

Michelle Ballantyne MSP

Convenor of the Economy, Energy, and Fair Work
Committee

By email:

economyenergyandfairwork@parliament.scot

Friday 07 August 2020

Dear Convenor,

**RESPONSE TO THE ECONOMY, ENERGY AND FAIR WORK COMMITTEE ON THE IMPACT OF
COVID19 ON THE SCOTTISH ECONOMY.**

Thank you for your letter inviting us to provide evidence to the Committee's ongoing inquiry on COVID-19, and the impact that it has had on the Scottish economy. Gross Value Added has already fallen by 2.5% across Scotland in the first quarter of 2020 and the South of Scotland economy has been significantly affected, with the claimant count rising by over 70% in Dumfries & Galloway, and over 90% in the Scottish Borders. The South of Scotland has been particularly exposed to the effects of COVID19, reflecting the rurality of our region and the composition of our economy. Our business base is heavily dominated by small and medium sized enterprises and high levels of self-employment, which it is widely acknowledged will be more exposed. 52.5% of jobs within the South of Scotland are in sectors which are highly impacted including Tourism, Accommodation & Food Services; Non-Food Retail; Creative Industries; Manufacturing and Construction.

A number of the region's businesses though have demonstrated their ability to rapidly innovate and grow in response to a need to increase the production of vital national supplies. We know that as Scotland moves on from COVID19, there are significant opportunities in the South of Scotland.

We welcome the opportunity to set out the current position in the South of Scotland and for our own organisation and, of course, given the rapidly changing situation, we look forward to updating the information at our evidence session at the end of September.

CONTEXT and OVERVIEW

It goes without saying that the COVID-19 pandemic has been an incredibly challenging time for businesses and communities across the South of Scotland, and we continue to look at how to mitigate the impacts which it has brought.

South of Scotland Enterprise (SOSE) has been in an unusual position, assuming our legal powers on 1 April 2020 – nine days after lockdown measures were implemented. Our overarching remit is to drive inclusive growth and ensure the South of Scotland benefits from a new approach that supports a diverse and resilient economy, sustains and grows communities, and harnesses the potential of people and resources.

Our new Board, first brought together in March, has been meeting regularly throughout the COVID crisis to provide strategic direction to the work of developing our organisation and our actions in dealing with challenges brought about by the pandemic. We have had to grow quickly in a short space of time to rise to that challenge, moving from 10 members of staff at the beginning of the pandemic, to around 60 at present.

In our short existence, SOSE has responded quickly to provide support to businesses and communities across the South of Scotland, whilst at the same time developing the capacity and structures of the organisation. Whilst start-up has been an additional challenge to manage, it has also meant that SOSE has been able to quickly adapt and ensure our activity was almost entirely focused on mitigating the effects of COVID19. This was in line with the Scottish Government issued interim letter of guidance which all enterprise and skills bodies received in April. This letter indicated that all resources not required to meet contractual commitments should be prioritised to meet the emerging economic and social challenges arising from the pandemic.

As part of the response, SOSE together with SE and HIE were charged with delivering the Pivotal Enterprise Resilience Fund and the Creative Tourism & Hospitality Enterprises Hardship Fund. This was an immediate challenge to SOSE, as staff numbers were still low and internal systems were still in development. In response, we worked closely with our two Local Authorities, Creative Scotland, Visit Scotland and colleagues in Scottish Enterprise (SE) to ensure we were able to deliver these two funds effectively and efficiently to help businesses across the region. As a result, we have been able to support over 270 businesses and organisations in the South of Scotland, many of which may have ceased trading had it not been for this support.

Where businesses were not successful in applications to these particular grant schemes, we have worked with them to explore other options for support. This has included accountancy support to restructure businesses in an effective manner to improve resilience. We have also been able to support a number directly with funding to build resilience and help ready them for restart and recovery.

Our approach is to engage with a wide range of businesses of all sizes, seeking to develop long-term relationships so that we can better understand and respond to their needs. This is the foundation of building a more customer-focused approach across the South of Scotland.

RESPONSE

1. Updated budget and spending information

SOSE assumed our legal duties on 1 April 2020. The majority of our budget, other than carried forward SE/SOSEP and early investments, has been directed towards aiding and assisting organisations in the South of Scotland through the COVID19 pandemic. This was in line with the strategic guidance from the Scottish Government and remains the focus and the priority for SOSE.

The overall budget is comprised of our Scottish Government allocated funding of £24.8m (cash) and is split as below:

- Resource DEL £11.4m
- Capital DEL £8.4m
- Financial Transactions £5.0m

To note, our budget will see further adjustments as a result of the Autumn Budget Revision process as well as small adjustments for income and expenditure matched (net zero change) due to inheriting land and property assets in a legislative transfer on 1 June 2020.

2. Updated direction and guidance from the Scottish Government and Plans to update the strategic plan

SOSE is actively involved in the preparation of a number of plans and strategies, summarised below.

Plan	Description	Status	Planned Publication
SOSE Operating Plan 20/21	Focuses primarily on SOSE as an organisation, capturing our practical activities, and making clear where resources and efforts will be focused this financial year.	Advanced draft and finalisation	End August / September
SOSE Action Plan 2021	Our Action Plan which will, following extensive consultation, define our longer term (3 to 5 years) priorities and provide a strategic framework to guide our investments to support sustainable growth	Early Stage Development	Spring 2021
South of Scotland Regional Economic Strategy	Working with partners through the Regional Economic Partnership, setting the strategic direction for the regional economy.	REP in final stages of establishment. Scoping work being undertaken with partners.	TBD by the Regional Economic Partnership

3. Details of how work has changed due to COVID19

SOSE have been working closely with other Enterprise Agencies and Scottish Government. SOSE is part of the COVID-19 Response Steering Group, which is a collaborative multi-agency response group. It is ensuring alignment in delivery around seven key themes, these are:

- a. Communications and Engagement
- b. Business Intelligence
- c. Business and Organisation Support
- d. Access to Finance
- e. Workforce and People
- f. Sector Response
- g. Future Focus

SOSE has also been engaging regularly with stakeholders and interest groups from across the South of Scotland. This has allowed us to build a more detailed understanding of the economy of the South of Scotland, and feed this into conversations with our key partners, and with Scottish Government. SOSE have also been working closely with Dumfries & Galloway Council, Scottish Borders Council, and Skills Development Scotland through 'Team South of Scotland' to ensure that support is joined up and meeting the needs of businesses in the South of Scotland.

We are particularly focused on the emerging challenge of redundancies in the South of Scotland. SOSE is working with SE and other PACE partners to support businesses in distress in an effort to sustain businesses and associated jobs. SOSE has hosted a number of planning sessions alongside SDS, to consider the steps which need to be taken, and the support which is required in the South of Scotland to respond to a significant rise in redundancies. These workshops included partners from across the South of Scotland including Local Employability Partnerships, Regional Colleges, and the Local Authorities. As part of that work, we are seeking to improve the gathering of local intelligence by working closely with the Dumfries & Galloway and Scottish Borders Councils – including their Business Gateway services. Through our Team South of Scotland approach, we have set up a redundancy tracking log that is shared regularly with the local partners. This aims to help us understand the full range of redundancies/potential redundancies across the South of Scotland. We are also using this as a route to share potential job opportunities and highlight businesses that are hiring in different localities.

SOSE is driven and informed by its 'place-based' approach; and will seek to provide 'tailored support' to meet the needs of businesses in distress. The key drivers are to sustain employment and support pivotal businesses. Working with local PACE Teams and using our 'Team South of Scotland' approach (working closely with the two Local Authorities in the South of Scotland) we are using local intelligence to identify businesses which may be in distress and require additional support.

4. Any data on COVID19 business support

Detailed information around the PERF and CHTHF was published by the Scottish Government on 6 August 2020 [LINK](#) . Table 1 below shows the grants delivered by SOSE through these two funds. This shows that over £12 million of support has been channelled into 278 businesses through SOSE. SOSE is also taking a role in delivering ongoing Scottish Government COVID support such as the Hotel Recovery Programme.

	PERF	CTHEHF	Total
Number of grants offered	168	110	278
Value grants offered	£10,933,000	£1,131,000	£12,064,000
Average offer	£65,000	£10,300	£43,000

Note: Data as of 4 August 2020

SOSE is also working individually with businesses who were unsuccessful with applications to the different Scottish Government funds, understanding their needs and requirements and trying to deliver support to them.

I hope this information is helpful in informing the work of the committee, and we look forward to updating you further at our forthcoming evidence session.

Yours sincerely,



Nick Halfhide
Interim Chief Executive
South of Scotland Enterprise