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Michelle Ballantyne MSP
Convener
Economy, Energy and Fair Work Committee
Scottish Parliament
Edinburgh EH99 1SP

7th August 2020

Dear Michelle,

Thank you for your letter regarding the committee's pre-budget scrutiny for 2021/22.

The COVID-19 pandemic has had a profound impact on economies all over the world. The OECD have forecast that global economic output will fall by 6% in 2020, or by 7.6% if there is a second wave of COVID-19 in the winter.

Given this unprecedented situation, the Scottish Government issued an interim letter of guidance to all enterprise and skills bodies in April. This correspondence emphasised the importance of supporting employment and 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. A copy of this letter is attached in the annex for your information.

As the public health crisis emerged, Scotland's three enterprise agencies quickly came together with their partners to assess the situation and agree a response that would allow us to identify key needs emerging from the crisis and to target support for companies the length and breadth of the country. This alignment has been critical, as demonstrated during the development and deployment of the COVID-specific funds (see below) and helped focus the full weight of the economic development agencies' resources on tackling the immediate crisis.

Building on an approach developed to respond to a potential no deal Brexit at the end of 2019, a COVID-19 Response Steering Group was established, consisting of the three enterprise agencies, Skills Development Scotland, Scottish Funding Council, VisitScotland and later joined by Public Health Scotland and the Healthy Working Lives Initiative. This enabled the high degree of collaboration and joint working that characterised our response. The Group has also, as you would expect, continued to work closely with the Scottish Government throughout this period.



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The whole economic development system has had to quickly adapt and adjust to the situation beyond the typical enterprise 'family'. As part of this, our agencies have, alongside the Scottish Government, been in regular discussions with banks and other key players in the private sector, as well as industry organisations such as SCDI, FSB and the Scottish Chambers of Commerce, with whom there have been weekly discussions throughout. I have personally had regular engagement with the Banking and Economy Forum, Trade Unions, other government agency heads, business leaders from across the country, and the Scottish Government.

Scottish Enterprise's response to COVID-19 to date has had four main strands: ensuring businesses get access to the funding they needed, assisting the health and care services with the PPE supply chain, providing information and advice to businesses, and building insights and intelligence in a real time way to ensure that assistance is being targeted correctly.

Access to Finance and COVID-19 Funding Streams

The financial readiness team in Scottish Enterprise has worked with a wide range of businesses during the current crisis. They provided advice to these businesses in a bespoke way, advising on cashflow management, navigating the funding landscape, both existing measures and the COVID-specific funding streams, and making connections through our longstanding relationships with funders.

During April 2020, Scottish Enterprise worked on behalf of the Scottish Government and in partnership with Highlands and Islands Enterprise, South of Scotland Enterprise, Creative Scotland and VisitScotland to establish and deliver the Pivotal Enterprise Resilience Fund and the Creative, Tourism & Hospitality Enterprises Hardship Fund. The £150m funding available came directly from Scottish Government.

The Pivotal Enterprise Resilience Fund was a £120m grant scheme for Scottish SMEs that were able to demonstrate that they had been made vulnerable by COVID-19 but could present a strong business case for a viable future.

The Creative, Tourism & Hospitality Enterprises Hardship Fund was a £30m avenue of support for small creative, tourism and hospitality companies not in receipt of other COVID-19 business grants. The fund was designed to support companies in immediate hardship due to the current situation.

Both funds were based on an ability to demonstrate clear financial need and were assessed against a set of clear criteria to ensure equity of access and fair appraisal.

The creation of the PERF and Hardship fund required a new approach, cross-agency in nature and at a greater volume than any enterprise agency scheme had ever faced. Further, the funds had to be developed, implemented and disbursed in a matter of weeks. To achieve this at the scale and pace that was required, the partners secured external expertise to build the technical platform for the new funds, and to support part of the appraisal process. Scottish Enterprise deploying over 200 staff to appraise applications, drawing upon sectoral expert advice from VisitScotland and Creative Scotland where required. To ensure consistency in approach, the three enterprise agencies, VisitScotland and Creative Scotland had a daily coordination call for the period in which the funds were live. More than

3600 grants were awarded across Scotland, with a total value of over £145 million – a [further breakdown of both funds is available here](#).

TABLE 1 – Summary of COVID-19 Fund Applications

	Creative, Tourism & Hospitality Hardship Fund	Pivotal Enterprise Resilience Fund	Total
Number of Valid applications*	3,412	5,069	8,481
Number valid, eligible applications**	1,908	3,995	5,903
Number of grants offered	1,893	1,763	3,656

Note: 4th August data

*excluding duplicates, entries created but never submitted, withdrawn applications, etc

**excluding failing the bank check, did not provide sufficient information, or failing on basic eligibility

TABLE 2 - Creative, Tourism & Hospitality Enterprises Hardship Fund by Enterprise Agency Region

	Scottish Enterprise	Highlands & Islands Enterprise	South of Scotland Enterprise	Total
Number grants offered	1,327	456	110	1,893
Value grants offered	£17,479,000	£4,896,000	£1,131,000	£23,507,000
Average grant value	£13,200	£10,700	£10,300	£12,400

Note: 4th August data

Location of business supported based on post code provided by the applicant at application.

TABLE 3: Pivotal Enterprise Resilience Fund by Enterprise Agency Region

	Scottish Enterprise	Highlands & Islands Enterprise	South of Scotland Enterprise	Grand Total
Number grants offered	1,223	372	168	1,763
Value grants offered	£90,865,000	£19,994,000	£10,933,000	£121,792,000
Average offer	£74,000	£54,000	£65,000	£69,000

Note: 4th August data

Location of business supported based on post code provided by the applicant at application.

Application was entirely online, and a live chat and email service was offered by our delivery partner for customers who were in the application form but required real-time support. More than 13,000

inbound enquiries were handled by this service during the period in which the grants were open for application.

We are, of course, responding to this committee inquiry about the response to COVID-19 while the response is ongoing. As such, there are elements of our programme that have only just begun, such as the Early Stage Growth Challenge Fund and the Hotel Recovery Programme, which will open later in August. While we can set out here the target groups and details of the funding criteria, it is too early to report on performance.

In July we announced the Early Stage Growth Challenge Fund, managed by the Scottish Investment Bank, Scottish Enterprise's investment arm. This fund is designed to support early-stage, high growth, innovative Scottish companies who have been negatively affected by COVID-19, whether in terms of revenue, working capital costs, or access to equity investment. The funding is a combination of convertible loan, which can either be repaid with associated interest or converted into equity, and grant, although the grant element can make up only a maximum of 20% of funding awarded. This Fund was established as a direct consequence of insights gathered from businesses, which identified a gap in support that required to be addressed.

The Hotel Recovery Programme, announced at the end of July, will support an estimated 50 to 60 businesses with grant funding and business support from the relevant enterprise agency and partners. This will go beyond the financial hardship perspective towards protecting critical tourism businesses, and the employment they provide, to enable them to restart safely and sustainably in the 2021 tourist season.

NHS and Social Care Supply Chain

At the beginning of the pandemic Scotland, and the UK more generally, lacked the domestic supply chain capability to be self-sufficient in PPE and other medical necessities. At the same time, global demand was growing exponentially. Scottish Enterprise and partners worked with the NHS to bring both our specialist manufacturing expertise, our knowledge of companies and sectors, and our ability to bring the public and private sectors together to help tackle this critical issue.

SDI teams overseas also helped in sourcing suppliers that provided medical-grade face masks and gowns, ventilators and oxygen concentrators. We fully utilised our international networks, with Scottish Government Trade, Investment and Innovation Minister Ivan McKee contacting our GlobalScots to help deliver critical supplies to NHS Scotland and other frontline services. The response was wonderful, with many GlobalScots both supporting the supply of PPE directly and opening up their networks to make connections and open doors on our behalf.

In parallel, Scottish Enterprise worked with companies in Scotland to innovate and gear up to manufacture PPE and hand sanitiser, establishing several new domestic medical supply chains capable of both fulfilling health and social care demand and creating export potential.

Information and Advice

Getting information and advice to business quickly and easily accessible was an early priority of the response. Scottish Enterprise was asked by Scottish Government to mobilise the COVID-19 response helpline and Find Business Support website to ensure all organisations across Scotland could be signposted the most up to date information and advice from both UKG and SG.

Scottish Enterprise manages a customer contact and call centre, which receives approximately 29,000 enquiries each year from businesses seeking support. Pivoting this to a dedicated helpline to support businesses with COVID-related concerns created some operational challenges, as call volumes rose precipitously, with nearly 9000 calls in the first three weeks of operation alone. To help meet this demand, we redeployed more than 80 staff from across Scottish Enterprise and Highlands and Islands Enterprise to support the team. COVID-related enquiries were significantly more emotionally charged than the enquiries the team were used to addressing in normal times, so we developed a training programme to upskill staff accordingly. We also utilised Scottish Enterprise's social media channels as a supplementary route for businesses to ask questions and receive quick responses.

The FindBusinessSupport.gov.scot site was launched in December 2019 to bring together, in one place, the full picture of public sector support for business available in Scotland, and to ensure that businesses got the right support at the right time. In March 2020, we swiftly established this as the central repository and access point for information about support available to businesses from all sources, including the UK Government. Between mid-March and the end of July the site had 1.7m page views and more than 430,000 users. The site is kept under continuous review, reflecting the fast pace of COVID-19 developments and announcements and featured a COVID-19 advice page that highlighted the latest news and access to sector-specific information, updated twice a day.

As we got closer to the end of lockdown, it was important to ensure businesses had easy access to guidance on safely restarting their activities. We launched a business support marketing campaign across the COVID-19 response partnership, driving approximately a quarter of all traffic to the Scottish Government site covering the phased approach through and out of the COVID-19 crisis.

As we move through the restart of the economy, we are developing the next stage of the campaign to help customers navigate the evolving landscape of available support. We continue to highlight the benefits of FindBusinessSupport.gov.scot as a trusted source of information, as well as referring customers to the best partner site for their needs. We continue to review content and capabilities of the website to ensure that information can be found easily.

Responding to social distancing requirements, we transferred Scottish Enterprise events to a webinar format. During March to June the team delivered 169 virtual sessions with more than 6,300 attendees. The webinars covered topics of direct relevance to business, from innovating in response to the pandemic through to re-imagining hospitality and tourism. We also delivered a webinar on the various funding schemes for MSPs and MPs to enable them to better advise their constituents. During the lockdown we have also made use of the webinar tool to further engage with GlobalScots, learn from their international insights, and connect them with Scottish companies. We are in the process of revitalising and expanding our GlobalScot network to ensure this powerful human network plays an integral role in Scottish Enterprise's efforts to support the rebuilding of Scotland's economy.

We accelerated the development of a peer-to-peer network and started inviting companies to join in April. As of the end of July, we had more than 250 businesses on the platform, from a range of sectors

including bio-pharm, food and drink, manufacturing, tourism and energy. In addition to its role as a discussion platform, there are distinct channels for business 'asks' and 'offers' to connect members to source advice, products and services. The discussions on the platform have been diverse, covering topics such as PPE supply, new ways of working, post-COVID sales, marketing and recruitment, and staff welfare.

SDI moved quickly to engage and support existing investors, both locally in Scotland and at corporate HQs, to minimise the impact of any restructuring and strengthen the argument for protecting Scottish operations. The team also worked to collate international insights, intelligence on potential risks and opportunities to inform the insights work detailed below.

A Trade Recovery Plan is also being produced by SDI, which will provide immediate support and assistance to companies looking to trade and export. This plan will reinforce our focus on supporting exporters whose growth can disproportionately benefit our export performance and assist companies develop their digital and e-commerce capabilities to help them export and sell.

Insight and Intelligence

Scottish Enterprise has played a central role in gathering crucial and timely business and sector intelligence, building on the process we used last year ahead of a potential no deal Brexit that used existing mechanisms and relationships. To assist with this, our economic insights team compiled a topic guide for customer facing staff engaging with companies, and this was made available for all agencies to use.

This enabled us to build and share a clear and current understanding of the changing business landscape. These insights were analysed, compiled and anonymised before being shared with the COVID-19 Response Steering Group and approximately 130 other organisations in our network, including business organisations. This has been critically important in informing operational developments, including the development of COVID-related funds.

Future Activity, Strategy & Finance

The economic shock resulting from the COVID-19 pandemic has, as demonstrated above, required public agencies to act in an agile fashion, re-deploying our most valuable asset, our people, to respond to a rapidly-changing situation and continuing to develop new ways of working in real time as it evolves.

The pandemic, and the economic crisis it has brought, has taken the Scottish economy, and the enterprise agencies, into unknown territory. In responding and adapting to the needs of the economy, we have been continually learning and these insights will help inform our work going forward. To provide a few examples:

- **Customer Engagement** – we developed a more varied approach to engaging with customers, delivering advice/guidance via FindBusinessSupport and the helpline, the escalation process for more complex enquiries, the peer-to-peer forum, and many others. This has reinforced that our value to business goes far beyond financial support and lays the foundation for our ambition to work with a greater number of businesses than before.
- **Information/Data** – processes for sharing information and data across different parts of the organisation, and with partners with whom we have data sharing agreements, has allowed for

escalation of issues and identification of solutions in real time. It has, however, made clear that we need to be fleet of foot in developing shared systems to make this more efficient.

- **Business Support Funds** – as stated above, we had to develop systems and processes to open the funds to an unprecedented number of businesses, all in a matter of weeks. We have learned many vital lessons from this in terms of re-allocation of staff and joint agency project design and management.

As it is increasingly unlikely that there will be a rapid ‘v-shaped’ recovery, we remain focused on the immediate needs of businesses. To achieve this, we are organising around five workstreams:

- **Business Resilience:** protecting jobs in the Scottish economy is a key priority. We have formed a new Business Resilience Hub by bringing the Business Resilience Team, established last year, together with our financial readiness specialists. This will coordinate and streamline our approach to proactively identify and address the needs of strategic and nationally significant companies;
- **Frontline Operations:** continued development of a Scottish Enterprise-wide operational response to COVID-19 through our people, resources and tools and aligning with partners, both existing and new. We have, as discussed above, led on the delivery of some of the COVID-19 business support funds. Beyond this, there is the full suite of Scottish Enterprise business advice and expertise, which survey evidence has repeatedly identified as being of critical value for our customers;
- **Information, Advice & Channel Management:** continued oversight of the FindBusinessSupport site, helpline and our social media channels to connect businesses to the best sources of advice and support;
- **Access to Finance:** ensuring current and proposed UK and Scottish Government initiatives, including from partner organisations such as the Scottish National Investment Bank, are used to best advantage in supporting Scottish businesses. We will also continue our insights and intelligence work to identify where there are gaps in provision.

The fifth workstream is **Future Economy**. Identifying and prioritising future opportunities to drive the economic recovery phase, with a focus on how to build economic resilience and respond to emerging global growth opportunities where Scotland has genuine international advantage. An important element of this has been the joint Scottish Enterprise-Scottish Government scenario planning project team who, working with partners, has examined ways to develop greater resilience, flexibility and agility to help guide Scotland’s economic response to the pandemic over the medium to long-term.

Through collating these insights and using them to highlight pathways and priorities for Scotland's economic recovery to 2025 in conjunction with partners and stakeholders, we will have a robust approach to underpin the adjustment and reprioritisation of our approach and long-term strategy.

In reviewing our future plans, the purpose embedded in Scottish Enterprise’s strategic framework, creating an economy focused on wellbeing and sustainability, has never looked more relevant. The emerging picture has laid bare the importance of the strategic challenges and opportunities for Scotland, for example:

- The spotlight cast on key workers during the lockdown brought to life the extent to which economic infrastructure relies on people in some of the lowest paid sectors, making clear the case for fair work;
- Re-focusing of businesses on critical NHS supplies demonstrates the power of an economy driven by meeting societal challenges;
- The fragility of global supply chains reinforces the importance of building domestic capability and resource-efficient, circular approaches to the economy;
- The uneven impact of the crisis, falling heavily on more fragile communities, strengthens the drive for regional equity.

The revised Scottish Enterprise Operating Plan budget for 2020/21 is now expected to total to £529.2m. This overall budget is comprised of Scottish Government funding of £492.9m and anticipated business income of £36.3m. The overall budget is comprised as follows: -

- Capital DEL £118.5m
- Financial Transactions £98.5m
- Resource DEL £312.2m

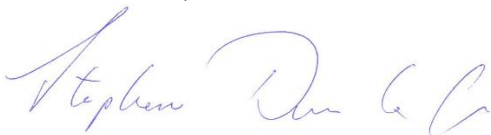
The updated budget includes in-year allocations received from the Scottish Government to deliver the Pivotal Enterprise Resilience Fund, the Creative, Tourism & Hospitality Enterprises Hardship Fund, the Early Stage Growth Challenge Fund and the Hotel Recovery Programme. As outlined above, these programmes were developed to address the economic impacts felt by Scottish businesses and sectors due to COVID-19.

Scottish Enterprise entered the financial year with a high level of legal commitment already in place, particularly across the Resource and Capital budgets. These commitments largely pre-dated the onset of the COVID-19 pandemic and are orientated to supporting companies in potential growth sectors. The projects that Scottish Enterprise will support via these commitments will be essential as economic activity hopefully begins to re-emerge across different business sectors later in the financial year.

As the Committee would expect, we are in discussion with the Scottish Government about budgetary requirements for the 2021/22 financial year. These discussions are likely to continue for some time yet, particularly as we evaluate the ongoing economic impact of COVID-19. This is a dynamic and challenging position and it is therefore too early to provide the Committee with any meaningful information at this stage.

Scottish Enterprise has been able to adapt successfully to this unprecedented situation, and support thousands of Scottish businesses, due to the professionalism, resilience and responsiveness of our people, who rose to the challenge while themselves adapting to enforced homeworking and balancing work and caring responsibilities. Our continued effectiveness relies fundamentally on the priority I and my senior team place on staff welfare and we will continue to do so as we progress into the next phase of economic recovery.

Yours sincerely

A handwritten signature in blue ink that reads "Stephen Dunlop". The signature is fluid and cursive, with the first name "Stephen" and the last name "Dunlop" clearly legible.

Steve Dunlop
Chief Executive

Deputy First Minister and Cabinet Secretary for
Education and Skills
Cabinet Secretary for the Economy, Fair Work and
Culture
Cabinet Secretary for the Rural Economy and Tourism
Minister for Further Education, Higher Education and
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By Email.

22 April 2020

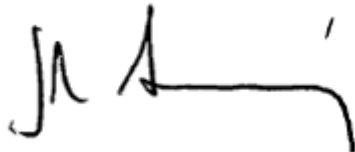
Dear Enterprise and Skills Agency Chairs

INTERIM LETTER OF GUIDANCE TO ENTERPRISE AND SKILLS AGENCIES

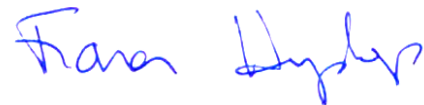
1. These are extraordinary times. Many of the challenges we faced just a few weeks ago have been overtaken by COVID-19. It is impacting on all aspects of our lives and there is disruption right across the economy. This is an unimaginably difficult time for organisations large and small, for employers and employees, for staff and students, and collectively we must do everything we can to help.
2. The importance of supporting those at risk of losing their jobs, retaining people in work, and providing the skills our businesses and economy needs, has never been greater. As one of the Enterprise and Skills agencies you are central to allowing us to help those in the country who require it most and, in time, planning for the recovery phase that will follow.
3. This means that all but the most critical 'business as usual' activity must be re-evaluated and halted, unless it is clearly making a contribution to the challenge of COVID-19. Your focus, moving forward, must move to meeting the emerging fiscal, economic and social challenge of COVID-19. We look to you to ensure that you reprioritise; continue to be flexible, to be responsive and to work collaboratively where possible. This will ensure that, whatever happens going forward, individuals and businesses are able to access the support they may need.
4. In light of this, we have decided to delay issuing the Strategic Letters of Guidance to all Enterprise and Skills agencies until later in 2020. This is in recognition that priorities will change and to allow the agencies to be able to be as responsive as possible to current events. We recognise that you will continue to deliver contracted commitments, and confirm that appropriate governance arrangements should continue to be followed at all times. You should work closely with your Sponsor Team to ensure that this is the case.

5. Finally, the partnership working across organisations has been exemplary and is allowing us all to respond in innovative ways to unprecedented challenges. We would like to take this opportunity to thank you and all your staff for the significant contribution you and your organisations have made, and continue to make, in supporting our response to the COVID-19 pandemic.

Yours truly



Kind regards



John Swinney, Deputy First Minister and Cabinet Secretary for Education and Skills
Fiona Hyslop, Cabinet Secretary for the Economy, Fair Work and Culture
Fergus Ewing, Cabinet Secretary for the Rural Economy and Tourism
Richard Lochhead, Minister for Further Education, Higher Education and Science