SUPPLEMENTARY SUBMISSION FROM SCOTTISH ENTERPRISE

Our understanding is that there are three areas where the committee would like further information, these being:

- The impact of utilising revenue funding for capital expenditure
- Details of the independent validation of our economic impact analysis
- Details of our plans regarding efficiency projects

**Capital / Revenue Funding**

As explained to the committee, Scottish Enterprise has consistently taken advantage of the flexibility to utilise Revenue funding for Capital Expenditure. The analysis outlined in Annex A, shows the extent to which this flexibility has been used in the past and what our related plans are over the spending review period.

This analysis shows that in total over the spending review period, we are currently planning capital expenditure of £421.4m. The total capital funding over the same period, from the Scottish Government (SG) and other sources, is planned to be £200.3m. Therefore, we are planning to utilise £221.1m of revenue funding for capital expenditure over this period.

Annex A also shows the impact that this will have on our revenue expenditure. It can be seen that our SG Resource DEL (revenue) funding increases each year across the spending review period. This compensates for the increasing level of revenue funding being utilised on capital expenditure, leaving between £130m and £135m available each year for revenue expenditure, which is consistent with prior years.

Taking each of your specific points, as outlined in your letter, in turn:

- This breakdown is included in Annex B, which also shows the capital / revenue expenditure split for 2013/14 and 2014/15.
- We do not specifically identify which capital projects are funded from revenue funding, however, a detailed analysis of all significant capital projects is included in Annex A.
- The planned capital / revenue expenditure split for 2010/11 and 2011/12 are also included in Annex B.
- Details of our Capital DEL and Resource DEL allocations are shown in Annex A and indeed, these were also included in our initial submission to the Committee. We do not have any information on where specific resources come from to fund SE activities and therefore cannot comment on this.

**Economic Impact Analysis Validation**

To assess the potential economic benefits for Scotland of our activities, we undertake a rigorous programme of evaluation and appraisal. This provides us with robust evidence of economic impacts and of ‘what works’ and is used to inform policy development and to prioritise our proposed investments and spending plans.
Using this evidence, we have developed an ‘economic impact model’ to allow us to assess the potential impact of our overall business plan. The model is currently based on and uses 74 sources of evidence, of which 46 are appraisals of the potential impacts of projects that have just or recently begun, and 28 are evaluations of projects that have been running for some time (so enough time has elapsed for an evaluation to take place). The model aggregates the data from these individual evaluations and appraisals to provide an overall assessment of the impacts of our business plan proposals.

Further detail on our approach to evaluation and impact analysis can be found in Annex C.

**Efficiency Projects**

As mentioned at the Committee session, Visit Scotland are co-ordinating the work that the partners are jointly carrying out in this area, therefore, they will respond to this request on behalf of Scottish Enterprise and Highlands and Islands Enterprise. I trust that this note covers the areas that the Committee were interested in however, if any further information is required, please get in touch.

Iain Scott  
Chief Financial Officer  
Scottish Enterprise  
November 2011