



The Scottish Parliament
Pàrlamaid na h-Alba

ECONOMY, JOBS AND FAIR WORK COMMITTEE

AGENDA

22nd Meeting, 2017 (Session 5)

Tuesday 12 September 2017

The Committee will meet at 9.45 am in the Mary Fairfax Somerville Room (CR2).

1. **Declaration of interests:** Jamie Halcro Johnston will be invited to declare any relevant interests.
2. **Decision on taking business in private:** The Committee will decide whether to take items 4 and 5 in private.
3. **Scottish Government's Draft Budget 2018-19:** The Committee will take evidence from—

Charlotte Wright, Chief Executive, and Sandra Dunbar, Head of Business Improvement and Internal Audit, Highlands and Islands Enterprise;

and then from—

Linda Hanna, Managing Director, Strategy and Sectors, and Iain Scott, Chief Financial Officer, Scottish Enterprise.

4. **Scottish Government's Draft Budget 2018-19:** The Committee will consider evidence heard at today's meeting.
5. **Work programme:** The Committee will consider its work programme.

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The papers for this meeting are as follows—

Agenda Item 3

PRIVATE PAPER

EJFW/S5/17/22/1
(P)

Highlands and Islands Enterprise - Written Submission

EJFW/S5/17/22/2

Scottish Enterprise - Written Submission

EJFW/S5/17/22/3

Agenda Item 5

PRIVATE PAPER

EJFW/S5/17/22/4
(P)

Highlands and Islands Enterprise

INTRODUCTION

This short paper sets out Highlands and Islands Enterprise's (HIE's) achievements from 2016/17, structured under the four priorities identified in Scotland's Economic Strategy and outlines our focus for the future.

HIE structures its delivery under four operational priorities: Supporting businesses and social enterprises; Strengthening communities and fragile areas; Developing growth sectors; and Creating the conditions for a competitive and low carbon region. These priorities are mutually reinforcing and as a result, many of our interventions contribute to more than one of the 'four I's' of Scotland's Economic Strategy. In particular, investments in fragile and peripheral communities are by their nature *inclusive*, increasing the return those parts of the region can make to the country through provision of enabling infrastructure, capacity building, businesses growth and social impact, and access to employment and learning opportunities.

HIGHLIGHTS FROM HIE ACTIVITY IN 2016/17

HIE's accounts for 2016/17 have now been audited and signed off, and the Committee will appreciate that the details of HIE's financial performance in the year to March 2017 cannot be released in detail until the final accounts have been laid before parliament. In overall terms it can be reported that HIE achieved a balanced financial position against its core budget, with a total spend, including next generation broadband and WES of £92m. Scottish Government core grant-in-aid (GIA) of £54m was drawn down in full plus £8m for WES. During 2016/17 Highlands and Islands Enterprise agreed with the Scottish Government to provide £2 million from the ring-fenced Wave Energy Scotland allocation. The budget for this £2 million was not adjusted by the Scottish Government and therefore shows as an authorized underspend against HIE's Grant-in-Aid. WES is a subsidiary of HIE whose budget is ring-fenced – and this £2m underspend could not have been recycled to core HIE budgets. Once the agreed underspend is taken into account, Highlands and Islands Enterprise underspent its total cash DEL by £15,000.

In the short to medium term, HIE's investments will accelerate the growth of client businesses, social enterprises and communities across the region. Longer term impacts will be generated through our on-going investment in infrastructure including land and property developments, and broadband. (Details at Appendix one).

It is anticipated that this update will be helpful, and we look forward to discussing more fully with Committee members at our forthcoming session in the Scottish Parliament on 12 September.

Highlights in the year 2016/17 include:**Inclusive growth**

- £5.36m (13%) of overall investment and 27% of investment in third party projects was in fragile areas
- 155,000 premises with access to superfast broadband through the Digital Scotland project
- Delivery of new Scottish Land Fund underway with increased budget of £10m per annum
- 31 graduate placements supported through ScotGrad

Investment

- £16.6m approved to support the growth of businesses and social enterprises
- 1,688 full time equivalent jobs created or safeguarded
- Twelve inward investment projects attracted to the region, including LifeScan Scotland in Inverness and Liberty House in Fort William, accounting for 530FTE jobs

Innovation

- 167 businesses supported through HIE's Innovate Your Business (IYB) service
- 45 account managed clients received in-depth innovation support through our in-house specialists
- Wave Energy Scotland awarded £8.0m to 16 R&D projects

Internationalisation

- Over 300 businesses supported through HIE's International Highlands and Islands programme
- £79.5m of increased international sales from supported clients
- Foreign Direct Investments valued at £54.5m attracted to the region

FOCUS FOR THE FUTURE

HIE is an ambitious agency which plays an important role in improving the productivity, equality and sustainability of the regional economy, increasing its contribution to the output of Scotland as a whole. In line with the Government's programme for Scotland, and drawing on the focus of the Enterprise and Skills Review, HIE has aligned its efforts to maximise opportunities for collaboration with national and local partners to build inclusive growth in all parts of the Highlands and Islands.

The challenges emerging from global events are complex and will impact on sectors and regions in different ways. Improving our understanding of the nature of these challenges and capitalising on new opportunities when they emerge will be essential to our long-term success. Ensuring inclusive development across the region will require a flexible approach to resource

and budget allocation with a focus on addressing need while also being aware of new opportunities that may present themselves in the future.

Raising productivity levels is key to our efforts to support business growth and sectoral development. Challenges include the need to increase scale with the indigenous business base, the dominance of sectors with traditionally low-wage structure, and difficult market conditions facing the oil and gas supply chain. By focusing our efforts on implementing our inclusive growth priority through increasing productivity rates, we will help create more high-paying jobs in all sectors across the region, making the economy as a whole more competitive, and more attractive to new investment.

Developing a detailed understanding of the emerging economic and political landscape will require ever-closer engagement with key partners across the public sector and beyond. In particular we will deepen collaborations with the other enterprise and skills bodies in Scotland, sharing expertise knowledge and insights, and developing new approaches to support regional and sectoral development.

Within our Operating Plan for 2017/18 we have set out the way in which our interventions contribute towards the priorities set out in Scotland's Economic Strategy and pursue HIE's long-term purpose and vision of a highly successful and competitive region where increasing numbers of people choose to live, work, study and invest.

The high-level focus of our Operating Plan is set out below:

Inclusive Growth

The attainment of sustainable economic growth, particularly in the most fragile rural areas, depends on supporting strong communities and creating the conditions in which successful businesses and social and community enterprises can thrive and generate wider benefits through creating more jobs, providing services and generating additional demand opportunities for their local supply chains. Asset ownership is key to empowering communities to become enterprising. Our community-led development approach and delivery of the Scottish Land Fund are central to our efforts.

Community development is an essential component of economic development in the Highlands and Islands, alongside business and sector support and investment in infrastructure. Inclusive growth involves ensuring all sections of society are able to benefit from increased prosperity. Particular focus will ensure that women and young people are supported to access new opportunities created by growing businesses and social enterprises, thereby increasing their contribution to the economy and society.

Through our approach to strengthening communities, we continue to develop and implement programmes which blend economic and social development to generate regional growth. We were a key partner in the development of Scotland's ten year social enterprise strategy and will support the

implementation of the associated action plan. In addition, our approach to business development takes into account the wider social outcomes identified in Scotland's Economic Strategy.

Investment

Attracting and delivering investment which helps drive the growth of businesses, social enterprises and communities is a vital part of HIE's role. We have a range of investment tools at our own hand and supplement these from other sources, including European funds. Our approach to regional development ensures that these resources are deployed both to address need and to capitalise on opportunity.

It is essential that the benefits of economic growth are inclusive and evident in each and every part of our region. The holistic nature of our approach to regional development means that much of the investment activity outlined below also contributes significantly to the Innovation and Internationalisation priorities.

Investment covers a broad range of areas which underpin regional prosperity and will include:

- Financial investment in the form of grant, loan or equity funding to support business growth
- Development of business premises and important sectoral infrastructure to support growth and attract inward investment
- Support for communities to acquire, develop and manage assets to underpin their sustainability and realise their growth aspirations
- Continued rollout of fibre broadband in the Highlands and Islands, including further investment through Community Broadband Scotland towards the R100 target
- Facilitating growth of the academic sector, both through the University of the Highlands and Islands and in support of other institutions active in, or attracted to, the region
- Investing in the people and skills needs of the region, through the implementation of the Highlands and Islands Skills Investment Plan and the establishment of a Science Skills Academy

Innovation

Innovation is a fundamental driver of long-term competitiveness and lies at the heart of Scotland's Economic Strategy. International best practice indicates that all businesses can benefit from innovation support, regardless of their size, sector or location and increased innovation is key to our growth sector ambitions. In Energy, we are supporting excellence in test and demonstration activity associated with developments in marine, floating wind and, subsea decommissioning sectors. Building in the success of Wave Energy Scotland we seek to accelerate the establishment of a sustainable wave energy sector in Scotland.

Innovation requires time, knowledge and skills to realise impact which is maximised when combined with entrepreneurship. The following outcomes will demonstrate success for the Highlands and Islands economy:

- A greater number of businesses growing to scale supported by a coherent and effective regional innovation service
- Increased number of innovation active businesses in the region
- Increased productivity rates
- Increased private sector investment in research and development

In addition to delivering services that can be accessed by all businesses, such as *Innovate Your Business*, and providing bespoke support to account managed clients, we will deliver the Northern Innovation Hub, a programme of support forming part of the Inverness and Highland City Region Deal, and Co-Innovate, a European-funded programme focusing on Argyll and the Islands, Lochaber, Skye and Wester Ross, and Innse Gall. The networks we develop and connections we make will also maximise the impact in the Highlands and Islands of services delivered by partners, such as Innovate UK, the Scottish Innovation Centres, and Interface, an academic / business knowledge exchange partnership.

We are an active partner in Scotland's CAN DO Innovation Forum. We will deliver the priorities laid out in the Scottish Government's CAN DO Innovation Action Plan, to increase regional productivity and the capacity of businesses to innovate.

Internationalisation

In a highly competitive environment, our businesses and sectors need to be able to measure up against the very best and to identify and pursue growth opportunities around the globe. At the same time it is important that an international profile of the region as a highly attractive place for doing business is actively promoted.

Our efforts to enhance internationalisation are informed by Scotland's Trade and Investment Strategy. We know that businesses that trade internationally grow faster, are more productive and more innovative than those that concentrate on a purely domestic market.

Our focus is to broaden the base of exports from the region and to deepen the relationship we have with existing exporters that have the potential to extend their reach into new overseas markets or develop their products to better meet the needs of international customers.

We will support the progression of our clients along a path to fully establish their presence in international markets. Detailed knowledge of the current and forecast trading position of each client will allow us to provide tailored support, from awareness raising and identification of global prospects through to international strategy development and practical help to pursue emerging opportunities.

These activities will be enhanced by the increased resources available through our partnership with Scottish Development International (SDI) and the Department for International Trade (DIT), including access to SDI's in-market staff in 17 countries throughout the world. We will also make best use of our trade advisors and digital technologies to reach more prospective clients, making them aware of the benefits of trading internationally and encouraging more to do so. HIE is one of four partners behind the establishment of Scotland House which aims to support ambitious Scottish companies to take advantage of opportunities in London and internationally.

We will capitalise on the region's core strengths to attract inward investment. In addition to focusing efforts on prospective new firms to develop and grow their presence at key sites including Inverness Campus and the European Marine Science Park near Oban, we will work with SDI to identify and attract additional new, small-scale inward investors to more rural places around the region.

International firms that already have a Highlands and Islands presence are of particular significance and we will work to encourage their expansion in the region and the development of their local supply chain and we will encourage the internationalisation of the universities sector, both through overseas teaching and research opportunities and growing an international student cohort in the region.

CONCLUSION

HIE remains ambitious for the region, its future growth and prosperity and its contribution towards a more competitive and inclusive Scotland. The Enterprise and Skills Review has highlighted the important contribution that HIE makes to regional development and we intend to draw on its findings to redouble our engagement with local, regional and national partnerships to maximise the impact that the public sector has on sustainable prosperity across the country.

Driving up productivity rates, through innovation, internationalisation and broadening the economic base will be particularly important interventions. In addition, investing for the long term through supporting communities to purchase and develop assets, and investing in new infrastructure are essential component of a sustainable and prosperous region.

Highlands and Islands Enterprise

Appendix 1 – FINANCIAL OVERVIEW

HIE Financial Position	Ops Plan	Full Year Out-turn	Ops Plan	Full Year
	Budget 2016/17	2016/17	Budget 2017/18	Forecast 2017/18
Financial Performance	£m	£m	£m	£m
Income				
Core GIA Baseline	56.2	56.2	55.7	55.7
In Year Allocations		0.8		
Scottish Government Total Cash Allocation	56.2	57.0	55.7	55.7
European Funds	5.0	1.2	5.0	2.7
Capital Receipts	3.1	4.2	2.0	2.0
Revenue Receipts	4.2	3.5	3.2	3.5
Total Income	68.5	65.9	65.9	63.9
Investment				
Supporting Businesses & Social Enterprises	11.0	12.0	11.3	12.9
Strengthening Communities & Fragile Areas	7.8	5.9	7.7	5.6
Developing Growth Sectors	13.0	12.6	11.3	12.8
Competitive & Low Carbon Region	14.5	12.9	14.8	11.9
Development Support	4.5	4.9	5.4	5.3
Operating costs	14.5	14.5	15.4	15.4
Strategic forum savings target	3.2	3.2	0.0	0.0
Total Investment	68.5	65.9	65.9	63.9
Non Cash Transactions				
DEL/AME non cash expenditure	11.0	25.5	11.0	9.3

Additional Income Not Through Core Grant in Aid	Full Year Out-turn 2016/17	Full Year Forecast 2017/18
	£m	£m
Project Investment		
Broadband Investment	18.8	19.3
Community Broadband Scotland	1.9	1.8
Wave Energy Scotland	8.0	8.0
Scottish Land Fund	0.4	0.4
Other Misc.	0.1	0.05
Inverness City Region Deal	0.0	0.1
	29.1	29.7
<i>Note Both Income and expenditure are matched</i>		

Notes

- The increase in GIA shown in the 2016/17 out-turn reflects a £0.8m increase in allocation from Scottish Government for two projects; Hydro Nation and Strengthening Communities Partnership.
- Investment Budget allocations are indicative only. HIE manages its budgets in a flexible manner to respond effectively to challenges and opportunities which may arise.
- Allocating Budget to the specific 4I's is flexible as a good project will often meet targets and measures relating to all of these, eg our support for BASF Callanish on the Isle of Lewis encompasses:
 - Investment - Business Growth, facilities and assets
 - International - Additional Export sales to new and existing markets
 - Innovation - Developing and improving products for market
 - Inclusive - Job Creation and retention in remote & rural areas.
- Additional funds are being provided to HIE for projects such as Digital Infrastructure, Wave Energy Scotland, Community Broadband Scotland, Scottish Land Fund and Inverness and Highland City Region Deal which are also shown here. In 2016/17 these funds amounted to £29.1m and for 2017/18 it is anticipated at £29.7m.
- In both 2016/17 and 2017/18 European Income has dropped as existing schemes conclude and the transition to new schemes commences.
- The increase in capital receipts in 2016/17 is primarily explained by the sale of plant & equipment at Machrihanish to CS Wind for £1.9m.

7. The reduction in revenue receipts reflect the fall in rent as property sales continue in order to recycle previous investment back into new projects.
8. Non - cash expenditure was especially high in 2016/17 due to increased pension liability.

Scottish Enterprise

1. Introduction

This paper has been prepared for the Economy, Jobs and Fairwork Committee to update members on Scottish Enterprise's delivery approach and recent achievements in advance of the forthcoming evidence session. To assist with the Committee's preparations for this session, we have provided detailed budget information and analysis to the Scottish Parliament's SPICE Team for inclusion in their briefing materials. The narrative that follows in this document seeks to further inform the Committee by providing examples of Scottish Enterprise's day-to-day economic development activity.

Scottish Enterprise's remit is to focus on the best opportunities to stimulate growth in Scotland's economy. We work with companies and sectors to build an effective and dynamic business environment with **high quality business infrastructure, funding for growing companies** and **excellent connections** to the global marketplace. We are a national agency working locally, and pan-Scotland, and we also have an international reach with staff operating out of 28 overseas locations.

We work with and support a significant number of companies and many of these are leading the way in **manufacturing innovation, creating employment, supporting supply chains** and **competing globally** such as Spirit Aero systems in Prestwick, Brew Dog in Aberdeen and ADL in Falkirk. We also play a vital role in creating the right conditions and infrastructure for industries to grow such as our work with Edinburgh's Bio Quarter Development (which hosts Europe's greatest concentration of researchers in regenerative medicine), the Fife Energy Park, Glasgow's International Financial Services District and the Dundee Waterfront development.

Over the last two years, to embed an **inclusive growth approach** to our operations, we have been developing new ways to engage with companies to influence behaviours and drive progressive **workplace practices**, and to support **workforce development** and by considering **place** (through creating growth opportunities across cities, towns and regions). This focus has seen the development of new services including the **Workplace Innovation Service** which has opened up new possibilities to help companies harness the skills and talent of their workforce to increase innovation in order to grow their business.

As a small, open economy, global trends affect our economic prospects. We want to respond to current and future global economic challenges and opportunities, by focusing **where we can make the biggest difference**. A key challenge for Scotland is to improve levels of productivity, as this is the best way to sustainably increase competitiveness and economic growth, raise the quality of jobs and grow incomes. Scotland's productivity lags many other advanced economies, and to achieve the levels of the best we need a step change in performance.

Our work with companies aims to **raise ambition**, productivity and international competitiveness, to invest in growth plans through innovation and exporting, and to create better and more secure jobs. We also help Scotland's key sectors address **growth challenges and opportunities**, and work internationally to attract more investment to Scotland.

2017/18 will be a year of transition for Scottish Enterprise as we continue to play our full part in taking forward the recommendations and outcomes of the Scottish Government's recent Enterprise and Skills Review. The opportunity to work with our

strategic partners and to **align our collective efforts behind a single plan** has the potential to make an important difference to how we work together to deliver greater impact including more and better jobs for Scotland.

2. Results 2016-17

Our annual report and accounts will be published in early October. This year they show a solid performance and demonstrate real impact on the ground. Behind these results there are hundreds of businesses operating across communities, in different industries, that are sustaining and creating jobs. Some performance highlights are noted below captured under the drivers of growth headings - the 4 I's – the drivers are mutually supporting, as we know that support for one will often positively impact on others, for example investment in workplace innovation is also beneficial for inclusive growth.

2.1 Internationalisation

Foreign direct investment (FDI) plays a central role in Scotland's economy and is a crucial component of developing growth sectors and building stronger supply chains. FDI stimulates the transfer of knowledge, skills, technology and innovation to Scotland; inward investors tend to pay **higher wages** and can have a positive impact on **productivity** levels.

Last year, our international arm, Scottish Development International helped secured 7,839 planned jobs in Scotland during 2016/17 (2,312 of those being high value added (HVA) jobs) an increase of 10% on the previous year. This strong inward investment result **indicates Scotland's capabilities in growth sectors**. Our Financial and Business Services, Technology and Oil and Gas sectors remain extremely attractive to international investors and our clear focus on winning the right kind of investment for Scotland is delivering results. This reflects Scotland's **competitive advantage** based on our skills base, science and research excellence and our connected business infrastructure.

These figures are further reinforced by this year's 2017 EY Scotland Attractiveness survey, *which highlighted Scotland's best year ever for FDI projects (up 2.5% from 119 in 2015 to 122 in 2016) and ranked Scotland as the most attractive UK location for FDI, outside London for the last six years.*

It is worth noting that in recent years we have placed a strong strategic emphasis on attracting new inward investors to create a new pipeline of expanding investors, and on securing R&D investment projects. As a result Scotland has retained our position as number one in the UK for R&D investment projects with *over 30 projects landing in Scotland* in the last year including Chinese mobile games giant Skymoons and Singapore based Clinovate.

We have supported more Scottish businesses to **think about new international markets**, working hard to convert this interest into increased numbers of new active exporters. *Across Scotland, 412 companies have been helped to take products to an international market for the first time in 2016-17.*

Through **Scot Exporter**, the focus has been on getting more companies to become active exporters including: support to trade in easier to enter first-time markets; help in developing overseas marketing plans; support in managing supply chains for

overseas markets; and developing digital strategies to support export sales. *During 2016-17, Scot Exporter supported 1,578 companies with their international trade ambitions (48 of these in the HIE region).* The includes Alan White Design an engineering consulting company from Kilmarnock now successfully exporting with Ireland, and KARE Orthopaedics from Port Glasgow who are trading in the Benelux region.

The **High Growth Markets Unit** which was created in October 2014 as an early 'go to' contact for companies to help realise their potential to trade with China, India and the Middle East *supported 485 companies in 2016-17.* The unit has supported *950 companies* since it was launched.

In August 2017, we established a new web-based calendar to highlight forthcoming trade missions and new market opportunities www.trade.scot making it easier for companies to see, plan and register for future missions and events.

2.2 Innovation

Improving levels of business innovation is critical for the Scottish economy and we have been working with companies to promote this core message and **change the R&D landscape in Scotland for the better.** *In 2016-17 we supported 1,756 businesses to become * innovation active, reaching an increasing number of companies by improving our reach to business through digital approaches.* (*Innovation Active is defined by the EU as activities such as introduction of a new or significantly improved products or services, new business structures or practices and marketing strategies; and activities in areas such as internal research and development).

Business Enterprise Research and Development (BERD) levels in Scotland have been historically low however, we've seen a 20% increase over the last three years and the number of **SMEs in Scotland investing in business R&D has doubled since 2006.** This is good news as it means more companies are willing to invest, and Scottish Enterprise is investing alongside these companies to support the very best opportunities.

The recent **UK Technology Innovation Index** showed that Edinburgh has the most active technology innovation community outside of London, closely followed by Glasgow in fourth place. Of the 36 UK cities included in the Index, the top four cities ranked are London, Edinburgh, Manchester and Glasgow. Aberdeen features in 20th place, with Dundee following in 22nd place. This strong performance helps position Scotland at the forefront of innovation endeavour within the UK, Europe and beyond. Scotland's specific Technology Innovation success has been realised by bringing together the right mix of **research excellence, ambitious companies, supporting assets and industry leadership.** In the field of niche technologies, Scotland has the opportunity to excel in the markets of data analytics (e.g. skyscanner), sensor development (e.g. subsea and power), regenerative medicine (e.g. stem cells and gene therapy) and industrial biology (e.g. petrochemical, biomass, marine).

We have also been growing Scotland's important advanced manufacturing capacity, and a recent example of this is the new **Construction Scotland Innovation Centre** based in Hamilton, which is a collaboration of 13 universities offering new innovation and prototyping facilities to develop solutions for future industry challenges.

2.3 Inclusive Growth

The strongest contribution that Scottish Enterprise can make to inclusive growth is to focus on those actions and assets that create sustainable and fair employment and **working with local and regional partners** to ensure that the benefits of growth can be spread evenly.

By working directly with businesses, we can play a strong role in influencing work place practice, promoting the benefits of a fairly treated, diverse, and engaged workforce, demonstrating how this contributes to growing a business. *The Workplace Innovation Service, launched in August 2016, has worked with 235 companies to help take forward projects to harness the full potential of staff and increase levels of innovation.* This includes Liberty Steel Dalzell, where a workplace innovation project helped to develop and build team work and workforce engagement.

This year we introduced for 2107-18 an explicit performance measure to report on the number of **companies engaged and supported to develop approaches to fair and progressive workplace practices**. This measure will capture company activities on workplace innovation, investment in young people, graduate recruitment, adoption of inclusive business model and approaches to target disadvantaged groups e.g. older workers.

We believe Scottish Enterprise has an important role to play in promoting the benefits of the Scottish Business Pledge to the companies we engage with. Of the 399 companies who have signed the pledge around 40% are Scottish Enterprise Account Managed.

Beyond capturing the number of companies signing the pledge, we include an inclusive growth assessment when reviewing and approving projects with companies. A good example of our direct influence on inclusive growth was the introduction of the **Invest in Youth policy** as part of RSA approval, and since it this was introduced in 2015/16 all applicant companies have adopted this approach. An RSA applicant Solutions Driven, based in Glasgow is an Executive Search company with an international focus, the company actively targeted young people through their recruitment process.

Recognising the importance of place and the need to unlock the growth potential of all communities and economic assets throughout Scotland, we are working closely with local authority partners on projects as part of the recent **City and Growth Deal Developments**. As a national agency we are able to help build connections and help join up different strands of work across the country. We are also active across the **27 Community Planning Partnerships** in the Scottish Enterprise area, working with local partners to support local and regional partnerships.

2.4 Investment

The Scottish Investment Bank (SIB) plays a pivotal role in increasing the supply of finance, and helping more Scottish SMEs with growth and export potential to access it. SIB works with both Scottish SMEs and UK and international investors to stimulate deal flow in Scotland.

The Financial Readiness service that was developed to help business become investment ready has developed and expanded to provide advice and support on fund raising to a much wider range of Scottish SMEs. *In 2016/17 SIB worked*

*intensively with **452 companies**, of which **103** were supported specifically to secure growth funding.*

As part of SIB's overall approach they have been seeking to add increased value in new and different ways, supporting companies and partners with exit readiness, investor contacts, show casing and introductions and building skills of the Board. An example a financial readiness support project is Bird.i, a Glasgow based company that is developing a product to supply Earth observation data by means of wider, more cost effective access to satellite and artificial intelligence.

During 2016/17 SIB invested £63.5million and helped 146 companies leverage £106m of private sector investment for the economy. Companies SIB have worked with include; TVSquared based Edinburgh who specialise in optimisation opportunities for TV advertisers, and Ryboquin, a pharmaceutical company based in Selkirk who specialise in patented intellectual property in gene therapy primarily in the field of human cancer medicine.

3. Future Focus

As we prepare for the 2018-19 operating year budget and prioritisation discussions we are acutely aware of number of critical economic challenges and opportunities that need to be considered including the impact of Brexit and shifts in the global marketplace on Scotland's competitive strengths and our export base.

In responding to these challenges we remain committed to building on Scotland's **emerging competitive strengths** in areas such as regenerative medicine, subsea, data science and financial services (fintech). Other **competitive sectors** including oil and gas, life and chemical sciences and premium goods such as textiles and food and drink are also critical for Scotland's economy, and we will continue our work with these industries to **develop productivity plans** to promote R&D investment, build supply chains, promote exports and create sustainable employment.

A key focus to help reach more customers to provide more advice and services more efficiently will be to use **digital technology to help us reshape delivery models**. This work will continue and we also plan to open up more of our knowledge, networks and insights to businesses and partners across Scotland and work with others to **join up the enterprise support system more effectively**.

We also recognise that there will be new developments in the operating landscape as the recommendations from the **Enterprise and Skills Review** are delivered. We look forward to working with the new Strategic Board who will lead this work. A new strategic plan will help bring stronger alignment across agency partners for greater impact and to improve and streamline ways to access to support for customers. We are ambitious to develop new ways of working with Scottish Government, other agencies and regional partners to help the wider economic development system to achieve more.

4. Conclusion

We trust that this paper has helped to provide the Committee an overview of the work that Scottish Enterprise undertakes across Scotland and beyond to support economic growth. As noted earlier, we work with thousands of Scottish companies every year and this paper provides just a snap shot of all the activity underway, which we hope has been informative.

We look forward to our discussions with the Committee at the forthcoming evidence session on 12 September 2017.

Scottish Enterprise