Scottish Enterprise Submission to Economy, Jobs and Fair Work Committee

1. Achievements 2015/16

1.1 For every £1 Scottish Enterprise invests it creates up to £9 of additional value for the Scottish economy and last year alone, we worked with over 12,000 Scottish companies, supporting them to realise their growth potential.

1.2 Our short Annual Review 2015/16 film shows a range of these Scottish businesses from different sectors telling their stories about how SE has helped them to innovate, create jobs, export and develop their leadership skills.

1.3 We have made significant progress on many elements of longer term strategic plans including: extensive work with the Oil & Gas industry to build resilience and drive innovation; investment in key infrastructure programmes, including the Dundee Waterfront and Scotland’s Energy Ports; and new direct flights successfully attracted from Scottish airports to Stuttgart, Montreal, Toronto, New York (JFK) and Helsinki.

1.4 Our teams of financial readiness specialists have supported 418 companies preparing to raise finance. This, along with wider Scottish Investment Bank (SIB) activity, has resulted in over 3,700 full time jobs being supported and helped investee companies achieve a combined annual turnover exceeding £550m, with international sales continuing to grow to over £220m.

1.5 We have developed new services to help more businesses capitalise on emerging opportunities. Our newly created High Growth Markets Unit delivers tailored support to companies, unlocking opportunities in China, the Middle East and India. Since its creation we have spoken to 770 companies through events, supported 438 companies to build capacity for these markets through 1:2:1 meetings, and supported 33 companies to go on and exploit these markets.

1.6 Last year also saw Scotland retain its position as the top region in the UK outside London for foreign direct investment in the Annual Ernst and Young Attractiveness Survey.

1.7 With a renewed focus on inclusive growth, we have been training our customer facing staff to work with companies to explore and understand the business benefits of building a more diverse and better engaged workforce, particularly in the recruitment of young people. This work also saw us launch a new Workplace Innovation Service to help businesses uncover new ways of working to make the best use of all resources – people, processes and relationships.

2. Our approach to investment

2.1 We recognise that more investment in Scotland’s growth companies and business infrastructure is central to increasing sustainable economic growth for Scotland. We invest to stimulate increased competitiveness, as well as to leverage private sector investment and attract new investment into Scotland.

2.2 SE invests in growing businesses, in globally competitive sectors and in supporting a more competitive business environment to stimulate economic growth. In determining SE’s spending priorities, we take account of current economic challenges and use our evidence base to ensure that our investment maximises the impact achieved from public funds. Our criteria for investment include:
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- **Match funding** - where we are able to leverage private sector match funding
- **Return on investment** - in terms of jobs, benefits to supply chain, future financial returns
- **Where there is a market failure** – through SIB we seek to address market gaps and failures in an adaptable and flexible way, maximising the economic benefits of our activities, and delivering where the market on its own otherwise wouldn’t be able to.

2.3 We also have an investment arm (through SIB) which has helped stimulate the equity investment market in Scotland over a number of years. Its remit has now been expanded to address both supply and demand issues for companies seeking risk finance. An overview of funds delivered via SIB is below:

2.4 Our **Scottish Co-Investment Fund** is designed to help start up, early stage and expanding businesses address finance gaps. We do this by matching the private sector investor, therefore equally sharing the risk involved. Amounts range from £10k to £1.5m, with total deal sizes of up £10m.

2.5 Our **Scottish Growth Scheme** will bring support of up to £500m over the next 3 years, increasing access to funding for SMEs showing significant growth potential. It is a combination of loans and guarantees up to a maximum of £5m per business.

2.6 For start-up, early stage and expanding businesses, the **Scottish Venture Fund** is a flexible equity gap fund which tops up private sector investment up to a maximum of 50% of the total funding package. We can provide £10k to £2m for equity and venture debt finance deals, matching of private investment.

3. **Ambitions for 2016/17**

3.1 We will deliver transformational change to the Scottish economy by continuously challenging ourselves, reaching more companies and increasing our impact.

- **Exploiting Technology** – We are investing to improve the speed and efficiency of delivering support, providing ‘real-time’ insights into the needs of businesses, and creating new tools and systems to improve alignment across the wider support system in Scotland. A key part of our work here is developing services directly with business users and opening up access to the information, networks and market insights we hold across our operations.

- **Internationally Competitive Sectors** - We are building a model that ensures Scotland invests in the biggest and most ambitious opportunities for growth, both in the shorter and longer term. We will be implementing changes in our approach to key sectors to ensure we strike a balance between helping Scotland’s mature sectors such as Food & Drink to continue to innovate and perform, whilst ensuring that opportunities in new or emerging sectors are fully realised. This will include work in areas like Fintech, Data Analytics and Subsea Engineering.

- **Cities and Regions** - We know city and regional economies offer an opportunity to drive competitiveness and tackle inequality, particularly through developments such as City Region Deals. To date SE has supported these through a combination of insight and economic intelligence, getting behind
new models of delivering support to businesses, and leading a number of projects centered on innovation or internationalisation. We will continue to explore with our partners how we can work together to add real value to these investments.

4. Audit Scotland

4.1 Audit Scotland concluded that SE is performing well with our activities having a positive impact on Scotland’s economy; it also acknowledged that our work is guided by a clear strategy with strong governance. We worked closely with Audit Scotland as they undertook this important exercise and the final report provides a strong body of evidence to draw on and inform future action.

4.2 To ensure delivery of the Government’s Economic Strategy, our measures and activities are developed in line with the National Performance Framework. We are working with the Scottish Government and our agency partners to agree a common approach to performance measurement.

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