

## SUBMISSION FROM SCOTTISH ENTERPRISE

### 1. INTRODUCTION

Scottish Enterprise (SE) is pleased to submit written evidence on our budget proposals for 2013-14 to the Economy, Energy and Tourism Committee.

Last year, when we spoke to the Committee we set out our plans to take **bold and vigorous** action to exploit every advantage for Scotland's economic growth, reflecting the guidance provided by the Government Economic Strategy. We made a commitment to maintain a sharp focus on Scotland's strengths across **growth companies, sectors and markets** and to pay specific attention to **access to finance** and **employment** challenges. At the heart of this was the resolve to respond to the challenge of the current economic conditions.

Despite continued global economic challenges, and in the face of a highly competitive environment, we have (working with our **partners** across the **public and private sectors**) **delivered significant results**. These include:

- Account managed companies growing their turnover by more than **£1.2 billion**, an increase of more than 50 per cent compared to last year
- The attraction of **£200 million** of inward investment into Scotland in the last year
- We have helped companies deliver internationalisation projects which will generate additional export sales of **£733 million** over the next three years.

Economic conditions remain challenging; weak demand, constrained access to finance, inflation, falling real household incomes and slow recovery across many of our key trading partners, with low or no growth forecast for 2012/13.

As Scotland's economic development agencies, with a **presence across the country** and in **key mature and emerging markets across the globe**, SE and our partners Highlands and Islands Enterprise are in a unique position to understand the characteristics of successful economies, assess areas of challenge and opportunity for Scotland and take steps to ensure we compete strongly.

In support of the vision set out in the Scottish Government's Economic Strategy (GES) and Economic Recovery Plan we are working with partners to build a Scotland that:

- **has a strong business base, with effective leadership, able to compete internationally**
- **is highly innovative and entrepreneurial**
- **has a positive attitude towards investment with finance available for growth**
- **is well connected (physically and digitally)**
- **invests in a low carbon approach to economic growth**

Our Business Plan for 2012/15 sets out how we will deliver this vision and these budget proposals show how we will invest to continue to deliver and sustain additional impact to the economy.

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We will maintain a strong focus on growth, which is the central theme of our plan, seeking to stimulate the investment and action that will rekindle Scotland's long-term economic growth.

We do not underestimate the challenges now and in the future, with pressure on public sector finances. However, we are committed through a balance of short, medium and long term projects to make a **positive difference to the prospects of businesses and the people of Scotland**.

## 2. STRATEGIC PRIORITIES

We will continue to focus on the five priorities set out in our Business Plan 2012-15.

### 2.1 RENEWABLES

Renewable energy plays an essential role in supporting Scotland's transition to a low carbon economy and presents a significant transformational opportunity, the scale of which is reflected in our budget proposals.

Our current focus is on marine energy, wave and tidal, and offshore wind which have the greatest potential for growth (Scotland has 10% of Europe's wave energy resources, 25% of its tidal energy resources and 25% of its offshore wind) and the potential to create 28,000 direct and up to 20,000 indirect jobs by 2020. We continue to support other renewables technologies such as biofuels, small scale biomass and hydrogen fuel cells, largely through our innovation and Research and Development (R&D) programmes. One company benefitting from this support is **Celtic Renewables**, who are at the leading edge of biofuel developments, devising a process that converts waste from distilleries to butanol - made possible through SE's Proof of Concept and SMART funds.

The building of a new industry based on the manufacture, operation, design and maintenance of offshore renewables will benefit communities across Scotland, e.g. **Methil, Dundee and Leith** where regeneration of ports and harbours will breathe new life into communities providing infrastructure and jobs.

The Renewables Infrastructure Plan is already making an impact, with **Samsung Heavy Industries** (which will base its first European offshore wind project in Fife, worth up to £100m with the potential to create 500 jobs), **Steel Engineering** (a £1.8m Regional Selective Assistance (RSA) award, creating 120 jobs at their welding and fabrication plant in Renfrewshire), and **Scottish and Southern Energy Renewables Offshore Wind Turbine Test Facility** at **Hunterston** (creating 20 jobs). Other significant investments include:

- The **Westway Industrial Estate and Docks** development in **Renfrewshire** has been one of the first beneficiaries of the National Renewable Infrastructure Fund, securing £500,000 to support a **£1.3m** investment bringing dock facilities back into operational use.

**International Technology and Renewables Energy Zone** (ITREZ) based at the University of Strathclyde. These facilities will be a strong factor in Scotland becoming an **internationally recognised location for research, development, design and engineering**.

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- Scotland's first **Renewable Energy Skills Training Academy (TRESTA)** run by Steel Engineering in Renfrew, will train 60 apprentices this year. Delivered in partnership with Skills Development Scotland, Job Centre Plus, Renfrewshire Council as well as various private sector sponsors.

Access to finance is a crucial issue for the sector and the **Scottish Investment Bank (SIB)** has played an important role in providing support. The newly launched £103m **Renewable Energy Investment Fund (REIF)** will be vital to accelerate development. The fund has ambitions to leverage significant private sector investment and support in the coming years.

*Focus for 2013/14 will be to maximise REIF and NRIP funds to unlock Scotland's ports and land capacity to meet demand from the renewable energy industry.*

## **2.2 GROWTH COMPANIES**

It is companies in the private sector that drive economic growth and employment. Specifically, accumulated evidence shows that the majority of economic growth, and new jobs, comes from a relatively small number of fast growing companies.

Our work with ambitious and growing companies is at the heart of everything we do. The proportion of our budget directed towards working with companies remains significant.

We work with approximately 10,000 companies each year to support their growth ambitions. We do this in a variety of ways, including support to help them **improve productivity, access finance, export and innovate.**

We provide an intensive service through account management to around 2000 companies and these are the companies who show the greatest growth potential. We aim to increase the number of companies we support in this way by up to 20% over the 2012-15 period, and have already seen an increase this financial year to 2073. Companies which have benefitted from SE support in the last year include 59 in the Life Sciences sector and 148 in Energy.

The account managed companies turnover growth figure of over £1.2 billion, (an increase of over 50 per cent on the previous year), is particularly encouraging given the tough trading conditions, testament to the resilience of these companies. Evidence also shows that growth companies produce the majority of new jobs. Companies we account manage employ around **300,000, including 2000 modern apprentices.**

SE's support for growth companies is complemented by the **Business Gateway**, led by our local authority partners. Through our shared web site and contact centre we ensure a single contact point to help companies access the most appropriate source of support, regardless of location or sector. This service will soon be enhanced with the launch of the new **Business Portal for Scotland** (late spring 2013) bringing all business services into one on-line site.

We are committed to a strong '**Team Scotland**' approach working with all agencies that support business to provide a **seamless service**. We operate a '**no wrong door**' philosophy and if SE is not able to support the business we put them in touch with someone who can.

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*Focus for 2013/14 will be to increase the number of businesses we work with to achieve high growth, increase the number of businesses exporting and help current exporters to do more, and work with companies to increase investment in research and development and innovation.*

## **2.3 INTERNATIONALISATION**

Scottish Development International (SDI) leads our efforts to ensure that Scottish companies and sectors continue to benefit from the substantial opportunities that global markets present.

This represents an important contribution to Scotland's international trade and investment strategy and the realisation of the ambitious target of raising Scotland's exports by 50% by 2017.

This will require a strong focus on sectors with the greatest growth potential, such as oil and gas and food and drink, along with a drive to increase penetration of growth markets, such as China, Brazil and India.

This involves both growing sales in those markets that are becoming increasingly competitive, as well as improving the capabilities of our companies in current export markets.

Reflecting this, we are increasing our presence in key overseas markets. We are intensifying our activities in those sectors with the greatest export potential and we are increasing the capacity of our companies to export – increasing the number of exporters as well as increasing export value.

Exporting is a key route to growth for companies across all sectors and we need to develop the skills base, identify and create exporting solutions and increase the number of companies exporting. The **Smart Exporter** programme provides companies with the tools and skills to help them take the first steps. Since its launch in 2010 there have been over **2,200** participants on the programme.

Last year SDI supported **more than 1,300 companies** through a programme of workshops, trade missions and in-market support, and helped 190 companies on significant new internationalisation projects, to deliver projected additional export sales of **£733 million over the next three years** - almost double the £405 million achieved by the same activity in 2010/11.

The Food and Drink sector has experienced strong exporting success, with exports hitting an all time high of £5.4billion - an increase of 10% and exceeding the original £5billion target six years early.

Scotland's Oil and Gas sector has an overall growth rate of 4.5%, exporting nearly half of its output to more than 100 countries around the world, generating sales worth £7.6 billion. Brazil has been identified as a key export target for Scotland's Oil and Gas sector and we'll be opening a new office there along **with 6 other offices** in emerging markets around the world.

International companies continue to recognise our strengths in key sectors such as life sciences, demonstrated by a number of major announcements in the last year by companies such as **GSK** (£100m investment at Montrose and Irvine creating 100

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jobs), and the recent announcement by **Sigma Aldrich** in Irvine who plan to expand Scottish operations with a powder manufacturing facility.

The Ernst & Young UK Attractiveness Survey for 2012 confirms Scotland as the **UK's leading location for Foreign Direct Investment (FDI) job creation** for the second year running, attracting more the £200 million of inward investment and creating or safeguarding 7,000 planned jobs – 2,000 more than the next-highest region, which is a testament to the focused and concerted effort of SDI and its partners to promote Scotland and compete strongly.

Having an exporting mindset within a company brings wider performance benefits. Studies show that companies who move into international exporting tend to become more innovative, more productive and invest more in research and development. This means that supporting companies to take **their first steps into exporting can make a real and direct contribution** to overall growth.

*Focus for 2013/14 will be to continue to support business through the Smart Exporter programme, targeting export growth in key sectors and growth in new markets. To support this we will establish or enhance our presence in Brazil, China, Middle East, Norway, West Africa, South Africa, Canada and South East Africa.*

## **2.4 INNOVATION**

Innovation within companies and the commercialisation of academic research are key drivers of productivity and competitiveness. An integrated approach to innovation and commercialisation requires a close partnership between Scottish Enterprise, Highlands and Islands Enterprise, the Scottish Funding Council, and universities.

Scotland's academic research is world class. Improving the commercialisation of this research, either through spin-outs or partnerships with companies, will lead to enhanced economic growth. Our contribution is through providing a deep understanding of potential markets and commercial experience to build capable management teams.

Scotland has relatively low levels of business expenditure on research and development (BERD), primarily due to the nature and makeup of the business base, but performs at around the UK average when considering innovation in its broadest sense. The food and drink sector for example, a low-BERD area of the economy, is highly innovative and this has translated into record levels of exports. Brewdog, the Aberdeenshire brewing company, has demonstrated innovation in product development, marketing, and distribution. This, coupled with an ambitious export strategy, has seen them grow rapidly to operate in 27 countries and employ over 70 people.

We continue to see a significant demand for R&D and innovation support from companies, investing £16.7m in 114 projects last year through the R&D and SMART programmes which attracted a further £55m from other sources. The scope of SE's support for this area has widened considerably in recent years, with a strong focus on Scotland's globally competitive sectors. For example:

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- The recently launched oil and gas innovation fund, the first call of which will focus on projects supporting the reliability and integrity of assets in the industry;
- The successful food and health innovation service (FHIS), which has supported over a hundred companies in its first year of operation.

Beyond financial support, in the last year SE has, through its innovation support service, provided guidance and advice to 1500 companies and assisted 428 companies in developing a new product, service, or business process.

SE support for innovation is often part of a package of measures, especially combined with trade and export assistance, designed to accelerate a company's growth profile. For example, Gemini Corrosion Services, an oil and gas supply chain company specialising in the protective coatings the industry depends on, was supported in its international ambitions through an innovation grant, assistance with marketing, and an RSA grant for a state-of-the-art specialist facility in Montrose. The company has doubled its turnover in a year and are breaking into growth markets in South East Asia and South America.

*Focus for 2013/14 will be streamlining and aligning the public sector support around innovation and commercialisation to improve their impact and improving the focus of innovation support on competitive sectors with export potential.*

## **2.5 TRANSITION TO A LOW CARBON ECONOMY**

The Scottish Government's focus on sustainable economic growth balances both economic and environmental factors. Scotland's profile as a world leader in low carbon technologies such as offshore renewable energy represents a significant opportunity to achieve this. There are many other business opportunities across growth sectors to develop or adopt more efficient low carbon products, technologies and processes which can help companies to manage better their use of energy, waste, water and natural resources and thus reduce costs. Some examples include;

- In the Construction & Timber sectors there are global opportunities emerging in new build and retrofit markets, for instance in the use of off-site construction techniques being developed by **CCG** and **Stewart Milne Group**.
- As smarter and more energy efficient cities emerge, we are also seeing an increase in smart grids and meters and Scotland has great companies such as Smarter Grid Solutions and world-class academic research expertise. Equally, in industrial biotechnology, there's big potential for companies such as **Ineos** at **Grangemouth** to develop non oil-based alternatives.

Our low carbon approach also extends to how we run our business and to lowering our own environmental footprint and we continue to make good progress against our environmental targets.

*Focus for 2013/14 will be to help companies and industries to address new market opportunities and transform their business models and supply chains, adapting to a lower carbon world quicker than our competitors, saving money in the long-run and securing global market advantage.*

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### 3. SUPPORTING ACCESS TO FINANCE

One of the biggest challenges facing businesses is access to finance and we know that this is affecting growth plans and business confidence. As a consequence of the global financial crisis, there have been significant changes in the scale and nature of the funding markets, particularly for small and medium sized companies (SMEs) with growth and export potential. Banks have become more risk averse: credit facilities take longer to be approved if at all; maturity of loans has shortened; greater collateral is demanded; and fees have increased significantly. The future availability of credit will be crucial to help Scottish SMEs take advantage of opportunities to expand production as economic growth returns. In response to this challenge we have put in place a range of initiatives across a number of fronts to help businesses including:

- Maximising the use of SIB's suite of funds - Scottish Seed Fund (SSF), Scottish Co-investment Fund (SCF), Scottish Venture Fund (SVF), and Scottish Loan Fund (SLF). These funds have played a key role, and shown to be highly significant, in releasing investment funds into business. Recent investments include £500,000 to **Accunostics Ltd** a Forres based, life sciences company, and £250,000 Scottish Seed Fund money to **Viopti Ltd**, a Dumbarton based contact lens company.
- Working **closely with the banking sector** to act jointly to support our customers, e.g. working with Lloyds Banking Group and others to ensure that SE's account managers work together with the bank's relationship managers to explore all support available.
- We launched our '**Access to Finance**' programme in June this year, recruiting additional 'investor readiness' specialist staff to work with 100 companies over a 6 month period, and more in the coming years to enhance their ability to raise finance for their growth plans.

The renewable energy and life sciences sectors have expanded considerably in recent years and this has presented major challenges for the Scottish market in terms of availability of growth capital for companies. To support this sector, and encourage specialist investors, work has been carried out, or is underway, with Scottish Government and Highlands and Islands Enterprise to launch the following funds:

- **Scottish Plastics Loan Fund (SPLF) - launched in September 2012**
- **Renewable Energy Investment Fund (REIF) - launched in October 2012**
- **Tourism Accommodation Programme (TAP) - to be launched in 2012**
- **Scottish Life Sciences Investment Fund - to be launched in early 2013**

### 4. THE EMPLOYMENT CHALLENGE

With unemployment in Scotland reaching 8.2% (end July) and with around 20% of 16-24 year olds out of work, now more than ever we need to work to help companies grow and create jobs. Through account management we have a direct opportunity to encourage companies to consider recruitment and employment as part of growth

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plans. These companies already make a strong contribution by employing around 300,000 people, including around 2000 modern apprentices.

Programmes such as RSA also contribute to job creation, with support offered in 2011/12 that will lead to the creation of 2179 jobs and the safeguarding of a further 1339 jobs. We also support graduates through the Talent Scotland programme, which has placed 247 graduates with companies and has a retention rate of 73%.

To make a concrete contribution to the jobs challenge, especially for young people SE launched an **internal youth employment** programme. Already we have:

- recruited **20 apprentices**
- offered **10 undergraduates** paid valuable work experience and,
- will be recruiting our next **10 graduates** in 2013 to our graduate programme

## 5. TEAM SCOTLAND APPROACH

As we have shown throughout this submission we know we can deliver faster, bigger and better by bringing partners, both public and private, together behind the shared purpose of economic impact. We do this at both a strategic level through the Strategic Forum and at operational levels through sector based Industry Leadership Groups, where some 700 individuals and organisations across Scotland work with us to develop and take forward overall sector strategy.

Internationally the **Globalscot** community of around 700 members continues to proactively support Scotland overseas, bringing expertise and business opportunities for Scottish businesses.

At a regional level we work closely with local authorities on a range of projects, meet regularly with their economic development teams and play an active part in Community Planning Partnerships.

This 'Team Scotland' approach will ensure we can make the biggest difference to the competitiveness of Scotland with the resources we have available.

An example of this approach (involving SE, SDI, Highlands and Islands Enterprise, Transport Scotland and Visit Scotland) is in the preparation of Scotland's Strategic Framework for International Air Connectivity.

This joined up approach was demonstrated at the recent World Route Development Forum (Routes) in Abu Dhabi where partners met with a number of key air route decision makers and supported individual discussions between Scotland's airports and targeted airlines.

## 6. IMPACT ASSESSMENT AND NATIONAL PERFORMANCE FRAMEWORK

We make every effort to quantify the difference that SE makes and the value we bring to Scotland's economic prosperity. Ultimately, through contributing to increased business revenues, employment, and productivity and reduced business costs and CO<sub>2</sub> emissions, we contribute directly to the Scottish Government's purpose targets of increased **sustainable economic growth, improved productivity, and**

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**increased participation.** We also play a supporting role in the purpose targets of improved solidarity, cohesion, and sustainability. Annex 1 sets out how our activities contribute to the National Performance Framework's Purpose Targets and National Outcomes.

Our assessment, shows that current investment proposals for 2012/13 to 14/15 would lead to a cumulative impact of between £5bn and £7bn of net additional GVA for the Scottish economy over the next 10 years, an investment ratio on total spend of between 5 and 8 to 1. This investment will also contribute significantly to job creation, with analysis projecting 12,000 to 18,000 additional jobs by 2015.

## **7. DELIVERING FOR SCOTLAND – OVERVIEW OF BUDGET PROPOSALS**

This next section sets out SE's draft budget proposals, based on our assessment of existing commitments, future spending priorities and policy considerations. Our Board will carry out their review of these proposals in December and January and we will be consulting with partners and stakeholders over that period. As a result, these proposals will be subject to change, before they are formally approved by our Board in February 2013.

Our resources are allocated and presented to the Committee across our operational themes, as follows:

### **7.1 Globally Competitive Companies**

Our support is designed to address performance issues that are critical to long-term business growth, including business efficiency, removing barriers to innovation, and trade and export support. We work with a wide range of companies across sectors and business models, including social enterprises.

### **7.2 Globally Competitive Sectors**

The Government Economic Strategy identifies those sectors where Scotland has competitive advantage. Our activities in these sectors are industry-led, in line with the strategy developed by each sector's leadership. We work closely with the sector leadership to identify where the opportunities lie and where we, and other partners, are best placed to support the sector. Some examples of sector priorities and where SE is helping include:

- **Oil and Gas** – The oil and gas sector remains one of Scotland's most important. The industry strategy, launched earlier this year, contains a vision for the sector building upon its domestic strength to gain even greater recognition globally. Priorities are to develop the supply chain in Scotland, helping this to internationalise, and foster innovation in the industry.
  - **Life Sciences** – The sector strategy aims to double the economic contribution of life sciences by 2020. This will be achieved through building on existing strengths, for example medical technology and regenerative medicine, and taking advantage of emerging opportunities, e.g. industrial biotechnology.
  - **Tourism** – The new industry strategy, Tourism Scotland 2020, aims to grow the sector by more than £1bn by 2020 through developing assets, such as
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destination towns and cities or activities such as golf, into experiences. A key priority is to build on and deepen industry leadership and collaboration.

- **Food and Drink** – The key growth opportunities for this sector are through premium products, promoting Scottish provenance, and taking advantage of the growing global demand for healthy food. Major priorities are promoting innovation and encouraging more companies to export.

### 7.3 Globally Competitive Business Environment

Infrastructure investment is driven by **sector growth opportunities** and we are investing in strategic physical locations and projects to deliver infrastructure that can unlock barriers to growth and bring further investment. This includes work in renewables at the **Port of Leith, the port in Dundee**, as well as **Fife Energy Park**. The opening of Building Nine at the Edinburgh **BioQuarter** sees that project deliver the vision to co-locate the NHS with leading edge health care and innovative life sciences companies to help bring **investors, ideas and companies together in one location**. On the West Coast, **'The Hydro'**, a new 12,000-seat National arena at the SECC, will open next year. Part funded by £25m from Scottish Enterprise it will potentially inject an additional **£131 million into the economy and create over 2,400 jobs**.

Sustaining and growing air connectivity (both direct and indirect routes) is critical for all sectors to help access new markets and to improve Scotland's overall competitiveness. Our international connectivity relies on connections through hubs (e.g. Heathrow and Schipol) and with around 40% of international passengers travelling to Scotland via these, our connectivity through hubs will remain vital. The **'Strategic Framework for International Connectivity'** involves key partners working together to target commercially viable and economically significant routes. The partnership has identified areas to help Scotland's growth prospects and our wider international engagement. These include **China** (primarily the regions around Beijing, Shanghai and Hong Kong), **Middle East** (particularly the Gulf States), **USA** (particularly the west coast - access to east coast US markets remains important as both destinations and hubs for connectivity further west), and **India** (primarily the regions around Mumbai and Delhi).

**Scotland's Digital Future; A Strategy** sets our four action areas; how ICT can support public sector delivery, the digital economy, digital participation and broadband connectivity. Working with our partners we are raising awareness among Scottish based businesses of **the opportunities of the digital economy**.

Business support programmes cover a range of technology topics and our company support seeks to help our companies significantly improve productivity, reach new markets and increase revenues. **Digital specialists work to identify how technology can stretch the company's strategic ambition** and become an enabler of competitive advantage that differentiates that business in their market.

Allied to this the 'step change' in next generation broadband coverage across Scotland will be critical and we welcome work to improve Scotland's digital infrastructure.

Across Scotland there are areas with strong economic assets in key sectors (e.g. Fife Energy Park, Grangemouth) and they help to build capacity, supply chain

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opportunities and connectivity. We have been working closely with our partners in the Strategic Forum and in local government to understand and share our knowledge and understanding of these and, in particular, identify opportunities to create and sustain employment. A good example of this is the recent investment in the test and demonstration site at Hunterston. It will help establish a key asset in an area that has significant employment challenges and we will work with partners to ensure that its positive impact is maximised in North Ayrshire and the wider region.

The newly formed **Scottish Cities Alliance** recognises the role Scotland's cities can play in delivering growth and the group is already making use of the asset maps coming from the above analysis.

Whilst a focus on cities is welcomed, we must also work to address rural challenges around leadership and business capacity building. Examples of this are the highly successful rural leadership programme and our technical support to the South of Scotland Alliance on their broadband development programme.

## **8. CONCLUSIONS**

We look forward to discussing these proposals with the Committee at our forthcoming session on 31 October 2012.

### **2012/13 Published Plan v Draft Budget 2013/14 Income Analysis**

#### **All figures are in millions of pounds**

Grant in Aid (net) 230.9 in the 2012/13 Published Plan, 231.1 in the 2013/14 Draft Budget. A change of 0.2 or 0.0%.

EU Funds 11 in the 2012/13 Published Plan, 6.7 in the 2013/14 Draft Budget. A change of -4.3 or -39%. Explanation - EU funding on a number of projects and programmes comes to an end during 12/13 resulting in a decrease in income in 13/14.

Property Disposals 23 in the 2012/13 Published Plan, 15.5 in the 2013/14 Draft Budget. A change of -7.5 or -33%. Explanation - Decrease reflects the current property market which is relatively stagnant with depressed property values which is expected to continue for the short to medium term.

Property Income 7 in the 2012/13 Published Plan, 6.5 in the 2013/14 Draft Budget. A change of -0.5 or -7%. Explanation - Slight decrease in rental income, in line with the published plan, over the period as income generating assets are disposed of.

Co-Investment Fund 10.0 in the 2012/13 Published Plan and 10.0 in the 2013/14 Draft Budget. No change.

Scottish Loan Fund 10.0 in the 2012/13 Published Plan, 15.0 in the 2013/14 Draft Budget. A change of 5.0 or 50%. Explanation - This increase represents the release of previously capitalised reserves in line with revised expenditure projections.

Other Business Income 14.2 in the 2012/13 Published Plan, 15.8 in the 2013/14 Draft Budget. A change of 1.6 or 11%. Explanation - The increase primarily reflects

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higher returns from SIB investment funds as previous investments begin to crystallise.

TOTAL INCOME 2012/13 Published Plan 306.1, 2013/14 Draft Budget 300.6. a change of -5.5 or -2%.

## **2012/13 Published Plan v Draft Budget 2013/14 Expenditure**

**All figures are in millions of pound**

### **Header: Globally Competitive Business**

- Strategy, Leadership and Organisational development / Domestic Market Development / Business Efficiency 14.2 in the 2012/13 Published Plan and 13.2 in the of -1.0 or -7%. Explanation - The budget was given a significant cash injection in 12/13 to facilitate an increase in the level of support provided by SE to companies, allowing them to overcome difficulties in securing match funding for investment/growth projects. In line with the published plan, the budget would then decrease marginally after the initial injection and then remain static going forward at levels above historic investment.
  - Innovation and R&D Support 19.3 in the 2012/13 Published Plan and 21.3 in the 2013/14 Draft Budget. A change of 2.0 or 10%. Explanation - The increase is mainly due to greater budgetary provision for the WATERS programme reflecting the profile of activity in this area together with a marginal increase in core Innovation and R&D programmes given the importance of this area in terms of economic growth.
  - RSA and SMART Support 43.2 in the 2012/13 Published Plan and 36.0 in the 2013/14 Draft Budget. A change of -7.2 or -17%. Budget decrease reflects the slow-down in RSA commitments experienced during the current financial year and is expected to continue in the short to medium term. It is important to note that RSA remains a key product for SE and strong RSA proposals will be supported which may require the re-inflation of this budget line.
  - Enterprise Support Programmes 6.0 in the 2012/13 Published Plan and 4.5 in the 2013/14 Draft Budget. A change of -1.5 or -25%. Explanation - Decrease in this budget line reflects the on-going downward trend reflected in the published plan.
  - Internationalisation, including export market development & GlobalScot 15.8 in the 2012/13 Published Plan and 17.3 in the 2013/14 Draft Budget. A change of 1.5 or 9%. Explanation - The budget increase reflects the importance of this area in contributing to economic growth over the next few years given the anticipated relative weakness of domestic markets. The increase will provide funding for activities planned to meet the Scottish Government target of a 50% increase in exports by 2017.
  - Commercialisation - Development & Exploitation of Intellectual Assets 8.0 in the 2012/13 Published Plan and 7.0 in the 2013/14 Draft Budget. A change of -1.0 or -13%. Explanation - Marginal decrease in this budget line as reflected in the published plan. The revised budget broadly reflects the project pipeline in this area.
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- Direct staff costs supporting globally competitive businesses 30.5 in the 2012/13 Published Plan and 31.6 in the 2013/14 Draft Budget. A change of 1.1 or 4%. Explanation - The increase reflects the bolstering of staff numbers to increase direct support to companies and support overseas operations together with nominal progression payments for staff below the maximum of their pay scale (in line with public sector pay policy).
- Total for Globally Competitive Business 137.0 in the 2012/13 Published Plan and 130.9 in the 2013/14 Draft Budget. A change of -6.1 or -4%.

#### **Header: Globally Competitive Sectors**

- Industry Sector project support 15.1 in the 2012/13 Published Plan and 15.1 in the 2013/14 Draft Budget. No change.
- Direct staff costs supporting globally competitive sectors 7.7 in the 2012/13 Published Plan and 8.3 in the 2013/14 Draft Budget. A change of 0.6 or 8%. Explanation - The increase is primarily due to the anticipated TUPE in of staff from the Scottish European Green Energy Centre (SEGEC) which are fully funded by the Scottish Government and there is a corresponding increase in Other Business Income. There is also a nominal increase reflecting the progression payments noted in 12 above.
- Total for Globally Competitive Sectors 22.8 in the 2012/13 Published Plan and 23.4 in the 2013/14 Draft Budget. A change of 0.6 or 3%.

#### **Header: Globally Competitive Business Environment**

- Business Infrastructure Projects 49.3 in the 2012/13 Published Plan and 46.4 in the 2013/14 Draft Budget. A change of -2.9 or -6%. Explanation - Marginal decrease reflects the current portfolio of projects to be delivered in 2013/14. This budget line can have relatively large year on year differences depending on the spend profile of the capital projects being delivered.
  - Equity Investments and Loans (inc Scottish Loan Fund) 31.0 in the 2012/13 Published Plan and 37.1 in the 2013/14 Draft Budget. A change of 6.1 or 20%. Explanation - Increased budget primarily due to increased investment from the Scottish Loan Fund as the fund becomes more established in the market. There is also nominal funding included for new funds – Tourism Accommodation Programme, Life Sciences Venture Fund and Mixed Plastics Loan Fund.
  - Property Portfolio Operational Costs 7.2 in the 2012/13 Published Plan and 7.2 in the 2013/ 14 Draft Budget. No change.
  - Direct staff costs supporting a globally competitive business environment 4.8 in the 2012/13 Published Plan and 4.8 in the 2013/ 14 Draft Budget. No change.
  - Total for Globally Competitive Business Environment 92.3 in the 2012/13 Published Plan and 95.5 in the 2013/14 Draft Budget. A change of 3.2 or 3%.
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## **Header: Marketing, Research & Stakeholder Engagement**

- Domestic 3.1 in the 2012/13 Published Plan and 2.3 in the 2013/14 Draft Budget. A change of -0.8 or -26%. Explanation – The decrease in budget is primarily due to lower expenditure on the Scottish Business Portal project as it concludes towards the end of 2012/13.
- Overseas, including promotion of Scotland 5.5 in the 2012/13 Published Plan and 5.0 in the 2013/14 Draft Budget. A change of -0.5 or -9%. Explanation - An internal re-organisation of domestic and overseas marketing teams is expected to realise efficiencies in delivery. The £0.5m saving is an estimate at this stage and has been put against the Overseas line but it is important to note that there will be no reduction in delivery in this area.
- Total for Marketing, Research & Stakeholder Engagement 8.6 in the 2012/13 Published Plan and 7.3 in the 2013/14 Draft Budget. A change of -1.3 or -15%.

## **Header: Running The Business**

- Support staff costs 12.4 in the 2012/13 Published Plan and 12.6 in the 2013/14 Draft Budget. A change of 0.2 or 2%.

## **Header: Premises and Facilities Management**

- Domestic 14.2 in the 2012/13 Published Plan and 13.3 in the 2013/14 Draft Budget. A change of -0.9 or -6%. Explanation - Reflects the on-going drive to achieve efficiencies particularly in Running the Business Costs.
  - Overseas 6.1 in the 2012/13 in the Published Plan and 6.4 in the 2013/14 Draft Budget. A change of 0.3 or 5%.
  - Corporate services, including ICT, Legal, Travel etc 12.7 in the Published Plan and 11.2 in the 2013/14 Draft Budget. A change of -1.5 or -12%. Explanation - Reflects the on-going drive to achieve efficiencies particularly in Running the Business Costs.
  - Total for Premises and Facilities Management 45.4 in the Published Plan and 43.5 in the 2013/14 Draft Budget. A change of -1.9 or -4%.
  - Total cash investment 306.1 in the Published Plan and 300.6 in the 2013/14 Draft Budget. A change of -5.5 or -2%.
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**Scottish Enterprise**  
**National Performance Framework**

**SE support the targets and outcomes by:**

1. *Supporting globally competitive companies with growth and internationalisation opportunities.*
2. *Building globally competitive sectors, utilising Scotland's existing capabilities.*
3. *Establishing a globally competitive business environment.*

SE makes a **MAJOR CONTRIBUTION** to the following **purpose targets:**

**Increase Scotland's Economic Growth (GDP)** – To match the growth rate of small independent EU countries by 2017.

**Productivity** – To rank in the top quartile for productivity amongst our key trading partners in the OECD by 2017.

**Participation** – To maintain our position on labour market participation as the top performing country in the UK. To close the gap with the top five OECD economies by 2017.

SE makes a **SUPPORTING CONTRIBUTION** to the following **purpose targets:**

**Sustainability** – To reduce emissions by 80% by 2050.

**Cohesion** - To narrow the gap in participation between Scotland's best and worst performing regions by 2017.

**Solidarity** – To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017.

**Population** – To match the average European (EU15) population growth over the period from 2007 to 2017.

SE makes a **MAJOR CONTRIBUTION** to the following **national outcomes:**

1. We live in Scotland that is the most attractive place for doing business in Europe.
2. We realise our full economic potential with more and better employment opportunities for our people.
3. We are better educated, more skilled and more successful, renowned for our research and innovation.

SE makes a **SUPPORTING CONTRIBUTION** to the following **national outcomes:**

4. We live longer, healthier lives.
  5. We have tackled the significant inequities in Scottish Society.
  6. We live in well designed, sustainable places where we are able to access the amenities and services we need.
  7. We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.
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8. We value and enjoy our built and natural environment and protect it and enhance it for future generations.
  9. We reduce the local and global environmental impact of our consumption and production.
  10. Our public services are high quality, continually improving, efficient and responsive to local peoples needs.
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