the public sector?

Sarah-Jayne Dunn: As far as I am aware, that is the case, but the private sector could include someone who is a sole trader or someone who runs a partnership or a small business, whom we could end up supporting.

In our world, the proposal will probably not have a massive impact, because the clients that we see will probably not be affected by the information disclosure order provisions. However, I can understand why the Government is trying to make sure that it is being fair to creditors and to people from whom money is sought.

Colin Beattie: I have one last question, which is probably as difficult as the one that my colleague Murdo Fraser put to you. Do you have any comments on the diligence reforms in the bill? Can you suggest any potential additions to the bill in that area?

Sarah-Jayne Dunn: As far as diligence is concerned, I have no further comments, mainly because it is an area that is outwith the scope of our clients. As you said, it applies more to the realms of business and the private sector, and we do not feel that we would be an authority in speaking about that.

With regard to proposals that should be brought into the discussion, we would definitely suggest that diligence against earnings be considered to make sure that it is fair. The system for bank arrestments also needs to be considered, because bank arrestments are the most used form of diligence, after earnings arrestments. Bank arrestments tend to be used against people on the lowest incomes, who are on benefits only.

As money advisers, we find that clients' accounts are being frozen because a bank arrestment has been made against them. Because the benefits go into their bank account, they lose that protected status and are taken through a bank arrestment. A money adviser then has to spend weeks and even months getting involved in back-and-forth arguments between the creditor and the bank, while also trying to support their client, who at that point has no income, because of a bank arrestment that has been unnecessarily and unfairly taken out against them.

The Convener: I thank our two witnesses. Your evidence has been really helpful to our consideration of the bill.

I suspend the meeting to allow for a changeover of witnesses.

10:46

Meeting suspended.

10:52

On resuming—

"The economic contribution of the Pharmaceuticals Sector in Scotland"

The Convener: Our next item of business is an evidence session on the report by the Fraser of Allander Institute, "The economic contribution of the Pharmaceuticals Sector in Scotland". I welcome Adam McGeoch, economist fellow of the Fraser of Allander Institute. He is joined by George Davidson, the chair of the access and value group of the Association of the British Pharmaceutical Industry Scotland and Professor Sir Michael Ferguson, regius professor of life sciences at the University of Dundee.

I understand that Adam McGeoch is going to give us a short presentation before we move to questions.

Adam McGeoch (Fraser of Allander Institute): Thank you, convener, and thank you to the committee for having us along today to discuss our fourth report for ABPI Scotland on the contribution of the pharmaceuticals sector to Scotland's economy.

The report includes a traditional economic impact assessment of the sector's support for gross value added and jobs. However, given the Scottish Government's national strategy for economic transformation, which was published last year, we wanted to widen the impact assessment to include how the sector contributes to things such as tackling inequalities and improving the productive capacity of the Scottish economy.

Our analysis includes the pharmaceuticals sector as defined by the Office for National Statistics' narrow definition of the manufacturing of pharmaceuticals, but it also includes a wider sector definition as, when we engaged with the ABPI, we realised that the pharmaceuticals sector encompasses not just the manufacturing of pharmaceuticals, but also includes pharmaceutical research and development, medical sales and so on. Given its importance to the Scottish Government's economic strategy, we felt that it was important to include life sciences in our modelling and analysis.

As I mentioned, we reflected on NSET but we also looked at the delivery plans within NSET that were published last October and the underlying economic indicators of each programme of action. One of the key indicators under entrepreneurial people and culture, for example, is business survival rates. We compared our pharmaceutical sectors with the Scottish average, and we found that life sciences has a business survival rate of 67 per cent over three years, which exceeds the Scottish average and the Scottish growth sector average. We did that for a number of indicators under each programme of action to track progress against NSET to see how the pharmaceutical sectors contribute to Scotland's 10-year economic strategy. We found that, overall, the sector contributes significantly to the Scottish economy. The wider pharmaceutical sector contributes £1.7 billion to the Scottish economy in gross value added, and it supports more than 15,000 Scottish jobs.

The Convener: Thank you very much. We will now move to questions. If people could keep their answers and questions concise, that would be helpful.

Mr McGeoch, you referred to NSET, which is the Government's 10-year economic strategy. Coming now to George Davidson, does your organisation see the impact of NSET? I know that we are just in year 2, but have there been any changes? How do you engage with the Scottish Government?

George Davidson (Association of the British Pharmaceutical Industry Scotland): In general, the Fraser of Allander report has been very positive in highlighting the sector. However, the industry is at something of a tipping point if we really want life sciences to move on to the next level. It has been quite well publicised that there has been a decline in clinical trials, and that has an impact on onward investment by industry. There is obviously a need for the regulatory side to speed up approval of new medicines, which is difficult, given all the new treatments and different requirements. How do we deploy those innovative medicines quickly?

Running alongside that, the pharmaceutical industry is in a negotiation period for the new voluntary pricing and access scheme, which is at a critical stage. We have capped the medicines bill at 2 per cent to allow medicines to be used in an innovative manner, but the repayment rate has recently gone up to 26.5 per cent, which is not sustainable. I cannot see how that is going to map out, but there are lots of discussions at the moment about how we can create the right environment for investment. Some companies are making decisions to invest outwith Scotland and the United Kingdom at the moment. As I said, I would describe the industry as being at a tipping point.

The Convener: I asked about engagement with the Scottish Government. Is there a forum where you are able to speak to Government?

George Davidson: Yes—we are very content with that, for want of a better word. The Scottish Parliament cross-party group on life sciences meets regularly. Representing the industry, the ABPI has good support. We have been campaigning on a number of areas, primarily to get the Scottish data infrastructure set up to attract a foundation for inward investment. I would say that we have very good support.

The Convener: You have outlined some issues around clinical trials and pricing. Are there barriers to growth in the sector, particularly in Scotland? You have indicated that the sector has potential for greater growth in Scotland, so why are we not seeing that?

George Davidson: Those are, without doubt, the main barriers. Clinical trials get companies to invest, and they help patients to get access to medicines and innovation that they would not otherwise have. There is also a question about health inequalities as a whole, and whether they could be better mapped with better clinical trials infrastructure.

Returning to your question about support, we have engaged very well with the chief scientific officer. Dame Anna Dominiczak has also been a fantastic supporter. She talks at length about the need for a triple-helix approach, as she puts it, which very much involves having industry as part of the solution. I do not see the problems as being unique to Scotland, versus the rest of the UK.

The Convener: I will now bring in Sir Michael Ferguson. In 2015—now eight years ago—the Scottish Government's economic strategy identified life sciences as a growth sector. Have we seen the growth, since 2015, that we had hoped to see? Obviously, we have had a pandemic, which has had an impact on everything, but what do you think the barriers are to increasing the role of pharmaceuticals in Scotland?

11:00

Professor Sir Michael Ferguson (University of Dundee): Thank you, convener. George Davidson is speaking on behalf of the existing industries in life sciences and pharmaceuticals, whereas my concern is really with future companies—creating new companies to get economic growth. In that context, I think that Scotland could do so much more to help itself. We have a university sector that is very strong in life sciences. Scotland's universities win about 14 per cent of the UK R and D budget competitively, and yet we produce only 6 per cent of UK spin-out companies in life sciences. There is a big divide there.

Several things make the landscape of Scotland not fertile enough to create those spin-out companies in the first place and, even more tragically, to keep them when we do create them. I offer my experience at the University of Dundee. Exscientia, which was a University of Dundee spin-out, was the biggest biotechnology initial public offering in Europe ever—not this year or last year, but ever—at $510 million on the Nasdaq, and it is now mostly based in Oxford, with a little bit left in Dundee. Another spin-out, Amphista Therapeutics, which did one of the largest series B rounds in biotechnology in 2021, is now 100 per cent in Cambridge. I call that levelling down. We are able to create highly invested spin-out companies and yet we lose them from Scotland because we do not have the infrastructure to keep them here.

There are two problems. One is that we do not create enough spin-out companies at scale because we do not attract enough venture capital. That is partly not our fault; it is partly because the venture capital community tends to fish in the golden triangle of Oxford, Cambridge and London. What it really means is that we have to jump through a few more hoops to get their attention, so we should just do that. However, we need some public sector investment to help us to jump through those hoops and create more high-growth companies. Then, we need to be properly invested with serious venture capital money, because, to be frank, angel investment alone tends to lead to small zombie companies.

We need to get major investment in and then we need to make sure that that investment does not just bounce off Scotland and go someplace else. If we can fix those two things, I believe that we can create a huge amount of economic growth in Scotland.

The Convener: You have both raised areas where other members will ask questions, but before we move on to that I have a question for Adam McGeoch about the Fraser of Allander Institute's report. On page 25 you talk about the gender pay gap within the sector. I think that it is a bigger gap in Scotland than it is across the UK. Is that right? The report says:

> "women earned 22% less than men working in the sector, compared to just 6% less at UK level",

although we have a narrower pay gap across all sectors. You suggest that it depends where women tend to be focused within the pharmaceutical sector, which is more in the supply chain. Can you just talk us through why there is such a gap in Scotland?

Adam McGeoch: When we were looking at the pay data for pharmaceuticals, we found it quite difficult to get a picture of Scotland for the industry and to get data at the regional level. We had to look at 2021 because the data was suppressed for 2022, but when we looked at that we found that the gender pay gap was 22 per cent in the manufacture of pharmaceuticals in Scotland. If we compare that to the UK manufacturing of pharmaceuticals, which is 6 per cent, and to an industry average for Scotland, which is 12 per cent, there is clearly work that needs to be done.

In terms of the supply chain impacts, we looked at the economic impact of the pharmaceutical sector and then looked at the industries that it trades with to determine the gender split of that impact. We found that not as much employment is directly supported within pharmaceuticals; it tends to be in the industries that pharma trades with such as retail, sales and medical liaison.

The Convener: Could George Davidson say something from ABPI about what needs to be done to tackle the gender pay gap. Is it recognised as an issue that needs to be addressed, and what is being done to address it?

George Davidson: Absolutely. The report clearly highlights that it is an issue and it needs to be addressed.

ABPI did a survey of members—an Accenture report—which indicated that 62 per cent or 68 per cent of members have that issue as a priority. The Roche pharmaceuticals group highlighted in the report what it is doing. However, as Adam McGeoch said, it is difficult when you get down to the subsets. I can talk about large pharma. The organisation that I work for has a mean gender pay gap of minus 1.36 per cent. However, we put our hands up—ABPI has to keep pushing members to address the issue, because it is not acceptable.

The Convener: We will move on to other areas that have been highlighted. Brian Whittle has a question on clinical trials.

Brian Whittle: Good morning. I have an interest in how clinical trials are conducted. Treatments of rare conditions in particular require clinical trials to be drawn from beyond our borders. It is to the benefit of any new drug that we draw from as diverse a population as we possibly can, surely. Are we aligned with the rest of the world on that, and can we pool clinical trials to determine the efficacy of new medicine?

George Davidson: That is the real problem. Since 2017, there has been a 44 per cent decline in patients entering clinical trials and a 41 per cent drop in the number of clinical trials that are sited in the UK. You are right to point out that Scotland has fantastic potential with its population size and community health index number, but global organisations that want to site trials in Scotland have to do it for more specialised medicines, as the population is very small, so we need to broaden it out. Lord O'Shaughnessy did a review that looked at clinical trials, which Dame Anna Dominiczak is very much all over. Some good recommendations to try to reverse what is happening came out of that review.

From a Scottish point of view, as I mentioned, we are pushing on data. We want the data infrastructure to be in place so that, if companies that want to come to do their clinical trials here, we have the databases and so on. However, we need to create that infrastructure. There is an aim to quadruple the number of people who take part in clinical trials by 2027, and a lot of funding is going into that. Dame Anna is absolutely clear about working with industry to make sure that Scotland plays its part in that.

Brian Whittle: To follow on from that, is there a global data network that we can tap into to pull people into clinical trials?

George Davidson: There are networks, but I do not know how joined up they are. They do not seem to be as cohesive as they could be. Even in Scotland, the network is not as cohesive as it could be in relation to how companies can access that data. We are looking at that issue.

Brian Whittle: Does anyone else want to jump in before I move on to my next question?

Adam McGeoch: I will pick up what George Davidson said. In “A Trading Nation—a plan for growing Scotland’s exports”, the Scottish Government highlighted clinical trials as a subsector of pharmaceutics that has the potential to drive export growth in the sector. We picked up from the report that addressing some of the issues around clinical trial wait times could support the sector in its export performance. It already performs well in international export, but addressing those issues would ensure that it performs better.

Professor Sir Michael Ferguson: Stratification is the name of the game in clinical trials, going forward. You mentioned rare diseases and so on. The point is to give the right medicines to the right people. Using genetic information will therefore become more and more important in clinical trials. Testing the medicine for the people who are likely to benefit from it and not be poisoned by it is very important.

The whole landscape of clinical trials is changing enormously. We need to be testing medicines in the appropriate population. For example, my institution has an anti-malarial compound single-dose cure in clinical trials in sub-Saharan Africa; there is no point testing it in Scotland, because we do not have malaria. It is a question of the clinical trials being done with the right populations.

Scotland has such a fantastic opportunity to do clinical trials, especially in the area of chronic diseases, where—unfortunately—we score rather well. We have an incredibly appropriate population for running clinical trials in medicines for morbidities, and we have a very well-joined-up informatics system—which is the envy of England, by the way—but we could do so much more.

There is slight frustration that we have many of the tools that we need to be a go-to place for clinical trials, yet we are not managing to achieve that. That is partly because the NHS is reeling from the Covid crisis and finds it difficult to find the time to concentrate on bringing in those trials.

The Convener: There has been quite a dramatic drop in the number of trials: a fall of 41 per cent, I think, since 2017-18.

Professor Sir Michael Ferguson: Yes.

The Convener: We have had the pandemic and Brexit, and we have the war in Ukraine. Is it down to those factors, or is it something more structural? You talked about capacity in the NHS. Is it something more mundane like that?

George Davidson: I wonder whether it is down to all those factors. As Adam McGeoch said—Dame Anna Dominiczak also speaks well to this—one aspect concerns commercial clinical trials as opposed to other types of research that are going on. That is the bit that has drifted off.

We might look to Spain and Australia, for example. Spain has a fantastic infrastructure network for clinical trials—those have really taken off with what they are doing there. We need to ensure that we hit the reset button a little on this one. As we have mentioned, trials have a lot of spin-off effects around health inequalities and, indeed, around helping the NHS to recover. There is research in the report on how, when we have centres that are doing clinical research, that has knock-on effects for staff morale and so on.

The Convener: Do you have any other questions, Mr Whittle, before we move on?

Brian Whittle: In relation to the gathering of data, it sounds like there is an opportunity for an entrepreneur.

I have a question for Sir Michael Ferguson, who raised the issue of spin-off companies from new businesses—that sort of growth in small and medium-sized enterprises.

The Convener: Sorry, Mr Whittle—I think that Gordon MacDonald intends to come in on that area.

Brian Whittle: I apologise.

The Convener: We will move over to Gordon, if that is okay. We have dealt with clinical trials.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning. We have already touched on spin-offs; I want to understand the position a bit better. Adam McGeoch, as you are the author of the report, I come to you first.

In the report, you say that

"scale-up is a barrier to success and Scotland loses spin-outs and talent to England."

However, in the same report, you say that such businesses

"supported by knowledge exchange from world renowned universities and extensive government support ... have made Scotland one of the largest life sciences clusters in Europe, made up of over 770 enterprises."

You then go on to say that

"The number of businesses manufacturing pharmaceuticals has increased by 40% since 2010."

I had a look back at your report on "The economic contribution of the pharmaceutical sector in Scotland" from 2017, which has a helpful table showing employment from 2009. In 2009, total pharmaceutical employment in Scotland was 2,200. In your current report, the figure for the wider pharmaceuticals sector is 5,900.

I am trying to understand, therefore, where the difficulty with spin-offs that has been referred to lies.

Adam McGeoch: Thank you for that question. With regard to the mention of clusters in the report, we were reflecting on some analysis that has been done by Scottish Development International. That is where that came from.

On life sciences spin-outs, the number of spin-outs relative to population size is strong, and Scotland has some of the best universities in the world—we always perform well on higher education measures in comparison with the rest of the UK and internationally. The issue is less about the numbers and more about scaling up and ensuring that we have the infrastructure for when those businesses want to get bigger. We need to ensure—as Sir Mike Ferguson noted in the case study—that we have the lab space and infrastructure for those life sciences spin-outs to scale up in Scotland. Otherwise, they could be lost to the golden triangle of Oxford, Cambridge and London.

Gordon MacDonald: In your report, chart 3 is entitled "Top Universities for Life Sciences Spinouts". What is that chart trying to tell us? What does it say? The figures for the Scottish universities are in red: the University of Edinburgh has 18 spin-outs, and two that have been exiled. Is that to the golden triangle that you talked about?

Professor Sir Michael Ferguson: Those two have exited.

Adam McGeoch: Sir Mike may want to come in here. The point in relation to the life sciences spin-outs is that there is the talent and knowledge here in Scotland. The issue is about when it comes to scaling up. Mike would probably be best placed to talk about the challenges in the life sciences sector.

11:15

Gordon MacDonald: Before Sir Michael comes in, I am trying to understand this table a wee bit better.

I accept that it contains only a proportion of the universities, because the University of Dundee is not included. If I read across the various universities that are listed, there were 51 spin-outs, of which four in Scotland have exited. In the UK, there were 248 spin-outs, which suggests that the number of spin-offs in Scotland is higher relative to population size; 48 exited south of the border, which, again, is a higher proportion of the total number that you have presented.

I am trying to understand the point about our creating spin-outs but not retaining them. Your figures do not highlight that we are not retaining them.

Adam McGeoch: We have found that we create them but do not retain them.

Mike and I have spoken about how, depending on the underlying indicators of the different types of spin-outs, when it comes to spin-outs, Dundee comes out on top in many rankings in relation to other data sources, which is not reflected here.

The exited companies are those that are bought over and leave that market. The point is that we have that capability in our Scottish universities, but it is about the scaling up. I cannot speak to what is happening with other universities in the rest of the UK because we did not consider that in the report; we were focused only on the Scottish universities.

Gordon MacDonald: I have lifted the numbers off your graph; that is all.

Sir Michael, you have a case study and you mention two companies: Amphista Therapeutics and Exscientia, if I pronounced those correctly. Amphista started in 2017 and Exscientia in 2012, if I have got that right. Amphista's latest accounts suggest that it made a substantial loss in 2020 and 2021. Its total number of employees is 20 and it has a net worth of minus £5 million.

Professor Sir Michael Ferguson: It, in fact, has 100 employees.

Gordon MacDonald: I lifted that off its accounts on Companies House. That was all the information that I had.

Professor Sir Michael Ferguson: Okay. The point is that it is in the series B investment phase at the moment. It is an R and D based platform company.

I am a bit surprised by those numbers. I do not know where they came from because, for example, it has £2.3 billion-worth of business on its books from Bristol-Myers Squibb and Merck KGaA, and it has passed the first milestones in both of those big contracts. It is trading very well at the moment. Those numbers also considerably lag the current realities. That is what I would say about Amphista Therapeutics. Everybody is looking at it as being very successful and expects that, at some point, it will exit through an intellectual property offering—IPO—and probably do extremely well, as did Exscientia when it IPOed in 2021.

Gordon MacDonald: The figures that I lifted were from its latest published accounts on Companies House. I realise that there is a lag, but they suggest that, similarly to Exscientia, the improvement in its financial position has been recent. Back in 2020, if I am reading it correctly—again, this is from Companies House—Exscientia had only 65 employees. It was only in 2021-22 that we saw substantial growth, which it did not have when it was created back in 2012.

Professor Sir Michael Ferguson: The natural history of biotechnology companies—in fact, of all technology companies—is that they get invested in through seed investment series A and series B. During that time, they are making a loss, because they are growing their company base and creating their products, if you like. Then, when they get to a successful position, they will go to the market to exit and get a huge IPO, and that is when they will go into the megagrowth phase. Exscientia now has more than 500 employees; 50 are still in Dundee, I am happy to say, but 450 are elsewhere.

Gordon MacDonald: On your case study, which you mentioned earlier, you said that there is a need for a public-private fund that backs life sciences and innovation ideas. Can you say more about that?

Professor Sir Michael Ferguson: Yes. I would be very keen on that. I have spoken to around 30 venture capital companies in the past two and a half years, and it is always the same conversation: you put in front of them your bright young ideas for innovation and spin-out opportunities, and they will pick and choose. Different companies will like different things, but they nearly all come back and say the same thing: "We really like this opportunity, but come back when you've done A, B and C." That might be a bit of market research, but more often than not it is killer experiments—proof-of-concept experiments.

The private sector expects the public sector to pick up that bill and vice versa, but nobody is picking up that bill. Usually, for the sake of £250,000, you will not be able to get an innovation opportunity—which has probably cost the charitable and public purse £20 million to £30 million in research costs to get it to that innovation position—to the point of being an investable asset. There is a gap between innovation and investable assets.

If you are in the golden triangle, the venture capital companies will say, "Ah well, we'll give you some money anyway." We do not have that luxury in Scotland. We need to close that little gap. That is why I talk about a 1 per cent fund. Scottish universities win about £500 million—it is a little bit more now—of competitively won research funds in bioscience and medicine every year, yet we have half the productivity of our colleagues in the golden triangle in terms of spin-outs and job and wealth creation. We can close that gap with that fund to enable Scotland's universities to get their innovation through to being an investable asset. Basically, you have to tee up the opportunities a little bit higher in Scotland than you do elsewhere.

Either we can complain about that or we can just do it. I think that we should just do it. In that way, we will bring a huge amount of inward investment into Scotland, and, if we have the right infrastructure, we will make it stick in Scotland. We will have high-quality jobs for our graduates and postgraduates, but, importantly, for our school leavers. The workforce in the R and D component of biotechnology is about 50 per cent technicians—folk who can leave school, get a higher national certificate qualification and move into that industry. Those are the kinds of jobs that we need for our young people in Scotland.

Gordon MacDonald: How do we ensure that, once we get out of the research and development phase, manufacturing jobs are retained in Scotland? Until fairly recently, my son worked in life sciences. An American investor was involved in that company, but despite the fact that all the R and D was done in Scotland, the manufacturing plant of that American investor was in Europe.

Professor Sir Michael Ferguson: That is a really difficult issue, and there is no magic answer. If we can anchor companies in Scotland during the R and D phase, there is a chance of the manufacturing staying in Scotland. If we do not anchor the R and D in Scotland, there is no chance of a company manufacturing in Scotland—that is all that I can say. It is a probabilities game, and the complexities of investment and investment decisions—commercial decisions by investors—are something that you can try to sway.

In Dundee, we have a company that is in R and D mode at the moment, and by remonstrating with the chair of its board, I have managed to keep it in Dundee for a bit longer. How long we can manage that for, I do not know. We can all do what we can to make Scotland an attractive and fertile ground for companies to stay in. Even if we can keep them for only the R and D phase and keep the R and D arm, that will still be a substantial net benefit to GVA for Scotland. If we can also get them to put the manufacturing here, if it is that kind of business, that will be a massive bonus. It is a complex issue. George Davidson might want to comment.

George Davidson: That is absolutely right. I work for an organisation that has two manufacturing sites in Scotland. We have been through rocky spells during which one of those sites was going to shut. Thankfully, we kept it open, and now that we are out of the recession, things are looking good—touch wood.

I totally agree with what Mike Ferguson said. The ABPI is focused on getting the investment at the R and D stage and getting the clinical trials. Once a company is bought in, it is easier for it to say what it wants to do.

The medicines manufacturing innovation centre at Renfrew should be held up as a beacon of what can be achieved. We should try to get funding from companies to accelerate that as much as we can.

Gordon MacDonald: Has Brexit made that harder? Europe is a market of 550 million people. Is it harder for us to trade with it because of what has happened over recent years?

George Davidson: To be honest, I do not think that you can point to just one thing.

Gordon MacDonald: No—there are a number of factors.

George Davidson: There are challenges but, equally, there are other issues. As I said, if we really think about research now, it will not all be sited just in Scotland—we have to think more broadly. Everyone can talk about and know what the solutions are, but the key thing is that we must get on and do them.

Gordon MacDonald: I have another couple of questions. We talked about the golden triangle of Oxford, Cambridge and London, but Scotland has the highest proportion of higher education students enrolled in science, technology, engineering and mathematics subjects, and a higher proportion of the Scottish population have completed higher education or have a degree. When we have a highly educated population and a lot of students in STEM subjects, what is the difficulty in retaining jobs here?

George Davidson: I agree about the point; the challenge is probably in setting up. Sometimes, people do what they have always done, in all honesty.

My organisation always encourages people to come up to Scotland and see the art of the possible. As we mentioned at the start, we get very good support and there is great infrastructure. There is talk of the triple helix, and the ABPI always tries to run innovative workshops to get the people who make such investments to come to Scotland and see what is possible.

Whether we like it or not, the golden triangle is a tipping point. Mike Ferguson and I were talking about how the Tay cities deal is a good thing for Dundee because the hope is that it will give us a bit more infrastructure. We have all the statistics, but the issue is with getting people to see for themselves what is possible.

Gordon MacDonald: This is my final question, and then I will pass back to the convener. I have noticed that, although pharmaceutical exports were up by 9 per cent, the value of exports to the rest of the UK was down from £155 million to £50 million. Was there a reason for that?

George Davidson: It is funny that you raise that—I was chatting to Adam McGeoch about it, because I did not know the reason for the difference between the UK position and the international position. There could be a number of things.

In the period that is referred to, my company was under quite a lot of pressure from different suppliers and was sourcing some chemicals from India and China. Thankfully, the situation has now reverted. Our site in Irvine cannot manufacture enough at the moment, which is fantastic.

Adam McGeoch and I were saying that it will be interesting to see the next batch of figures that come through with the revenue going up; the hope is that the decline will reverse itself. To be straight with you, I do not know the exact reason.

Professor Sir Michael Ferguson: The magic ingredient is serious venture capital investment—national and international. Such companies need to have seed funding of £2 million to £5 million, series A funding of £5 million to £15 million and series B funding of £15 million to £60 million. If a company is not in that area, it will not be a high-growth company. We have bright people with great ideas, but they are underinvested in.

Gordon MacDonald: I was going to pass back to the convener, but I have just thought of another question. In January, Deloitte produced a report that said that the

"average expected return on investment for research and development fell from 6.8 per cent ... to ... 1.2 per cent in 2022."

That was the lowest return on investment on record. Is that making it more difficult to attract the funding that you are talking about?

Professor Sir Michael Ferguson: Yes, of course. Everybody says that it is difficult to raise funding for spin-outs, but the graphs show that there was a massive spike of investment in 2021. During the pandemic, people had all this money and equities were overvalued, so they put money into venture. The figure has now come back down, but it is still on an upward trajectory—there was just a spike on top of that.

Venture capital money is still around. The returns are not looking so clever because the overinvestment spike has diluted returns, but my view is that we are seeing an adjustment in the economics.

11:30

The Convener: Adam McGeoch, do you want to respond to the question about exports to the UK?

Adam McGeoch: I have a quick follow-up comment about what George Davidson said. Our assumption was that there might have been some restructuring and that things that had previously been produced in Scotland had been produced elsewhere in the UK that year. That is what George and I were talking about. The latest data that we have is for 2019, because Scottish export statistics have been delayed in recent years, but we should get figures for 2020 and 2021 in November this year, which will allow us to dig a bit deeper and to understand whether that is a long-term trend or a one-off.

Murdo Fraser: I will follow up on a couple of issues based on Gordon MacDonald's line of questioning.

I would like to get something clear in my head. Adam McGeoch, your report says that

"Scotland lags behind other parts of the UK in generating life science spinouts"

but the number that Gordon MacDonald alluded to suggests that we perform well. Is that because the overall level of investment is lower?

Adam McGeoch: In our engagement with Sir Mike Ferguson, we found that the overall investment was lower and that there was a challenge with scaling up. The report shows that the number of spin-outs is strong but the challenge lies in scaling up.

Murdo Fraser: Is it all right to call you Sir Mike?

Professor Sir Michael Ferguson: That is fine.

Murdo Fraser: You identified two key barriers, one of which was infrastructure while the second was access to venture capital.

I will take infrastructure first, by which I assume that you mean access to facilities, building space and so on. What do we have to do to fill that gap? What is the role of local authorities and of agencies such as Scottish Enterprise? What role might the public sector have in addressing those issues?

Professor Sir Michael Ferguson: The situation is getting much better, because of the city deals. For example, by this time next year my city of Dundee will have an innovation hub that has been ideally designed for biotechnology and biopharma spin-out companies. The lack of such things caused us to lose Exscientia and Amphista, and I hope that that will stop happening. As we speak, we are in discussion with Scottish Enterprise about the level of investment in that building. Aberdeen has also just opened a biohub through its city deal and the Edinburgh BioQuarter is well invested.

We are gradually producing the infrastructure that Scotland needs to retain its spin-outs. We probably do not have enough infrastructure, but the situation is not as chronic as it was a few years ago, which is good. As I keep saying, we then need to ensure that, when we have the innovation to create spin-outs, we give it a little boost so that, when it goes to the market for initial venture capital investment, it gets serious investment, rather than a dribble. We get a large number of spin-out companies, but they are all small, one-person-and-their-dog companies, and that does not push the needle on the economy.

Murdo Fraser: The second thing that you talked about was access to venture capital, which is a perennial issue. I remember sitting on the predecessor to this committee two decades ago. We were talking about that issue then and we are still talking about it. What role, if any, do you think the Scottish National Investment Bank has in attracting more venture capital into the sector?

Professor Sir Michael Ferguson: I hope that I am not going to say anything too controversial, but it seems to me—

Murdo Fraser: Please do.

Professor Sir Michael Ferguson: It seems to me that the Scottish National Investment Bank should absolutely be investing in exactly that. I do not know, but it might be too small beer for the bank. For instance, a pan-Scottish investment fund—and I am talking about a fund just for life sciences—to take innovation and tee it up as a highly investable asset bringing in serious venture capital could be done for £5 million a year.

Studies state that the return on that would be enormous—well in excess of £250 million of inward VC investment and more than £50 million a year of GVA. The returns would be extraordinarily good, but we do not seem to get any traction from SNIB on that. We have spoken to it, but nobody seems to want to step in to fill that gap.

I would prefer if it was a public-private fund, by which I mean that if there was sufficient public sector investment in the area, it would bring in venture capital partners who would want a seat at the table to see the opportunities that are coming from Scotland. That is why I think that we would end up with a public-private fund. If the public sector put £5 million per year into it, pretty soon that will be a £10 million per year fund because four or five major venture capital partners might then come to sit at the table and co-invest at a very early stage.

Kevin Stewart: I am interested to find out more about the discussions with the SNIB; maybe Mike Ferguson and others can forward the details to us.

In relation to the joint public-private investment that Mike spoke about, has there been any discussion with any organisation—SNIB, Scottish Enterprise or maybe even some of the regional economic bodies, such as Opportunity North East, because you hinted at the work that it was doing—about establishing an evergreen fund, whereby investment is made, possibly by public investors and also by private ones, that would eventually get a return that can be recycled so that we have a constant recycling process and constant growth of investment? If there has been a discussion about that, could you give us an indication of how it went?

Professor Sir Michael Ferguson: Scottish Enterprise has been in discussion with me and my colleagues about that for some time now, and it commissioned EKOS during the summer to do some data collection. Next Monday, I have a follow-up discussion on the EKOS report with Scottish Enterprise, so that is all good. It has been looking closely at the idea of a pan-Scotland life sciences innovation-to-investable-asset proof of concept fund, and it is coming to a view on that, but I think that it sees the opportunity in that area.

I agree with the idea of evergreening. If the public sector put in £5 million for six years, by the end of that time it could be self-sustaining and public intervention would no longer be necessary, because the fund could take a small amount of the equity of the things that it is invested in and eventually that will pay back. One major intellectual property offering—like the Exscientia one, which was $510 million—will pay back the whole fund.

Kevin Stewart: We can all be a bit negative when we discuss these issues, but the report talks about Scottish Enterprise and the role that it has played in start-ups in Scotland since 2016 and 2020. That role is not insubstantial, nor is the investment by Opportunity North East in building infrastructure. Should there be more co-operation between all of the players to get that right and to open up discussions about matters such as my proposal for an evergreen fund, which I think could make the odds here, as it has done in other areas?

Professor Sir Michael Ferguson: Absolutely; the more joined up we are the better. The article I wrote says that we need to be more joined up.

Kevin Stewart: How do we do that?

Professor Sir Michael Ferguson: The Scottish Funding Council, which looks after the universities' day-to-day business, and Scottish Enterprise probably need to talk to each other more often than they do. Both of those agencies also need to be plugged into the Scottish National Investment Bank.

The cross-party group on life sciences gives us a good avenue into the Scottish Government, and I have always had productive discussions with members of the Scottish Parliament whenever I have asked for them. The connectivity to Government is good, but Government agencies need to be cross referencing. They have a lot of different things to think about and to worry about, so I do not underestimate the pressure on everybody's time. However, in the life sciences industries, Scotland has a fantastic opportunity to harvest and capitalise on its university sector, which is very strong in life sciences, and to make sure that it works for the benefit of our key stakeholder, which is the Scottish taxpayer.

Kevin Stewart: Thank you.

The Convener: We are experiencing some pressure on our time now, so I ask members to be concise, if possible.

Ash Regan (Edinburgh Eastern) (SNP): Scottish Parliament committees are always interested in what is working well elsewhere, even if it is far afield. Are there lessons to be learned from elsewhere in how we could better support life sciences and the industry?

George Davidson: I am happy to kick off. At the moment, the Achilles' heel is the deal with the Government on medicines. That applies to larger pharma companies, but it brings in a lot of investment. We can look at lessons from elsewhere. The rebate rates in markets such as Germany, Spain and Ireland are between 8.25 per cent and 12 per cent. Our rate is 26.5 per cent. Whether we like it or not, that is not sustainable.

We have capped medicines growth at 2 per cent, but those in the industry will vote with their feet if we do not get the issue sorted out, so we need to consider that. It would not be so bad if we were at the forefront of getting innovative medicines to patients as the end result, but we are not. We do not sit well in the rankings.

I mentioned clinical trials. We have dropped to 10th in the world in relation to phase 3 clinical trials. That is not a good position to be in. Why is Spain better at doing clinical trials than we are? That should not be the case. On Mike Ferguson's point, we have the best academic centres that you could wish for, and we have a really cohesive network. It just goes back to Mr Stewart's point about collaborating and getting the right people in the room to make things happen. Through the cross-party group, we try to get people to come together.

Professor Sir Michael Ferguson: We can look south of the border. For example, in Oxford, there is Oxford Sciences Enterprises, which is a commercial fund into which major investors have put money in order to commercialise Oxford's scientific outputs. Similarly, there is UCL Partners in London, and Northern Gritstone involves movement in the same general area, with pre-investment before people look to invest in university innovation. We do not have a comparable entity in Scotland, but we probably need one.

Ash Regan: Obviously, for the industry and for the Government, the Covid-19 pandemic led to changes to the way in which we worked and to the level of support that was provided. Are there things that we can learn from that? Should we continue some things and not leave them in the past?

George Davidson: That is a key point that we should never forget. As a cross-party group, we were saying that it is funny how quickly people forget. There were a lot of bad things with Covid, but a lot of good things came out of it in relation to collaborative working, breaking down barriers and not working in silos. We can think about how quickly vaccines were brought to the market; there is lots of learning for us to take from that model. I do not want to paint a negative picture. I hope that a lot of the things that I have talked about show that this is about the art of the possible—what we can do if we keep the momentum going.

Dame Anna Dominiczak is a fantastic supporter from a Scottish perspective. As I keep saying, she talks about the triple helix. Anyone who has met her will know that she is a force to be reckoned with. It is great for Scotland that she is going down to find out what is happening with the life sciences vision and to ensure that Scotland has a place at the table. That has to be a good thing.

Ash Regan: Thank you.

Colin Beattie: I will ask a fairly obvious question. With a unified health service such as the NHS, you would think that there might be an opportunity for the industry in Scotland to collaborate. From what I have read, I am not sure what level of collaboration there is, if any. What would be the benefits of such collaboration?

George Davidson: Are you talking about pharmaceutical industries collaborating?

Colin Beattie: I am talking about them collaborating with the NHS.

George Davidson: Absolutely. To go back to what I said, a lot of that goes on behind the scenes and is not publicised enough. The ABPI and the Scottish Government are rewriting the memorandum of understanding so that partnership working can take place openly and publicly. It has always been done.

We are working with Professor Alison Strath. I mentioned some of the more innovative medicines, and she is horizon scanning. It is not just about the medicine; it is about having the infrastructure in place and what industry can do to support that before a medicine comes to market so that you get fast uptake. Industry has a fantastic role to play in helping the NHS out of the situation that it is in post pandemic.

11:45

Colin Beattie: I am not clear on the scale of that, though. You would think that the NHS would be an obvious partner that you deal with.

George Davidson: I am with you but, to put it bluntly, there is probably still a lot of scepticism between industry and the NHS. I am not saying which side it is on, but industries are often willing to go out and get involved. It takes a while. You think that it sounds like an easy thing to do, but it is sometimes difficult to get it going.

A lot of stuff is happening through the national centre for sustainable delivery and we are beginning to see a once-for-Scotland approach, which I hope will bring in industry to do more. We probably all need to take ownership and ask how we accelerate that.

Colin Beattie: What are the barriers to escalating the collaboration to a better level? Is there recalcitrance on the part of one party or another?

George Davidson: Perhaps I was putting it across poorly. I think that there has sometimes been a bit of hesitancy about what industry is in the collaboration for and whether it will invest and then pull out its money. Despite that, there are lots of great examples and case studies of how, when industry has got involved, it has made a difference. We just have to accelerate it.

Colin Beattie: Is it hesitancy on the part of the NHS or on the part of industry?

George Davidson: If you are in industry, you want the NHS to go and get stuff done. It is difficult, because the NHS is under the cosh a bit. It has waiting lists and everything else to deal with, and then industry comes along wanting to do some innovation. People probably want to do it, but where is the head space for that? There is a bit of that involved.

Colin Beattie: Pre Covid, which arrived a couple of years ago, was there more collaboration than there is post Covid?

George Davidson: No, I would say that there was less.

Colin Beattie: Less?

George Davidson: Yes. As I mentioned, Covid demonstrated what can happen when you take down some of the barriers. You shorten timeframes and get people wanting to work together. It showed what was possible, and we need to take some of the learnings out of it. The danger is that, sometimes, we move on too quickly and do not do, for want of a better term, an after-action review to see what the learnings were and how we replicate rather than lose them.

Colin Beattie: How do you approach collaborating with the NHS? There are many NHS boards. Do you have to approach them one by one?

George Davidson: It would vary from company to company.

Colin Beattie: How do you do it typically?

George Davidson: It varies hugely. The ABPI has quarterly meetings with Healthcare Improvement Scotland. Through that meeting, there is a lot of information exchange about what is happening with industry and at board level, but it tends to be a case of an industry collaborating with the board. The beauty now is that, with the centre for sustainable delivery, there is a desire to do pilot projects and scale them up quickly, which Dame Anna Dominiczak is keen to promote.

Colin Beattie: You said that, post Covid, there has been an increase in collaboration, but it is still difficult to get a feel for how significant that collaboration is. Is it just one or two odd projects here and there?

George Davidson: There is collaboration going on at different levels. The ABPI engaged with Dame Anna Dominiczak from the outset, because a lot of the members of the ABPI in Scotland represent our industries from a Scottish perspective. We are keen on things such as the Lord O'Shaughnessy report and ensuring that we collaborate to bring research into Scotland. There is cross-pharma work going on at that level but, if companies want to collaborate on specific work in certain therapy areas, it is down to them to drive that through engagement and discussion with the NHS board.

Colin Beattie: It seems to be hard to get your head around what the total scope of this is.

George Davidson: It is not easy, that is for sure.

Maggie Chapman: I thank the panel members for their contributions so far. The discussion has been interesting. I will explore the notion of the infrastructure that we need in Scotland that the golden triangle has and we do not. George Davidson spoke about that specifically in relation to clinical trials, but I want to think about it more broadly. The Tayside regional deal and its equivalents elsewhere have been referred to.

Adam, your report talks about the good geographic dispersal of the industry and that there is a network across Scotland. Does that apply across the different elements of what we are talking about, or is it specific to certain aspects of the industry? For example, I know that there is good research capacity in some places but not elsewhere, and that there is good innovation in some places but not elsewhere. I am trying to understand the stratification within that statement about good dispersal.

Adam McGeoch: We touched on the geographical split of pharmaceutical jobs in our report. Is that what you are referring to?

Maggie Chapman: Yes.

Adam McGeoch: The pharmaceutical industry predominantly employs people in North Ayrshire, which is widely recognised as being a deprived area in Scotland that faces many challenges. The second highest location for employment in the industry is in the Highlands, where GSK's manufacturing facility is the main employer. As we outlined in our report, those roles are highly skilled and highly paid. Across all deciles of pay, the manufacturing of pharmaceuticals in the UK pays above the living wage and well above average. That point is more to do with jobs in manufacturing of pharmaceuticals, which are in North Ayrshire and the Highlands, although some of the pharmaceutical R and D counts within that definition.

Maggie Chapman: There is maybe not a disconnect, but there is a distinction between that dispersal and what we have been talking about with the focus in institutions in Edinburgh, Dundee and Aberdeen.

Adam McGeoch: The split is focused predominantly on pharmaceutical jobs related to manufacturing.

Maggie Chapman: The report mentions the value of skilled jobs, which is highlighted in the summary at the start. Many of us will try to see a connection between investment in R and D and sustaining skilled jobs. How do we ensure that we have the infrastructure so that those jobs are not sucked into an equivalent of the golden triangle in Scotland, which is the central belt? It would not be a triangle; more of a line.

Adam McGeoch: That is a great point. Although split across the whole of Scotland, it is important that those jobs are in places such as North Ayrshire and in rural communities. It is important that places such as GSK's manufacturing plant in Irvine stay open and that they continue to employ people in local areas, because it is not just about jobs, or about the economic impact. Those facilities have a wider impact in areas that have experienced issues, as described in the Scottish index of multiple deprivation, such as income deprivation and employment deprivation, and that have some of the highest child poverty rates in Scotland. Keeping those jobs in places such as North Ayrshire, rather than in Glasgow or Edinburgh, for example, is really important for the economic impact as well as the wider impact.

Maggie Chapman: Mike, do you want to comment on that, given what you have said about the lack, or mismatch, of investment at certain stages and times in the process?

Professor Sir Michael Ferguson: It is really important that every region and area of a city that has the intellectual capital to create spin-out companies has the infrastructure to absorb them. If those companies are kept close to the founding scientists and the technology platforms that created them, the companies themselves will get the fastest opportunity to grow. Therefore, it is important that we do not just have, for example, the Edinburgh BioQuarter—I am not picking on it—and say that everything should go there, because that does not really work. Dundee spin-outs need to be next to the University of Dundee, Aberdeen spin-outs need to be next to the University of Aberdeen and so on.

The excellence in the fundamental research and the opportunities to create spin-outs are distributed across the whole of Scotland. The big three are Dundee, Glasgow and Edinburgh, but Aberdeen is absolutely spectacular in biologics—it has a real specialist niche. Then there is the University of St Andrews, Heriot-Watt University and the University of Strathclyde, as well as the University of Stirling in relation to aquaculture. They all have zones of excellence and expertise. They all need the opportunity to keep their fledgling and spin-out companies close to give them the best opportunity of success by being close to the founding scientists and technology platforms that created them.

That is what is necessary, and we are now starting to get that infrastructure with the Aberdeen biohub; the Dundee innovation hub, which will be open next year; the Edinburgh BioQuarter, which has been there for some time; and Glasgow, which also has some significant capabilities for spin-outs. We are beginning to level the playing field. It is probably not enough, but there is some sufficiency. That will keep the distribution of the R and D base wide, which is important. I agree that we do not want to see that collapse into one place.

Maggie Chapman: I will build on that. We have heard a lot about scaling up and the importance of different types of investment VC as well as public investment to bridge gaps. Do we also need to think about scaling deep and scaling out? We have heard that in the committee before, in other contexts and with regard to other sectors.

George Davidson talked about how we stop people doing the things that they have always done. What is it about the culture that we need to change that is not just about money? What else do we need to do to ensure that we get those roots? In essence, we are talking about the setting down of deep roots around the spin-outs, so that they stick. That is not always about scaling up, but we do not talk about scaling out and scaling deep, so how do you help us to change the conversation and what do you need from us to help to change that conversation?

Professor Sir Michael Ferguson: We need to make Scotland a really attractive place for investors to invest in. This is a 10-year project, but we need to accrete a talent base that we do not currently have. We have the talent on the science and ingenuity side, but we do not have the C-suite talent—the chief executive officers, chief scientific officers and chief financial officers, for example; they all live in the south-east of England. However, one thing that the pandemic has taught us—it has been a fantastic revelation—is that you can leave them there. You can keep your R and D team, which is the majority of the jobs, in Scotland, and the C-suite folk can carry on living in the—in my opinion, ghastly—south-east of England and come up and down to their Scottish assets. In that way, over time, they will accrete to Scotland, because it is a much nicer place to live.

As I said, that is a 10-year project, but that situation used to be seen as a barrier. People would say that we would never get investors to do anything in Scotland because all the C-suite people are in the south-east, but it turns out that they can work virtually. As the pandemic has taught us, everybody can work virtually, and that works very well from that point of view. That is much less of an impediment now but, over a 10-year project, we need to accrete a critical mass of that talent set as well as the fundamental scientific R and D talent.

George Davidson: In addition to the innovation hubs, the size of Scotland is quite an advantage. The once-for-Scotland approach that is being pushed is really positive, because if you get the data infrastructure right, we will get to the place where we want to be—I go back to there being a tipping point. We are not far away from that. We have a duty to bring people from my organisation and others up to Scotland and to put on showcases to show people what Scotland can bring to them.

Colin Smyth: The Scottish Government is considering the creation of a national pharmaceutical agency to improve links between life sciences and the NHS. It has described it as a possible "front door" to health from the life sciences community. Is that agency necessary and, if so, what should it do?

12:00

George Davidson: We have heard a lot of conversations about it. We invite Alison Strath to our access and value meetings. We have not yet debated that in any great detail, because we are still waiting to see some of the detail on what the agency's purpose would be, what it would do and what the opportunities and threats would be. The short answer to your question is that we have not had a big debate on it.

Colin Smyth: Therefore, is it something that appears to be coming from the Government rather than the industry?

George Davidson: I am sorry, but could you say that again?

Colin Smyth: Does that initiative appear to be coming from the Government? It does not sound as though it is coming from the industry.

George Davidson: That is right. It is not something that we are proposing at the moment.

Colin Smyth: Sir Mike, do you have a comment on that?

Professor Sir Michael Ferguson: That is really the other end of the business chain. My expertise, such as it is, is in the early innovation and creation of spin-outs. George's expertise is at the other end, in how you get final products engaged in the national health service.

George Davidson: I am not saying anything negative about it; it is just that we have not yet had a debate about it. I am sure that we will when the time is right. We have a great relationship with Alison Strath and the health minister and so on, so I think that we will be brought in to have discussions. We have never had an issue with that. To go back to the point that I made earlier, in Scotland, we are fortunate that we are very much round the table and can have these discussions.

Colin Smyth: The Government describes the initiative as being in an "early scoping stage", so you have confirmed that for us.

George Davidson: Yes, that is correct.

The Convener: Okay. I thank the witnesses very much—

Kevin Stewart: Convener, could I just ask a brief final question?

The Convener: We are running over time, Mr Stewart, so please be very brief.

Kevin Stewart: It is an important question.

The Convener: I am sure that it is.

Kevin Stewart: Thank you, convener.

George Davidson and others have mentioned Spain's ability to carry out clinical trials more efficiently. If my memory of the pandemic serves me well, Spain also had a very high vaccine take-up rate. Have Covid and some of the conspiracy theories about it—and some of the conspiracy theories that there were before—caused difficulties in certain places in recruiting people for clinical trials? Is Spain at an advantage because there seems to be trust in the Government and the infrastructure with regard to managing those clinical trials?

The Convener: We have heard that trials are doing well in America, so I am not sure about that correlation.

George Davidson: It is a good observation, although I could not draw that correlation. However, what I can say about Spain is that I have spoken about that to Gary White, who is the deputy chair of the Life Sciences Scotland industry leadership group and who works for IQVIA, which has a base in Scotland. I asked him why Spain is doing so well, and his only answer was that they are really cohesive in how they do that across the regions, so they all talk to each other. That goes back to the points that we made earlier about the fact that Scotland is small enough to do this. If we can get our data structure, our universities and everyone working together, we hope that there is a great landscape in which we can move that forward.

Professor Sir Michael Ferguson: Spain has also invested hugely in its public health services, so it now has the capacity to bring in clinical trials, whereas, previously, it did not.

The Convener: That brings us to the end of this morning's evidence session. I thank the witnesses for an interesting discussion.

The committee will now move into private session.

12:03

Meeting continued in private until 12:20.

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