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Convenor
Economy and Fair Work Committee
The Scottish Parliament
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Dear Convenor

PRE-BUDGET 2022-23 SCRUTINY: COVID19 FINANCIAL SUPPORT

Thank you for your letter of 28 June regarding the Economy and Fair Work Committee's scrutiny of the draft budget 2022-23. Please find below Scottish Enterprise's responses to the Committee's questions.

1. How has the pandemic impacted the activities Scottish Enterprise deliver?

The Covid-19 pandemic caused huge change in Scotland and across the world, in the economy and in how we live and work. Our 2020/21 operating year was dominated by the crisis as we focused our resources to respond to the pandemic.

Scottish Enterprise's activities and associated budget are dynamic, being led by our overall strategic framework and guidance from Scottish Government but also responsive to demand among Scottish-based businesses and economic opportunity. The impact of the pandemic on global markets and business confidence can be clearly seen in our activity in 2020/21. Many companies cancelled or delayed projects or paused trials for innovative products, citing supply chain challenges and employee issues, including the necessity to furlough staff for Covid safety reasons.

Global investment flows dropped 35% in 2020 and this meant many potential mobile investment projects being cancelled or delayed. However, the EY Attractiveness survey indicates that this trend was starting to turn as of the middle of 2021.

In the financial year 2020/21 Scottish Enterprise delivered almost £570m of economic development support, which saw us continuing to deliver core business functions while also delivering almost £220m of additional funding in direct Covid support to help businesses survive the immediate crisis.

Scottish Enterprise responded quickly when the pandemic first hit, flexing resources rapidly and deploying skills and money where they were most needed. Indeed, almost every member of staff was involved in supporting the response effort in some way – be that colleagues in account management to appraisal specialists and finance experts to sector teams and in-country SDI operations.

In the last 18 months, we have worked more collaboratively than ever before, with the Scottish Government and our sister economic development agencies, Highlands and Islands Enterprise and South of Scotland Enterprise, as well as with the wider public and private sectors, and locally through work in Regional Economic Partnerships and Community Planning Partnerships.

Data and IT skills have been at the forefront of our work ensuring digital availability of our support and advice services, and information that is easily accessible.



Despite the unprecedented economic circumstances, Scottish Enterprise efforts during 2020 have:

- Created or safeguarded 6500 planned Real Living Wage jobs
- delivered an additional £800m in capital and R&D investment in coming years
- helped businesses raise almost £250m in equity and debt growth investment and generated more than £45m in investment income which was reinvested to support Scotland's economic recovery.

Recognising the significant challenge presented by the pandemic and the EU exit, work to support Scottish Businesses to export is estimated to be worth an additional £1.2bn in international sales.

As we continue to move out of restrictions and towards recovery through 2021/22, we are emerging into a changed world. New business models and working practices, and shifts in consumer behaviour, that started or accelerated during the pandemic, look like they are here to stay and Scottish Enterprise has a critical role to play in helping companies adapt accordingly. While taking account of the changes to our operating environment, Scottish Enterprise's purpose remains to support more, better jobs in Scotland and we must seize the opportunities where Scotland has the greatest competitive advantage to help deliver a jobs-led green recovery.

Scottish Enterprise's successful adaptation to this unprecedented situation, enabling us to support thousands of Scottish businesses, was due to the professionalism, resilience and responsiveness of our people, who rose to the challenge, working at over-capacity for lengthy periods while themselves adapting to enforced homeworking and balancing work and caring responsibilities. We have, therefore, placed a high priority on staff welfare and we will continue to do so as we progress into the next phase of economic recovery.

2. What additional activities are Scottish Enterprise now delivering to:

a) provide Covid-19 related support to businesses; and

One of the early priorities last year was ensuring that businesses were able to access the information and advice they needed as quickly and easily as possible. Scottish Enterprise mobilised our customer contact centre, redeploying approx. 120 staff, to support the Covid-19 helpline, and who dealt with 4,500 business enquiries in the second half of March 2020 alone. This is around nine times the average number of enquiries we would expect over a similar period in a normal year. Similarly, we established FindBusinessSupport.gov.uk (which was launched in December 2019 to bring together the full picture of public sector support available in Scotland) as the central repository and access point for information.

Find Business Support (FBS) is a service comprising the FindBusinessSupport.gov.scot website and the Find Business Support helpline. Launched in December 2019, the FBS Service was developed by the Business Support Partnership (BSP), at the request of Scottish Government, following the 2017 Enterprise & Skills Review. The Review called for a more coherent, collaborative and streamlined system of business support to be made available to customers.

Find Business Support gives customers an overview of all funding and services offered by public sector organisations across Scotland, making it quicker and easier for businesses to find the information,



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advice and support they need, when they need it. Information is available for businesses of all sizes – from start-ups to established companies. For the first time, businesses can browse all of Scotland’s public sector support options in one place.

The original plan was to grow the FBS service iteratively and ‘on-board’ public sector partners in a phased manner. In March 2020 however, with the onset of the Coronavirus pandemic, the demand for the FBS Service grew exponentially and the FBS website quickly became the primary communication tool for the Scottish Government to publish details of available support and the ‘go to’ place for businesses seeking help. In 12 months, the website went from serving 450 users per week to 40,000 users per week. Support services available to businesses listed on the FBS website have grown from 100 to over 800. The support includes advice, funding, networking opportunities, training, webinars and more. ‘On-boarded’ public sector partners have grown from 11 to 65. Although much of the Covid-19 related activity on FBS has subsided, FBS remains a popular service for businesses in Scotland and is used by 10,000 businesses per week.

The customer is at the heart of Find Business Support. Through ongoing testing, feedback and engagement with customers, the service continues to provide businesses in Scotland with the right information, advice and support to achieve their goals.

Following a successful pilot with 2 Local Authorities in June 2021, the next major milestone for FBS will be the on-boarding of all 32 Local Authorities.

In direct funding, Scottish Enterprise has directly delivered almost £220 million of Covid-19 specific funds to more than 4,000 companies across Scotland, which collectively employed over 70,000 people.

This primarily came from additional funding provided by Scottish Government in 2020/21 and was delivered via the Pivotal Enterprise Resilience Fund (PERF), the Creative, Tourism & Hospitality Enterprises Hardship Fund, the Hotel Support Programme, the Early-Stage Growth Challenge Fund, the Scottish Wedding & Civil Partnership Industry Fund and the Ski Centre Fund. Specific details of each Fund are covered in Q6 below.

Beyond individual company support, we also made use of our existing strong relationships with industry bodies to co-ordinate the enterprise agency response at a sector level, supporting them with their individual recovery plans. This included those industries most severely impacted by the pandemic such as aerospace, manufacturing, construction, tourism and creative industries.

COVID-19 created opportunities to develop new supply chains as a result of increased local and global demand for vital personal protective equipment (PPE).

Scottish Enterprise used its expertise and networks to support efforts to secure PPE for the NHS. Support from GlobalScots, involvement of SDI overseas offices and advice on manufacturing and diversification, resulted in over 1600 unique offers of support from industry and individuals, which were converted into 97 procurement leads.



Prior to COVID-19, all PPE sourced by NHS Scotland came from manufacturers outside of Scotland. Between March and August 2020, increased production was established in Scotland and the rest of the UK, and existing capabilities increased capacity, making PPE supply more resilient and benefitting local economies. Now, 88 per cent of PPE (by value, excluding gloves) required by NHS Scotland is made in Scotland, with Scottish Enterprise helping to secure c600 jobs in Scotland (150 jobs from PPE reshoring plus 450 jobs at Honeywell).

Working closely with the Scottish Government, Scottish Enterprise facilitated the introduction of Valneva to the UK Vaccine Taskforce which led directly to discussions and ultimately substantial funding to Valneva for Covid-19 vaccine development. The company is expected to create 75 new jobs as a result at its Livingston site, which has had continued Scottish Enterprise support for its R&D activity. If proven to be safe and effective in clinical trials, the expanded Livingston facility could supply up to 100 million vaccine doses worldwide.

b) support the economic recovery?

Scottish Enterprises approach to economic recovery is set out in our [2021/22 Business Plan](#) and is structured around three themes:

- **JOBS - New Jobs, Good Jobs, Green Jobs** - The impact of Covid-19 on the labour market has been significant, with young people, women and vulnerable groups most affected. Supporting new and existing businesses to protect and create new jobs is a priority. We will work with companies to make sure these are good, sustainable jobs, which support a strong, resilient labour market.
- **NET ZERO - Transition to a Net Zero Economy** – Scotland has an ambitious target to be net zero by 2045. While such fundamental change will take time, given the climate emergency, immediate action is needed, which is why SE is placing the net zero ambition at the heart of our plans. Our [Net Zero Framework](#) (see below) commits us to an ambitious range of actions, which will be refined over time.
- **PLACE – Regional Growth, National Place Making** – The pandemic exacerbated regional inequalities and created new challenges. Areas such as manufacturing and oil and gas have fared better than others such as tourism and hospitality. Regions with a greater propensity of businesses in those sectors are impacted in different ways e.g. Aberdeen City’s strength in oil and gas is helping sustain growth whereas tourism in Edinburgh City and Glasgow is resulting in increases in benefit count and poverty (albeit recognising that overall economic performance in Edinburgh City remains strongest across Scotland). Recognising this, Scottish Enterprise works with partners to ensure areas of national economic advantage are understood and strengthened, this through a collaborative approach to placemaking. Through collective adoption of the Place Principle each partner plays to their strength, in Scottish Enterprise’s case this focused on fair work, net zero, and regional growth.

Although it is one of three priorities, the transition to a net zero economy stands above the other two. It is the lens through which our focus on jobs and place is seen. Our Net Zero Framework sets out how we can be a catalyst for change in accelerating Scotland’s economic and just transition:

- a) **Expand net zero opportunities** by supporting businesses, industries and investors to grasp fast-growing climate opportunities, and support positive action to help a just transition that both stimulates positive action to address climate and nature emergencies but will help ensure the benefits are shared fairly across society.
- b) **Support a just transition** that is fair to all, helping businesses and industries transition to a net zero future and create good, fair and high value jobs.
- c) **Show leadership** by incentivising more businesses to actively commit to sustainable practices, influencing others to accelerate the pace of change, and maximising the opportunities and legacy of COP26.
- d) **Embed our focus on net zero opportunities** across all of our activities and operations, including Scottish Enterprise becoming net zero by 2040, five years ahead of legislation.

The Framework builds on more than a decade of commitment by SE to a renewable, low carbon future including our work in sustainable transport, low carbon heat, the offshore wind and marine energy ecosystems and more recently our leadership in developing and delivering the proposition and development of a private/public joint venture model focused on sustainable mobility for the Michelin Scotland Innovation Parc.

During 2020/21, following the immediate stage of the crisis, we focused our attention on five workstreams, the first four of which (business resilience, Frontline Covid support, Information and advice, and access to finance) were focused on the short-term needs of business during the pandemic. The fifth workstream was Future Economy, which acted to identify and prioritise future opportunities to drive the economic recovery phase, responding to emerging global growth areas where Scotland has genuine international advantage.

Through this workstream, we developed seven National Programmes, which are a key element of our response to economic recovery from Covid-19. This is a portfolio of programmes that we can focus on as priority areas to support recovery and restructuring of the economy over the longer-term whilst creating more jobs. These seven programmes are:

- **Digital Scale Up Level Up** - improve the quality and quantity of Scotland's Digital Tech scale-up companies and address regional disparities in their growth across Scotland.
- **Health for Wealth** - Global economic opportunities associated with: 1) building a world leading health and care innovation ecosystem that optimally links the triple helix of NHS, academia and industry and 2) fully exploiting the potential of digital technologies and data to transform health and care.
- **Scotland in Space** - Scotland is well-positioned to take advantage of the high growth rates forecast for the space industry with a focus on commercial space, where companies like AAC Clyde Space were early pioneers. Scotland also aims to be the most sustainable space nation. For example, two Scottish rocket manufacturers are developing engines to use sustainable fuels while space data is being used by Scottish enterprises like Space Intelligence to monitor natural habitats and carbon sinks.

- **Future Healthcare Manufacturing** - Securing and expanding on Scotland’s existing excellence and track record in Life Sciences; supporting companies to adopt innovative, efficient processes to competitively manufacture current and new generations of drugs, devices and diagnostics in Scotland.
- **Zero Emissions Heavy Duty Vehicles** - Our focus is on building a high value manufacturing base for low volume high value zero emission HDVs, their propulsion systems and crucially the integration expertise and skills required to decarbonize them.
- **Decarbonising Heat** - The potential scale and pace of heat pump demand globally is extremely high. Scotland has a strong and growing industry base with the potential for company growth, significant inward investment and exports.
- **Hydrogen Economy** - Production, storage and use of Hydrogen is a major economic opportunity for Scotland as we transition from a fossil based to low carbon energy future. Scottish Enterprise recently published a report outlining the potential for clean hydrogen plants in Scotland and producing and using clean hydrogen both in domestic supply and international export. Hydrogen as part of the energy mix is a major economic opportunity for Scotland in terms of heating homes, fuelling transport and decarbonising industry with hydrogen fuel switching and carbon capture and storage playing a critical role as we transition. Scottish Enterprise has supported energy transition and integration over several years: from early research into carbon infrastructure, transport, and storage as well as support of key projects at Grangemouth and Peterhead.

Scottish Enterprise had to adapt its approach to deliver Trade and Investment support to businesses during the pandemic. More services are being delivered digitally, with virtual events and ‘market visits’ used to identify future trade opportunities.

This has allowed us to continue to support companies in maintaining and growing their export sales and to extend our reach to companies in an efficient way, including for example:

- in February 2021, we launched the Prepare to Export online learning course
- in May, we started a new Exports & International Markets company newsletter and have seen subscriber numbers rise week on week to around 2,025
- some 230 delegates attended our International eCommerce and global marketplaces programme, online workshops summer series delivered in July.
- in August we will launch the eCommerce Accelerator programme, targeted at our top performing Scottish exporters. The programme will tailor support for up to 4 cohorts of product and service based businesses via masterclasses, technical workshops, company strategy and 1-2-1 engagement.

Virtual events have enabled us to continue to connect Scottish companies with key decision makers overseas through one-to-one engagement as well as promoting Scotland’s products, services and expertise to broader audiences through events, webinars, roundtables as well as overseas virtual trade missions. For example, SDI partnered with the organisers of a major energy transition exhibition – AOG Energy, initially due to take place in Perth, Australia - to deliver a tailored programme for 14 Scottish companies. A combination of live showcases and recorded content hosted on the

organiser's platform ensured a wide reach for the companies amongst senior energy influencers and decision makers.

It has also enabled us to respond to overseas customer needs with far more agility than physical market visits allowed for and we intend to champion a digital first approach moving forward, with engagements – including those involving ministers - planned from opportunity and not location. For example, we have facilitated a number of Ministerial meetings with leading existing investors and new investors to ensure we are maximising opportunities for growth in Scotland. Additionally, we have been able to secure Ministerial engagement with overseas buyers and key influencers to support Scottish companies to export.

We have invested in the tools, skills and assets to enable us to professionally engage with companies in the virtual world to promote Scotland as a site for inward investment. As part of this, we even delivered virtual visits to Scotland by prospective investors. We continue to engage regularly with potential investors to understand the impact of Covid-19 on their plans.

Attracting overseas capital investment will be vital if Scotland is to meet its target to transition to net zero emissions by 2045. We will support this through helping to build the pipeline of investment opportunities, supporting companies and projects to be market-ready, and taking propositions to international investors. The UN Climate Change Conference, COP26, scheduled to take place in Glasgow in November 2021, is a unique opportunity to promote Scotland's climate approach and opportunities to investors across the globe.

3. What activities have been suspended, deferred, or scaled back?

The 2020/21 performance year was entered into with a high level of contractual delivery commitments in place and the Operating Plan budget reflected this. These commitments covered all activities delivered by SE and reflected the significant actions taken over the preceding years to stimulate demand for our support and services to deliver economic growth.

We had originally established a balanced Business Plan budget for the year but, given the onset of the Covid-19 pandemic in March 2020, we reduced our anticipated Business Income projections. Given the high level of legal commitments and the imperative to continue to invest in the economy, we chose not to reduce our expenditure budget and therefore did not proactively suspend, defer or scale back any committed support to businesses. This led to a unique situation where we started the financial year with a deficit budget of £8.0m. The position was expected to recover primarily through a decrease in expenditure as the pandemic impacted on the delivery of customer projects.

Covid-19 clearly had a significant overall economic impact as referenced in Q1 above but the general impact on the delivery of the core Scottish Enterprise budgets was relatively minor. There was the usual natural ebb and flow of project progress and we have a solid track record in responding to the needs of the economy and flexing budgets accordingly.

The main project to be impacted by Covid-19 was the National Manufacturing Institute of Scotland (NMIS) construction which was heavily impacted by the lockdown. Expenditure reduced by £22.5m although as this project is funded by ring-fenced Scottish Government budget, the decrease was therefore broadly neutral overall for Scottish Enterprise.

Other projects or activities specifically impacted by Covid-19 are noted below although again, the actual impact on budgets was negligible:

- Ten international trade events were cancelled, including OTC (Offshore Technology Conference) 2020 and Seafood Expo Global.
- Partnership projects have also been impacted. Establishing the governance around the Clyde Mission Project was delayed by seven months, impacting on overall timescales. The project was delayed as key resources from partner agencies were diverted to Covid-19 response activities.
- Scottish Enterprise's own transformation programme was also delayed due to the delivery of Covid related support activity and the plans had to be re-calibrated as a result.
- During the early part of Covid, fewer companies were interested or able to pursue their international plans as they had to deal with more pressing operational challenges so we experienced less engagement with customers regarding internationalisation.

4. If activities were suspended, deferred or scaled back, how was this budget used?

As noted above, no customer support was proactively scaled back and as a result there was no material re-direction of budgets undertaken at the start of the financial year. Where general slippage in projects took place, this was addressed through our in-year budget management arrangements to ensure we aim for a broadly balanced budget situation. There are 3 specific areas worth highlighting:

- Primarily through the deferral of an inward investment project (not due to Covid) and additional budget secured from Scottish Government, this allowed us to increase support to companies through our then Large Grant schemes (e.g. RSA/R&D) by almost £18m.
- General slippage in the Resource (RDEL) budget in the 2nd half of the financial year allowed £3m of investment in International Trade Promotion activities to be undertaken.
- A combination of additional RDEL income and expenditure slippage also allowed delivery of an additional £6.5m of Covid-19 support without direct budget cover from Scottish Government information is covered in Q6 below.

5. How has the Scottish Enterprise budget been impacted?

The main impact on the Scottish Enterprise budget in 2020/21 was the additional funds provided by Scottish Government to deliver the direct Covid-19 support to businesses as described earlier. The initial Scottish Enterprise budget of £350m increased to a figure of £568m of economic support to Scotland's economy, this figure included almost £220m of Covid-19 related support to around 4000 business employing more than 70,000 people. Scottish Enterprise managed to largely maintain its core support and activity as the majority of Covid-19 related support was covered by funding provided by the Scottish Government.

Given the impact Covid-19 was expected to have on the general economy, our Business Income projections were downgraded at the start of the financial year resulting in the deficit budget position as described above. However, as we progressed through the year, our overall Business Income exceeded expectations and, in particular, our Exit income from our Growth Investment Portfolio was significantly ahead of plan due primarily to one significant exit which returned £28.6m of cash and £33.8m in shares in the acquiring company. This particular exit allowed SE to return significant Financial Transactions (FT) budget to Scottish Government, reducing pressure on the overall public sector and also allowed the provision of the £33.8m share sell down to be included in the 2021/22 Business Plan allowing increased economic investment.

The published Business plan for 2021/22 totals £404.6m, an increase from the £342m original 2020/21 plan.

The table below shows the main changes:-

	2021/22 £m	2020/21 £m	Change £m	Change %
CDEL SG Base-line	72.2*	42.0	30.2	72%
FT SG Base-line	48.8	48.5	0.3	1%
RDEL SG Base-line	135.1	123.1	12.0	10%
FT SG (Energy Investment Fund**	5.0	20.0	(15.0)	(75%)
SG In-Year Transfers	51.3	67.7	(16.4)	(24%)
Total SG Income	312.4	301.3	11.1	4%
Other Business Income	92.2	40.9	51.3****	125%
Total SE Budget	404.6	342.2***	62.4	18%

*Includes ££8.4m Green Jobs Fund and £5.5m Glasgow Science Centre Capex

** The Energy Investment Fund is funded by ring-fenced budget from the Energy division within Scottish Government. The budget transfer will match the final expenditure in each financial year. Since publication of the plan, Scottish Government have confirmed up to £13m will be available in 2021/22.

*** The full year expenditure budget was £350m but projected income was only £342m resulting in a deficit budget of £8.0m.

**** The increase is primarily driven by the sell down of listed shares as described above.

SE is focusing on Scotland's economic recovery and growth in 2021/22. We plan to play our part in reducing carbon emissions/achieving net zero and we care deeply, especially in the current climate, about creating jobs which are green, good and fair. One way we are demonstrating this is with our

first funding call launched in May. This £4m funding call is part of a five-year £40 million package of green funding of between £50,000 and £500,000.

Since the budget was finalised for 2021/22 there has been a significant reduction in the income anticipated from Financial Transactions funded loan repayments. The overall forecast for Financial Transactions income has reduced by £20.6m from £27.3m to £6.7m. As a result of the reduction in Scottish Enterprise's Financial Transactions income position the Scottish Government has confirmed that the baseline Financial Transactions budget will similarly be reduced by £20.6m from £48.8m to £28.2m. The Scottish Government is aware of the impact that this reduction may have on our ability to support the early stage investment market and has confirmed that it will work with us in an attempt to restore the Financial Transactions budget to the required level. However, this will be dependent on underspends emerging from within the wider Financial Transactions budget held by the Scottish Government and this is unlikely to emerge until later in the financial year.

6. Was Scottish Enterprise allocated additional funding by the Scottish Government to cover;

a) Covid-19 related business support; and

b) Covid-19 related economic recovery?

During 2020/21, Scottish Enterprise received net additional cash funding for direct Covid-19 funding schemes of £211.0m, £0.9m for support of said schemes and £37.5m for Covid-19 related economic recovery (essentially other projects which were not direct Covid-19 funds). Total direct expenditure on the Covid-19 funds amounted to £216.6m. This expenditure is broken down by Fund together with additional information below:

- **£120 million Pivotal Enterprise Resilience Fund (PERF)** for viable but vulnerable SME firms which were vital to Scotland's economy. The fund supported companies with working capital to help them continue trading or to come out of hibernation with a focus on firms that are vital to local, regional or national economic prosperity. **1,765 awards were issued to companies employing around 49,500 people.**
- **£30 million Creative, Tourism & Hospitality Enterprises Hardship Fund** for small creative, tourism and hospitality companies not in receipt of other Covid-19 business grants. The fund was designed to support companies in tourism, creative industries and hospitality experiencing immediate hardship, due to ineligibility for other Covid-19 Government grant support. **1,894 awards were issued to companies employing around 16,500 people.**
- **£145.4m** was directly delivered by Scottish Enterprise against Pivotal Enterprise Resilience Fund and Hardship Fund, combined.
- **£14 million Hotel Support Programme** for Scotland's larger hotels funding and expert advice and guidance up until the start of the summer 2021 tourism season. This was a collaborative initiative between Scotland's enterprise agencies, VisitScotland and the Scottish Government, allowing eligible businesses to apply for grants. **98 individual hotel outlets across Scotland awarded a total of £13.7m. £8.9m was directly delivered by Scottish Enterprise with over 5,000 jobs projected to be safeguarded.**

- **£38 million of early-stage support (including The Early Stage Growth Challenge Fund - ESGCF).** Almost £25m committed to 90 innovative, early-stage businesses through the ESGCF; along with almost £3m supporting 41 pre-seed high growth start-up and 16 spin-out projects (of which 5 have already spun out of universities) and £10m for existing co-investment funds. Ongoing non-financial support provided to all these businesses alongside the funding provided by early stage investment and scale up specialists. **£37.3m was directly delivered by Scottish Enterprise.**
- **£25 million Scottish Wedding & Civil Partnership Industries Fund** for the sector and its supply chain to support as many businesses as possible operating in the Scottish Wedding Industry, to survive the Covid-19 crisis and enable a restart in 2021. Scottish Enterprise worked with other enterprise agencies to deliver this fund. **2,382 applications approved to the value of £21.9m, directly delivered by Scottish Enterprise.**
- **£3.2 million Ski Centre and Ski School Fund** is a targeted fund delivered by Scottish Enterprise in collaboration with Snow Sports Scotland and the Scottish Government, supporting mountain resorts, outdoor ski centres and ski schools. These ski centres were considered to be of regional or local economic importance and considered to be at risk due to the impact of Covid-19 and the associated restrictions. **13 applications approved to the value of £3.2m, directly delivered by Scottish Enterprise.**

Details of the 2021/22 budget is included in Q5 above and the only Covid-19 specific funds anticipated from Scottish Government at this stage are £0.7m for the carry forward expenditure from the **Hotel Support Programme** and £1.8m for a 2nd phase of the **Scottish Wedding & Civil Partnership Industries Fund**.

7. How much of any Covid-19 budget has been allocated? Has there been any underspend and, if so, what are the details of this?

The Covid-19 budget was fully allocated in 2020/21. There was net expenditure of £5.6m over and above the transfers received from Scottish Government resulting from Scottish Enterprise being able to fund support without the need for additional budget cover due to slippages elsewhere in core projects. It is worth noting that there was a £0.9m under-spend on the Hotel Support Programme which was netted off with increased expenditure on funds over and above allocation and therefore forms part of the £5.6m described above. This was due to hotels experiencing challenges with delivering projects supported via this programme as a result of ongoing restrictions. More remote hotels were unable to access tradespeople for capital projects and furlough continued for longer than anticipated. Some hotels also pulled out of the programme or reduced their draw down, attrition was difficult to predict given the high value, low volume of the projects.

The 2021/22 Covid-19 funding described above in Q6 has been fully allocated with no further additional funding anticipated from Scottish Government at this stage although this will be dependent on how the recovery from the pandemic continues.

8. What have been the costs to Scottish Enterprise of administering Covid-19 related support and how were these costs covered?

As the full impact of the pandemic on businesses and jobs became clearer, Scottish Enterprise helped to support the Scottish Government's ambition to deliver direct business support. We undertook significant work to design, develop, rapidly roll out and then validate and appraise the funds set out in Q6 across the whole of Scotland. Scottish Enterprise deployed its existing staff's skills and experience to develop and support the launch of these funds. This activity is absorbed within the staff costs in the year and not shown separately.

There were specific costs to Scottish Enterprise, not covered by additional funding, for the We Are Umi contract of £3.6m that was commissioned to support the enterprise agencies with the delivery of the PERF and Hardship Funds. The main reason for outsourcing was pace of delivery and the fact that Scottish Enterprise did not have systems in place that were necessary to support the anticipated high volume of applications.

Modelling showed cost to serve per grant by agency (appraisal through to payment) at £1,502 and cost to serve per grant by We Are Umi at £1,239, a saving of £263 (17.5%) per grant.

Given that the Pivotal Enterprise Resilience Fund, in particular, required a way of appraising and prioritising applications based on how pivotal a company was to the economy locally, regionally and nationally, we focused Scottish Enterprise's people resources on assessing these applications against key criteria.

As noted earlier, within early-stage support, £0.9m of funding was received from Scottish Government in relation to the launch and delivery of the Early Stage Growth Challenge Fund, this was utilised to support IT build, contractor costs and various other administration expenses related to the launch of the funds.

With ongoing economic uncertainty, we have identified a need to make provision for future high volume, short notice grant schemes as we did for PERF and the Hardship grant. These emergency peaks in demand could not be accommodated by existing SE staff resources and it would not be a prudent use of public funds to invest in permanent staff and technical resource for what would be an isolated period. We have therefore decided to establish a framework contract for such short-term administration and management of grant schemes, to enable public sector agencies to mobilise quickly as and when required. This contract is currently being let.

9. How has Scottish Enterprise been engaging and communicating with businesses to understand their business support needs?

Since the launch of the Covid business support helpline in March 2020 we have we have received more than 24,000 enquiries from businesses looking to access advice and support to minimise the impact of the pandemic. Every enquiry we have received is categorised to build detailed insight reports to provide early visibility on emerging themes that are impacting businesses. Our enquiry handlers have access to an up-to-date knowledge base which contains more than 2,000 articles and this ensures that businesses are offered the latest advice and signposting to the right support at the right time.

We also used the insights gathered from businesses to feedback to partners, including Scottish Government, to inform policy and also how Scottish Enterprise and agencies can respond directly to those needs. This might be in the form of staff CPD to ensure our advisors, digital newsletters and online content and resources remain up to date but also if we need to develop interventions to address the key challenges faced by business. For example, our insights gathered from our ongoing discussions with businesses played an important role in developing the eligibility criteria and format of the Creative Tourism & Hospitality Hardship Fund, Pivotal Enterprise Fund and more recently the mobile close contact and newly self-employed funds delivered by Scottish Government.

Before the pandemic, we were in the planning stages of launching an online business forum to facilitate peer-to-peer learning and to provide a platform to form greater business connections. We accelerated the launch of this during the pandemic and the membership continues to grow, currently standing at 350 companies.

Engaging and communicating with customers and potential customers to help understand their needs is deeply embedded in how Scottish Enterprise works and is not something we only do during times of crisis - an example being our quarterly customer survey carried out by customer facing staff which provides a rich seam of regular insight and intelligence.

As part of the process of simplifying and expanding our business support service, creating a more transparent, flexible and responsive model that can be accessed by more businesses. Our early user research engaged with over 300 business owners and decision makers across the UK, representing a wide range of business sizes, stages and industries.

The work was delayed due to the need to redeploy resources to address the economic challenges we faced. Since December, we have held roundtable sessions with over 80 existing SE-supported companies and the engagement work continues via our dedicated user research team, who continue to test our approach with a representative sample of companies. We have also held regular meetings with a wide range of business representative organisations such as the Scottish Chambers of Commerce and the Federation of Small Business.

10. What engagement has Scottish Enterprise had with the Scottish National Investment Bank since its launch?

The introduction of the Scottish National Investment Bank to the economic landscape and the potential it provides for additional investment of scale by the public sector into the growth businesses of Scotland is very welcome. The Scottish National Investment Bank's stated missions align with Scottish Enterprise's focus and their later stage investment focus complements the early-stage growth phase where Scottish Enterprise's investment activities remain focused.

There has been regular operational interaction between Scottish Enterprise and Scottish National Investment Bank. There has been a steady flow of enquiries and referrals from Scottish Enterprise, seeking to support the businesses of Scotland navigate the funding landscape effectively and connect with the right parties to assist with their access to finance needs.

Scottish Enterprise looks forward to building a strong relationship with the Scottish National Investment Bank and working in collaboration to ensure the pipeline of opportunities and early-stage businesses we have invested in and nurtured dovetail where appropriate with Scottish National Investment Bank investment policy.

I hope that the information I have provided is helpful to the Committee.

Yours sincerely,



Linda Hanna
Interim Chief Executive
Scottish Enterprise