1 October 2018

Gordon Lindhurst MSP
Convener
Economy, Energy & Fair Work Committee
Scottish Parliament
Edinburgh
EH99 1SP

Dear Gordon

Scottish Enterprise Pre-Budget Committee Session - Supplementary Information

Following SE’s attendance at the Committee’s Pre-Budget Scrutiny Inquiry on Tuesday 25 September and in response to the Clerk’s request, I am pleased to provide you with the following information.

1. To provide figures on jobs created directly and indirectly by SE

We estimate that our 2018/19 business plan expenditure will create and safeguard between 8,000 and 10,000 net additional jobs over the next three years to 2021/22 – comprising:

- 4,700 to 6,000 jobs created/safeguarded directly as a result of support delivered to inward investors and Scottish companies and also from support for projects and activities to grow Scotland’s sectors (such as Dundee Waterfront, Innovation Centres, Edinburgh Bio-Quarter etc);
- 3,300 to 4,000 multiplier/indirect jobs which will be created within supply chains and as a result of increased spending by workers.

Many of these jobs will last significantly longer than 2022.

The figures are estimated through our economic impact modelling using a wide range of evaluations (such as the SDI evaluation) and appraisals (for example appraisals of grant applications related to projects and company expansions).

They include a number of the planned inward investment jobs included in our current business plan target measure which can take a number of years to realise, and can be subject to change based on a company’s circumstances and plans.
It is helpful for the Committee to also give consideration to the wider benefits and returns for Scotland’s economy from our activities as a national economic development agency. For example, productivity improvements that result from our support will improve the profitability of companies, increasing their resilience and allowing them to invest in improving workplace practice and increase wages. This positively impacts income tax revenues and national insurance contributions – the jobs noted above have the potential to generate between £45 and £55 million income tax and national insurance receipts a year.

2. To evaluate the impact of the closure of the Moscow office on trade with Scottish businesses.

The markets previously covered by the Moscow office (Russia, Kazakhstan and Azerbijan) were merged into a new Nordics and Caspian Region, managed from an enlarged SDI office in Copenhagen.

Scottish companies continue to receive support in Scotland to evaluate, prepare for and to access opportunities which exist in Russia, Kazakhstan and Azerbaijan, and the Department for International Trade’s (DIT) on the ground presence is being used to support in-market events and missions.

For a variety of reasons, including trade disputes, sanctions, currency fluctuations and the reduction in the price of oil and gas, the value of Scotland’s exports to Russia, Kazakhstan and Azerbaijan have fallen from £655m in 2013 to £450m in 2016. This mirrors the UK’s export performance to the region which fell from £5,510m in 2012 to £2,572m in 2016.

Where there are opportunities for Scottish companies in the Russian market, we provide them with trade support, working with partners including DIT. For example, Terex Trucks (based in Newhouse) who have long-standing, significant trade activity supplying earth-moving equipment to Russia.

3. To give case study examples of how inclusive growth is explicitly linked with SE performance targets and examples of engaging with companies on inclusive growth.

Inclusive and sustainable growth practices are embedded within the 6 outcome areas within our business plan, supported by the newly introduced inclusive growth tracking measures. Below are some practical examples of how we engage with companies on inclusive growth:

- working with companies to regularly review and advise on adoption of the progressive work practices set out in the Scottish Business Pledge. For example, over the last year, this has resulted in an increase in the percentage of Account Managed businesses avoiding zero hours contracts from 79% to 93%;
- introducing and strengthening specific initiatives to support disadvantaged groups. For example, piloting Principally Women to help build the leadership strengths of women in companies with potential to scale-up; and Grey Matters to use the talents of older executives who have left oil and gas companies to help grow new businesses;
- continuing to grow Rural Leadership, which has worked with over 500 business leaders to build their ambitions in rural areas of Scotland, by jointly developing the initiative further with HIE;
• launching the Workplace Innovation Service to stimulate demand for the introduction of fair and progressive work practices - 900 companies were helped to introduce fair and progressive work practices in 2017-18;
• piloting new approaches, such as Unlocking Ambition, a programme of intensive support for purpose-driven entrepreneurs with socially responsible business models. The first cohort of 40 entrepreneurs will act as ambassadors for future participants;
• working with all successful applicants for Regional Selective Assistance (RSA) – 70 companies in 2017/18 - to help them develop Invest in Youth policies that build opportunities for young people into their workforce planning.

4. To highlight where foreign direct investment is being attracted and how it can be targeted to areas of regional economic inequality.

As the Regional Partnerships are established across Scotland, SE will look to collaborate with partners to develop regional propositions that highlight the areas of opportunity for inward investment, specific to each region, and to work with SDI and other international partners to promote these opportunities to future investors.

5. To share information on the inward investment at Barclays and their programme to target disadvantaged and disabled workers in a recruitment programme, along with figures on wider success so far with encouraging inward investors to address diversity issues (such as employment for disabled people).

The Barclays investment will help create up to 2500 jobs in the city, around 340 of which will be targeted at disadvantaged and disabled workers. This has been supported by a targeted grant from SE and will also involve work with Glasgow City Council and Skills Development Scotland to consider the associated skills and transport needs.

In relation to the wider question of encouraging inward investors to address diversity issues, we have introduced the Training Disadvantaged Workers and Workers with Disabilities Scheme. The principal objectives of the scheme are to encourage investment in training by companies in Scotland and to promote the recruitment and employment of disadvantaged workers and workers with disabilities.

Further to this, SE has recently been invited to take part in the development of the Scottish Government’s new Business Engagement Fund targeted at supporting companies to recruit disabled people, and we look forward to fully contributing to this important agenda.

6. To confirm the value of the land and how much will be realised in the Iconic Leisure Development mentioned by Jackie Baillie.

The current asset valuation for Scottish Enterprise land at West Riverside (the area relating to Iconic Leisure’s proposed development) is £200k. West Riverside is a strategic site, and in our role as a national economic development agency, we will seek to maximise best economic value with clear growth benefits for the area and its workforce.
It is helpful to the Committee to be aware that Scottish Enterprise is required to comply with the Scottish Public Finance Manual (SPFM) when it comes to disposing of land. This ensures that SE must obtain market value for all land disposals and this value must be verified by a RICS Chartered Surveyor.

7. **As set out by Steve Dunlop, to give high level down and granular information on how strategic, overarching work drills down to each enterprise agency (e.g. overall SDI export plan drilled down to each enterprise agency)**

The Enterprise and Skills Strategic Board is charged with driving integration and alignment across the enterprise and skills system and the family of agencies. SE is a member of the Strategic Board and Chairs and CEOs of the agencies work collaboratively with the wider membership to identify ambitious goals for Scotland’s economy. This includes working with the Board to develop its Strategic Plan and measurement framework and ensuring that individual agency plans and actions are complementary and supportive to these ambitions.

Using exporting as an example of how this might work in practice; the Strategic Plan has a focus on exporting and what needs to be done at a whole system level to effect change. This national exporting ambition will be at the heart of our plans and the Strategic Plan will influence and shape SDI’s plans, including identifying specific approaches for regions or sectors where support might be targeted and will therefore help inform and drive specific actions at a local or regional level.

**Examples of how national ambitions flow to local interventions**

**Ayrshire**
In partnership with Ayrshire Chamber of Commerce we have jointly delivered the following activities:
- International Trade Clinics – with our Export Advisors
- Preparing to Export Workshops in 2015 and 2016 for companies new to exporting
- Exporting is Great Roadshow (Aug 2016) with Prestwick Airport and Business Gateway
- Ayrshire Chamber Business Week Oct 17 including Trading with China Event

**Tay Cities Trade & Investment Group**
SE jointly coordinates the Tay Cities Trade and Investment Group – the group meets regularly and has established a clear action programme e.g. in terms of exporting the group maintains a forward events programme. The programme has been built around the requirements of the region and in discussion with key partners. Recent events include: market awareness, preparing to export, an Export Bootcamp, E Commerce and Brexit.

The Tay Cities group has also invested in coordinative and awareness raising activity to help strengthen the pipeline of new exporting companies. Further, an Export Advisory Service has been established, ensuring that all companies have access to 1-2-1 advisory support and a strong portfolio of exporting services.
8. To provide further information on work preparing for increased automation and use of AI (e.g. with the construction industry)

SE carried out research to identify the potential implications of automation (including robotics and AI) across the Scottish economy in 2016 and this was presented at the Scottish Parliament in January. This work focused on how different types of automation technologies could help to improve productivity and workplaces in three different, illustrative sectors: construction, the food supply chain, and financial and business services. This initial work helped to clarify the opportunities and issues for these focus sectors, and inform SE's approach.

Robotics, AI and machine learning have the potential to transform many businesses and sectors across Scotland's economy. Our research very clearly highlighted that in order for Scotland to benefit from its strengths in universities and technology-focused businesses we need to focus on:

- Encouraging employers to upskill, retrain and redeploy workers to help them move to higher-skill, higher-value jobs. Our economic adjustment must involve coordinated investment in both technology and people, mitigating the risk that employers may take a narrow perspective adopting new technologies to substitute for jobs.
- Aligning support to businesses and sectors with wider funding frameworks, particularly the UK Industrial Strategy's challenge funding (where automation is a strong cross-cutting theme) and City and Region Growth Deals (where, for example, the Data Driven Innovation programme aims to support Edinburgh to become Europe's data capital).
- Matching supply and demand so that investment in university research directly benefits new and growing businesses. Scotland's network of Innovation Centres (such as DataLab and CENSIS) are specifically designed to ensure that commercialisation activities are relevant to Scotland's growing industries.

Since 2017 SE has provided support to a number of sectors to help them invest in automation technologies, in ways that support employees to gain higher-skill, high-value jobs. For example:

**Construction**

The Construction Scotland Innovation Centre (CSIC) issued a call in March 2018 for construction businesses to put forward proposals on how to increase efficiency or quality through automation. Up to five firms are being provided with up to £10,000 support along with access to CSIC's network of academic partners, in-house technical specialists and the Innovation Factory.

**Oil and Gas**

Robotics and AI are being used to radically transform oil and gas exploration and innovation. As an illustrative example, SE is supporting the PERISCOPE project to identify and develop innovative new ideas related to offshore robotics. Companies from Scotland, the wider UK, Scandinavia, the Netherlands and Germany are meeting in October 2018 to develop collaborative innovation solutions to increase productivity and create new value in offshore marine environments.
Food supply chain
Scotland Food and Drink is helping its members businesses actively identify and invest in new ‘Industry 4.0’ business models and technologies. It’s ‘Make Innovation Happen’ initiative is identifying new opportunities across the food supply chain, using technologies to connect primary producers, processors and retailers to increase efficiencies, boost productivity and create higher-value jobs.

Digital Tourism
SE has actively supported the Digital Tourism Scotland initiative, offering support to the tourism industry alongside Business Gateway, Scottish Government, Highlands and Islands Enterprise, Scottish Tourism Alliance, Skills Development Scotland and VisitScotland. The £1.2m programme aims to engage with around 4000 tourism businesses through workshops, awareness raising events and a digital conference. It sets out to improve digital skills and capabilities across a range of topics including digital marketing, content management, e-commerce and social media.

Manufacturing
Scotland’s Manufacturing Action Plan is spearheading the drive to promote increased investment in automation across manufacturing subsectors, from life sciences to engineering and food processing. The National Manufacturing Institute for Scotland (NMIS) is the flagship initiative and aims to create “an industry-led international centre of manufacturing expertise where research, industry and the public sector work together to transform skills, productivity and innovation to attract investment and make Scotland a global leader in advanced manufacturing”.

There are four key elements to NMIS:

- Digital Factory 2050 – A ‘Factory of the Future’ demonstrating new technologies and processes alongside access to academic research expertise.
- A Skills Academy to help up-skill existing manufacturing employees and inspire young people to build careers in the sector.
- A collaborative R&D space to encourage dynamic innovations and clusters of advanced manufacturing strength through proactively fostering connections between companies who might otherwise not interact, particularly through developing supply chains involving Scotland’s SME base.
- Outreach initiatives and the potential of virtual reality and digital connectivity technology will be utilised to ensure NMIS expertise is accessible across Scotland.

I hope these additional responses are helpful to the Committee. Should you require any further information please do get in touch.

Yours sincerely

Steve Dunlop