

Economy and Fair Work Committee

Agenda

25th Meeting, 2025 (Session 6) Wednesday 17 September 2025

The Committee will meet at 10:00 am in the Clerk Maxwell Room (CR4).

- 1. Decision on taking business in private:** The Committee will decide whether to take item 3 in private at this meeting and at future meetings.
- 2. Pre-Budget Scrutiny:** The Committee will take evidence as part of its Pre-Budget Scrutiny from—

Adrian Gillespie, Chief Executive and Kerry Sharp, Chief Financial & Investment Officer, Scottish Enterprise;

and then from—

Stuart Black, Chief Executive and Sandra Dunbar, Director of Corporate Services, Highlands and Islands Enterprise;

Jane Morrison-Ross, Chief Executive and Anthony Daye, Director of Investment, Business and Entrepreneurship, South of Scotland Enterprise.

- 3. Consideration of Evidence (In Private):** The Committee will consider the evidence it heard earlier under agenda item 2.

Papers for this meeting

The papers for this meeting are:

Agenda Item 2

Paper 1

EFW/S6/25/25/1

Paper 2

EFW/S6/25/25/2(P)

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Economy and Fair Work Committee
Wednesday 17 September 2024
25th Meeting, 2024 (Session 6)

Pre-budget scrutiny 2026-27 Note by the Clerk

Background

1. The enterprise agencies have key roles in delivering the Scottish Government's economic objectives. Scrutinising the performance of the enterprise agencies is part of this Committee's scrutiny remit. Today's session will inform the Committee's pre-budget work and scrutiny of the National Strategy for Economic Transformation (NSET).
2. At least six weeks before publication of the Scottish budget, committees write to the Scottish Government with views on spending priorities for the coming year. The Scottish budget is usually published in December. As the date for the UK budget is 26 November, it is unlikely that the Scottish Government budget will be published before Christmas.
3. Today, the Committee will hear from Scottish Enterprise, Highlands and Islands Enterprise, and South of Scotland Enterprise. The Scottish National Investment Bank (SNIB) will give evidence on 24 September.

Witnesses

4. Today's witnesses are first—
 - Adrian Gillespie, Chief Executive, and Kerry Sharp, Chief Financial & Investment Officer, Scottish Enterprise.And then—
 - Stuart Black, Chief Executive and Sandra Dunbar, Director of Corporate Services, Highlands and Islands Enterprise; and
 - Jane Morrison-Ross, Chief Executive and Anthony Daye, Director of Investment, Business and Entrepreneurship, South of Scotland Enterprise.
5. Highlands and Islands Enterprise and South of Scotland Enterprise have provided written submissions. These can be found at **Annexe A**.

Clerks to the Committee
September 2025

Written submission from Highlands and Islands Enterprise

1. Purpose of this document

As the economic and community development agency for the Highlands and Islands, we are pleased to have been invited to submit evidence to inform the Economy and Fair Work Committee's pre-budget scrutiny. We look forward to discussing both our strategic approach and the actions we are taking to maximise opportunities and address challenges affecting our regional and national economy.

This submission includes a summary of HIE's unaudited performance outturns for 2024/25. These are currently being audited by Audit Scotland for inclusion in our next annual report and accounts, scheduled to be laid in the Scottish Parliament and published online in November 2025.

For context, we also provide a short summary of our current [five-year strategy and annual Operating Plan](#) and outline actions we are taking to deliver Best Value as part of our contribution to public service reform.

Lastly, we reflect on the unprecedented scale of economic opportunity that is currently emerging across the Highlands and Islands and the work we are engaged in with partners to ensure we capture the benefits for our region and help grow Scotland's economy.

We hope the Committee will find this information useful and look forward to discussing our work and answering your questions when we meet in person.

2. Our performance in 2024/25

2024/25 marked HIE's second year of delivering our current five-year strategy, which sets out our aims to achieve progress in all parts of the Highlands and Islands and maximise our region's contribution to Scotland's economic transformation. While the overall economic context remains challenging at both national and regional levels, we met 18 of our 20 primary measures including some very positive outturns achieved in the region's 'inclusive growth focus areas' – disadvantaged areas that require targeted support.

Overall, HIE approved up to £78.5m investment in 611 projects with a combined total investment value of £177.5m. We enabled businesses and communities across the region to create or retain 765 jobs, including 242 green jobs and 293 in focus areas. Businesses across the Highlands and Islands are set to see combined annual turnover rise by £236.2m as a result of HIE interventions, while international sales are expected to grow by £62.8m. Our support for social enterprises is forecast to bring about a £13m uplift in the social economy.

Investment in rural and island locations contributed significantly to a strong performance, notably in Argyll and Islands, Orkney and the Outer Hebrides, delivered by projects in sectors ranging from energy and technology and advanced engineering to food and drink and heritage. Examples include £5m investment in the Scapa Deep Water Quay in Orkney, which we achieved through attracting additional Scottish Government funding from the Offshore Wind Investment Programme (OWIP). OWIP funding also provided £10m for HIE to invest in Nigg Inner East Quay.

The region again proved attractive to inward investors with a record 15 projects delivered with a combined value of £6m in areas including Shetland, Caithness, Argyll, Lochaber, Wester Ross and the Outer Hebrides, where Navantia’s acquisition of the former Harland & Wolff manufacturing facility at Arnish, Lewis has safeguarded 141 jobs. Other highlights were our support for community-led housing projects in the islands of Gigha and Papa Westray, and for the development of new business units on Tiree by the Tiree Community Development Trust.

Primary measures	Target Range 2024-25	Forecast Out-turn 24-25*	Previous Out-turn 2023-24
No. of organisations supported to increase productivity	60 - 70	40	50
Average increase in productivity	15%	54%	64%
No. of organisations supported to innovate	200 - 230	415	224
No. of new products, processes or services developed	80 - 100	263	183
Innovation investment in supported organisations (£m)	30 - 40	32	6.6
No. of organisations supported to develop or implement a Net Zero Action Plan	50 - 60	79	47
No. of community-led projects supported	80 - 100	271	296
No. of jobs supported (FTEs)	600 - 700	765	1,248
Green jobs supported (FTEs)	70 - 90	242	271
No. of jobs supported in Inclusive Growth Focus Areas (FTE)	200 - 250	293	365
<i>Jobs housed, temporary roles and employment opportunities created</i>		1038	110
Average wage of jobs supported (£/FTE)	£34,000	£31,105	£33,664
Average wage of jobs supported in Inclusive Growth Focus Area (£/FTE)	£28,500	£30,647	£29,688
External Investment secured (£m)	40 - 50	81.6	270.9
External Green Investment secured (£m)	12 - 15	24.2	248.5
External Investment secured in Inclusive Growth Focus Areas (£m)	15 - 18	23.7	14
External Investment secured in supported community orgs/social enterprises (£m)	8 - 10	28.4	17
Capital Asset investment (£m)	65 - 80	152.8	412.8
Green Capital Asset Investment (£m)	20 - 25	73.1	371.7
Capital Asset Investment in Inclusive Growth Focus Areas (£m)	35 - 40	48.3	26
Capital Asset Investment in supported community orgs/social enterprises (£m)	18 - 20	40.2	15

* Performance is forecast as it typically relates to the expected out-turn from our interventions recorded at point of approval. Italics indicate outputs from wider measurement framework rather than targets.

Previous out-turn includes the outlier Sumitomo as noted in previous annual accounts which significantly impacted out-turns relating to the number of jobs supported, average wages, and capital asset investment and external investment secured (including green counterparts).

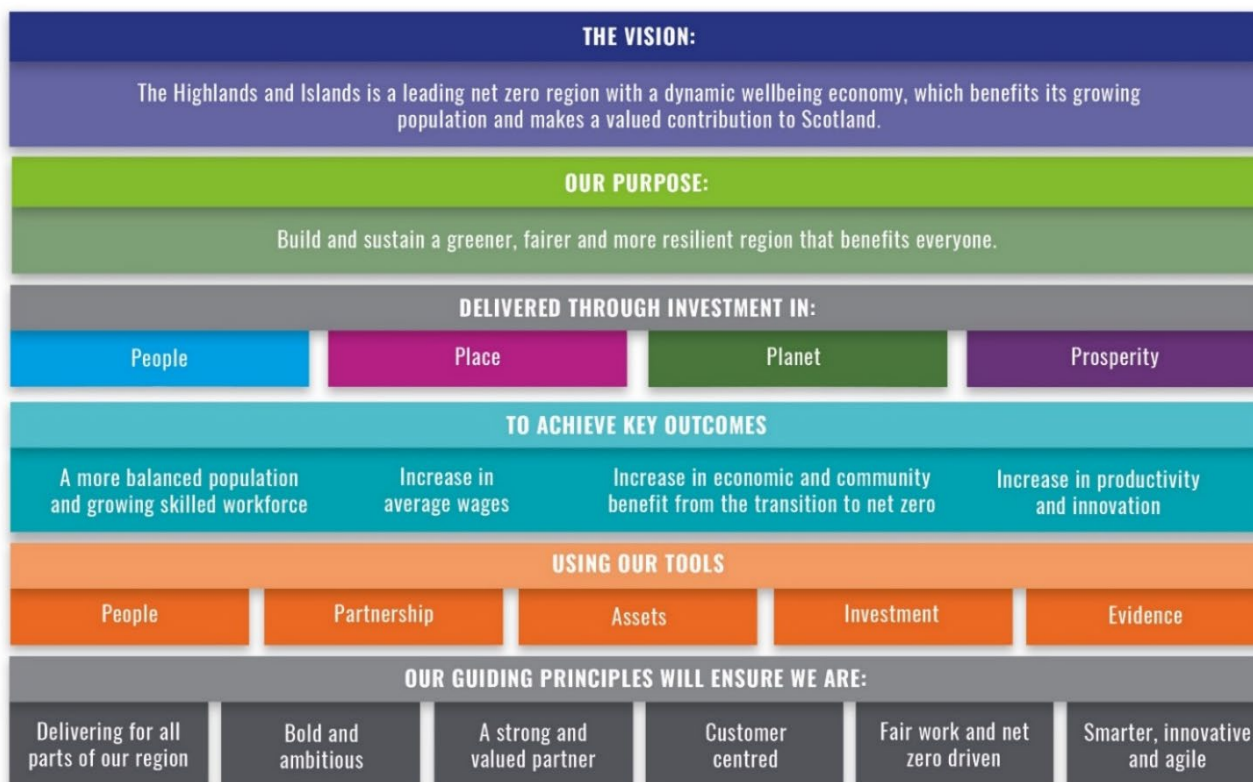
Tracking Measures	Forecast Out-turn 24-25*
<i>Increase in turnover (£m)</i>	236.2
<i>Increase in turnover in the social economy (£m)</i>	13
<i>Increase in international sales (£m)</i>	62.8
<i>Jobs housed (FTE)</i>	143
<i>CO2e savings in supported organisations</i>	1480

We helped 415 organisations to develop 263 new products, processes or services, and provided support for 79 organisations to develop or implement a net zero plan. We also delivered our highest investment in three years in community organisations, with £7.5m approved for 271 community-led projects. This supported a broad range of new assets and development work across the region, with a strong emphasis again in focus areas where our actions will help strengthen rural and island populations.

Measures relating to productivity and average salary proved the most challenging and fell below the desired range. Nonetheless, we recognise the importance of continuing to challenge ourselves and setting ambitious targets to help drive progress in the coming years when several regionally transformational projects are set to come to fruition.

3. Our strategy 2023-28

HIE’s current five-year strategy sets out a clear vision for the region and direction for HIE and illustrates how we will contribute to delivery of the National Strategy for Economic Transformation.



We are focusing delivery on four pillars: People, Place, Planet, Prosperity, while the cross-cutting themes of net zero, fair and inclusive growth, and regional transformational opportunities run through our framework and represent key strategic drivers (see diagram on next page).

[Recent research](#) demonstrates the extraordinary scale of significant, once-in-a-generation economic opportunities across the Highlands and Islands, many arising from natural and built assets including our ports and harbours. While many of these regionally transformational opportunities are in sectors like energy (notably offshore wind, hydrogen and hydro pump storage), life sciences, technology and space, we remain committed to growth in longer-standing industries such as tourism, food and drink, and creative industries that play a vital role in Scotland’s economy.

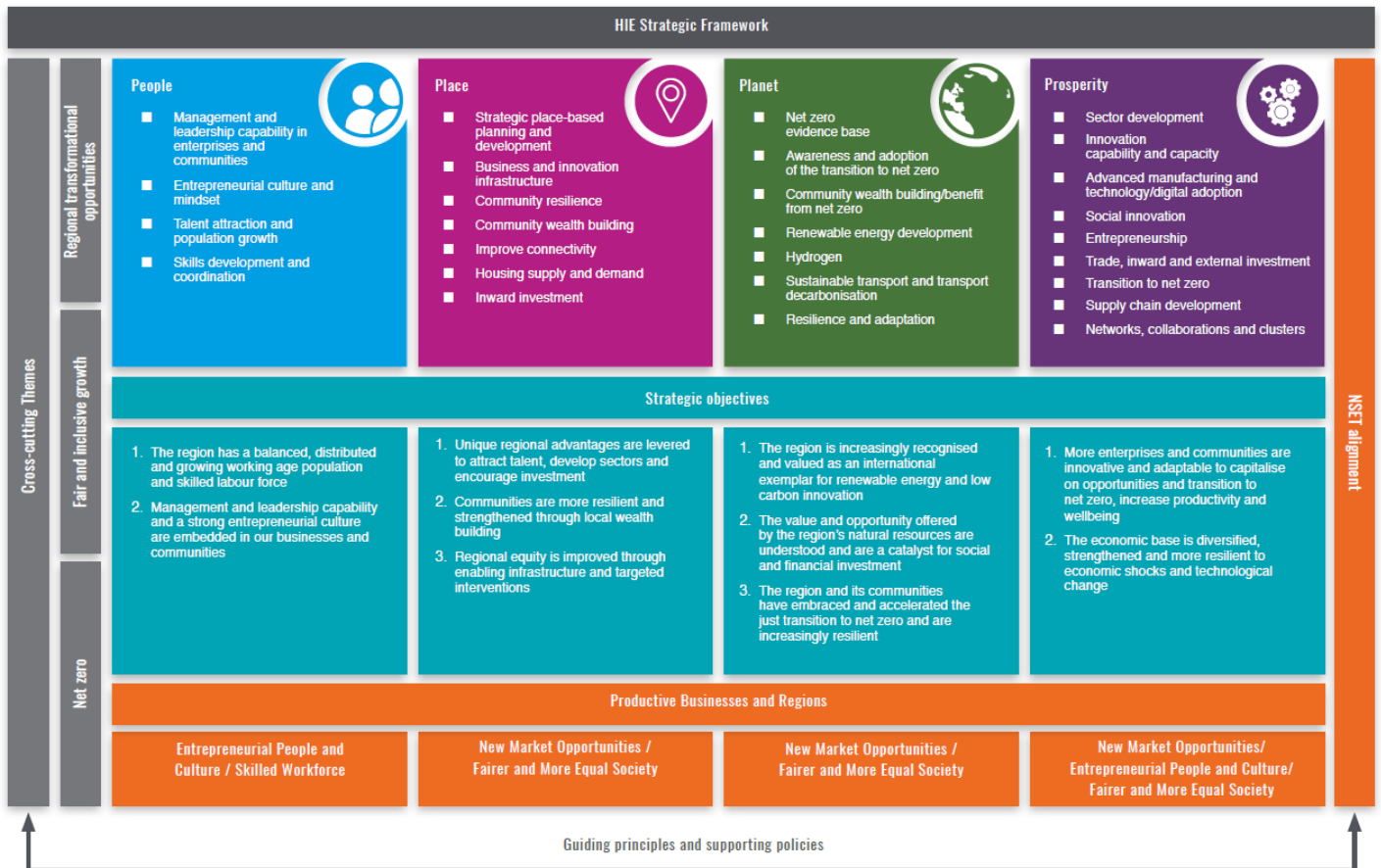
HIE is committed to being a valued partner to all those whose actions play a positive part in advancing economic and community development across the Highlands and Islands. Real change in delivering improvements in housing, transport, digital, and education and skills will be accomplished through collaborative working with central and local government and across the private, public and third sectors.

We aim to make full use of our resources including the wealth of experience, expertise and strong local and sectoral knowledge of our staff, along with HIE’s property assets, past investment decisions and a robust evidence base to deliver our strategy and be a passionate advocate for our region.

As an agency whose remit has encompassed both economic and community development for sixty years, we are experienced in enabling local community organisations across the Highlands and Islands to own and develop assets that

provide services and generate income to improve resilience and sustainability. Community wealth building can drive new business models and create new opportunities for increasing community benefit.

A key area of focus is retaining and attracting young people to the region through investing in opportunities, supporting young entrepreneurs, creating graduate placements and working with partners to deliver population initiatives, including enabling communities to employ local development officers, whose posts we co-fund with the Scottish Government. Transitioning to net zero, fair work and innovation will be key to building resilience and sustainability.



Through this approach, we aim to fulfil our ambition to build a strong wellbeing economy in every part of our region and maximise our contribution to achieving all of the Scottish Government’s priorities:

- To eradicate child poverty;
- To grow Scotland’s economy;
- To tackle the climate emergency by investment in green energy and infrastructure, and
- To improve Scotland’s public services as an investment in Scotland’s future health, equality and prosperity.

4. Our Operating Plan 2025/26

Our [operating plan](#) sets out how HIE will implement our five-year strategy during the current financial year, building and sustaining a greener, fairer and more resilient region making a strong contribution to the Scottish and UK economies.

Innovation, productivity, fair work, wages and wellbeing are all key to regional prosperity, while embracing opportunities associated with the transition to net zero, including the growing role of offshore wind energy, will help the region maintain its place at the forefront of climate action.

In inclusive growth focus areas, HIE is working with communities to support resilience and wealth building, delivering programmes and projects to attract people and investment and improve regional equity through infrastructure and targeted intervention.

We regard Gaelic language and culture as an asset for Scotland that has a positive role in our regional and national economy. While [our Gaelic Plan](#) naturally focuses on HIE's activities in Gaelic, we also value the Scots language and dialects such as Doric, Orcadian and Shetlandic, and anticipate broadening our engagement in future.

We continue to develop opportunities to enable entrepreneurial activity in our Gaelic communities, and in organisations engaged or seeking to engage with Gaelic, such as through our pilot entrepreneurial support programme Cruthachadh Cothroman / Shaping Opportunities which we created with Bòrd na Gàidhlig and launched in June this year.

Other examples of recent activity include our Gaelic Digital Challenge Fund to encourage Gaelic speaking content creators under the age of 35, and an investment of £2.1m in phase two of Cnoc Soilleir, a Gaelic cultural centre in South Uist which is a joint venture between Ceòlas Uibhist and UHI North, West and Hebrides.

5. Public service reform – Best Value

Pursuit of Best Value underpins all our operations as an agency and supports both efficiency and effective performance while contributing to delivery of the Scottish Government's public service reform agenda – specifically to secure additional income and deliver cost savings in-year.

HIE implements a Best Value plan that acts as an overarching framework for our business improvement activity, focused on the themes of strategy, process, resources, technology, products and collaboration.

2024/25 was the third year of capturing and measuring our performance against delivery of the plan and progress was significant under most headings.

During the year, we were able to secure £19.3m additional capital income, representing an 83% increase on our baseline capital budget of £23.2m, and a further £251k in sponsorship activity. We established a Financial Saving and Efficiency forum to help prioritise and pursue efficiency opportunities and capture savings. The new forum works alongside existing workstreams and governance arrangements to support our Best Value activity.

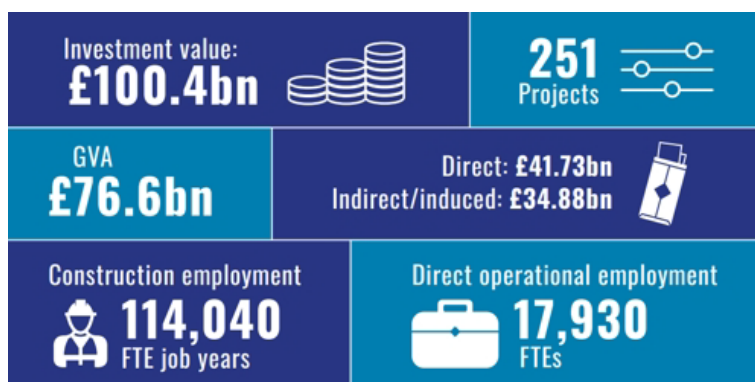
In 2024/25 we introduced a range of themes covering training and development; workforce planning; property; use of internal expertise / smarter use of external expertise; information systems and data; pensions, and travel that together achieved savings totalling more than £2.35m.

Through our investment in digital solutions 94% of applications for funding support, 99% of claims and 86% of grant offers are now made via our online client portal. Alongside efficiencies, this also brings improvement to the client journey.

As an active member of the Business Support Partnership, we also work with partners on opportunities for improvement and alignment, making it easier for businesses across the country to access support services quickly and easily. A key project has been the Master Customer Record unlocking a data sharing opportunity and enabling a single view of customer activity across the public sector.

6. Looking ahead

The following diagram illustrates headline findings drawn from 2025 [research into Regionally Transformational Opportunities](#), commissioned by HIE on behalf of the Highlands and Islands Regional Economic Partnership and conducted by ekosgen.



The quantified for the first time the scale of transformational opportunity facing the regional economy and was presented to the Convention of the Highlands and Islands in May 2025. The unprecedented scale of this opportunity has the potential to exceed previous transformational periods, including even the post-war development of the Highlands' hydro potential and the main period of the oil and gas exploration era. Bringing these projects to fruition will require HIE and its partners in government and across the public sector to work together to address serious challenges facing the region, particularly in relation to skills, housing and transport.

As we highlighted in our submission to the Committee last year, HIE is no different from other publicly funded organisations across Scotland in feeling the impact of ongoing fiscal pressures. We acknowledge the challenge of delivering our strategy with reduced core funding, particularly in our revenue budget, however we are determined to stay focused and ambitious, constantly seeking to improve our performance both in terms of effectiveness and efficiency.

It is now even more important that we seek to access funding from other sources and work collaboratively with a broad range of organisations to maximise our impact and the benefits that our projects and programmes can deliver. The Offshore Wind Investment Programme is already playing an important role and HIE has been successful in attracting several millions of pounds of additional public investment into the region from this source, supporting delivery of a range of major investments.

Feedback from our clients also recognises the importance of non-financial support that our staff can deliver, with the knowledge and experience HIE has accrued over sixty years since the formation of the Highlands and Islands Development Board in 1965 and which continues to inform our approach today.

Highlands and Islands Enterprise
September 2025

Written submission from South of Scotland Enterprise

Introduction

We welcome this opportunity to provide a written statement to the committee as part of its pre-budget scrutiny.

Growth, prosperity, and community are our focus at South of Scotland Enterprise. Operating for over five years, we are making tangible progress in unlocking the region's significant opportunities. We continue to build momentum and ambition across the South of Scotland.

We are seeing an unprecedented interest from investors looking to locate here. The decision by Center Parcs to locate its first ever Scottish village just outside Hawick might be the best known, but there are many others across a variety of sectors. These are driven by what the region has to offer, including our designation as the world's first ever Natural Capital Innovation Zone, enhancing our natural resources to deliver economic, community and environmental value.

Our statement provides more detail about our delivery activity. As well as attracting investor interest, last year saw us:

- Engage with over 2,100 organisations – businesses, social enterprises, and community groups.
- Increase our clients' profitability by almost £45million.
- Supported investment in over £30 million of capital projects.
- Lever £23.5 million in additional funding.
- Support jobs - 377 FTEs.

The funding we bring to the region is vital, and the expertise and insight we provide is what allows us to capitalise on this.

Given the challenging global economic climate, we must deliver sustainable economic growth. As an organisation, we have to be flexible and agile to adapt to these changing circumstances, just like our clients are. We have evolved as an organisation to deliver as effectively as possible, with real flexibility, agility, and impact for the South of Scotland.

The strong partnerships we have in the South of Scotland are key, working across organisations and sectors, to innovate, enhance services and eliminate duplication of effort to maximise our own and our collective impact. Through partnerships, we are tackling our key regional challenges – of housing, skills, and transport -which are critical to address if this area is to thrive and grow.

Delivery in 24/25

[Our Five-Year Plan](#), published in April 2023, sets out our medium-term focus to create a rural economic powerhouse in the South of Scotland. This outlines our Six As which are all interlinked, and mutually reinforcing, and supported by enabling activity, collaboration, innovation and acceleration.

Figure 1 – Priorities from Our Five-Year Plan



We are strengthening our data driven and intelligence led approach as we collect information about how we deliver and the impact we make. We are working to create a regional intelligence hub function within SOSE to enable us to turn data into intelligence for us and partners.

The figure below from our forthcoming annual report provides an overview of our performance against our Primary Measures in 2024/25. The following section also highlights specifics of our activity to provide a greater sense of our work.

Figure 2 – SOSE Primary Measure Outcomes

Primary Measure	2024/25 Target	2024/25 Forecast out-turn	Target rating	2023/24 Forecast out-turn
No. people engaged in entrepreneurship	1204	3122	●	1455
- Proportion of people engaged in entrepreneurship who are - Women	/	612		478
- Proportion of people engaged in entrepreneurship who are - Young People	/	2174		805
No. clients that are innovating	86	245	●	106
Total capital value of projects supported	£32.7m	£31.3m	●	£38.7m
Gross Additional Increase in client profitability	£52.5m	£44.3m	●	£61.4m
Gross Additional Increase in client turnover	£178.9m	£147.6m	●	£208.4m
Proportion of increase in client turnover from Green/Inclusive/Community enterprises	28%	37.5%	●	32.2%
- Proportion of increase in client turnover from Community enterprises	/	5.4%		0.9%
- Proportion of increase in client turnover from 'Green' enterprises	/	32.1%		17.3%
- Proportion of increase in client turnover from Inclusive enterprises	/	5.4%		19.5%
No. new/improved income-generating community assets projects supported	13	30	●	15
Total value of funding leveraged	£39.1m	£23.5m	●	£43.3m
Value of inward investment opportunities secured	£6m	£4.4m	●	£6.7m
Value of investment in Net Zero opportunities	£34.4m	£28.5m	●	£40.8m
Estimated tonnes CO ₂ e emissions reduction supported	4300	3605	●	4632
Value of investment in Natural Capital opportunities	£2.3m	£19.1m	●	£2.7m
No. of jobs supported	1290	377.2	●	1706
No. clients that have increased their digital capabilities	28	210	●	32

* Performance is a forecast, as it relates to the expected out-turn from SOSE interventions at the point of approval.

* Young people figure reflects our engagement with Young People, including collaboration and engagement at partner events.

* CO2 emissions data capture and reporting methodology changed in 2024/25 from 2023/24.

* Targets adjusted in-year by -14%, aligned with capital budget reduction.

* Target rating: Blue >100%, Green within 20% tolerance, Red outside 20% tolerance.

As part of the **funding** we delivered in 2024/25, we:

- Approved **£532k** of funding for 7 projects via our **Natural Capital Innovation Fund**, supporting innovative approaches to protect, restore or develop natural capital assets
- Approved **£1.1 m** of funding for 20 projects as part of our **Net Zero Accelerator Fund** supporting ambitious projects to accelerate the region towards Net Zero
- Embedded **fair work first criteria** and a process of continual improvement via **fair work action plans** as part of our funding
- Provided **390 concept grants of £1k** to start ups in under-represented groups through the Pathways Programme
- Provided **£5.3m** in funding for **community projects**, creating 64 jobs and safeguarding a further 60

- Delivered another round of our **Cycling Infrastructure Fund**, which has provided **£343k** in capital funding for cycling projects since 2023.
- Launched our **Work Smarter Fund**, aimed at helping enterprises to introduce innovation aimed at increasing productivity

It is not just in our direct funding awards where we are making a difference, it is also through other **key strategic projects**:

- **Engaged 3,122 people in entrepreneurship activities**, of which **612 were women and 2,174 were young people**
- Delivered the **Scottish Government's Pathways Pilot** supporting people to start their own businesses – the pilot delivered over 100 businesses.
- Provided 17 businesses with **expert digital advice** to improve their digital processes and unlock opportunities and delivered twelve advanced digital-themed workshops.
- Supported clients with the **practical deployment of energy solutions** to build energy resilience into their operations
- Spearheaded regional activity to **decarbonise heat including hosting 2 brokerage events** with 150 attendees to stimulate projects and supply chain development
- Provided support to employers to **embed fair work principles** in their operations, via 1- 2-1 advice, resources, mentoring, in-person and online workshops and progress reviews
- Continued to grow our **Youth Advisory Forum**, providing young people an opportunity to help shape the economy of the future
- Introduced our Place Approach to enable better ways of utilising our resources and working with clients, partners, and stakeholders
- Delivered workshops on developing business ideas into Social Enterprises
- Aided the development of a transformational student and key worker accommodation investment opportunity at the Crichton in Dumfries
- Continued to progress delivery of the Mountain Bike Innovation Centre at Innerleithen

Working in **partnership** is important to the way that we work, and by working with key partners in the South of Scotland, we can deliver more tangible value. Some examples of this include:

- **Refreshed regional priorities** to enable collaborative focus and action in the South of Scotland **Regional Economic Partnership's new 2025-27 Delivery Plan**.
- Turned shared ambitions into action; providing the leadership and capacity to develop and launch **the South of Scotland Housing Action Plan**.
- Worked with Scottish Government to deliver a **national Small Producers Supply Chain Fund pilot** to support small food and drink producers in the South of Scotland.
- Working closely with **Center Parcs** and Scottish Borders Council on its potential development near Hawick
- Working with both local Councils to identify **potential land for employment purposes**
- Co-designed the **South of Scotland Developer Forum (SSDF) for Onshore Wind**, co- chaired by industry and SOSE.
- Together, with Scottish Government, HIE, SE, employers, trade unions, and community groups we are **co-delivering sectoral fair work agreements** and promoting innovative ways of more inclusive and productive working
- Facilitated discussions and striving to influence a future approach to **regional skills planning** that delivers for the SoS and supports reform of the national skills landscape
- Converted the ambition to develop a **Community Wealth Building procurement pilot for energy efficiency retrofit** into an investable project proposal
- Initiated the national **Social Enterprise and Third Sector Crisis Roundtable** with Community Enterprise, HIE and SE to review and strengthen collective crisis support, nationally and across the SoS.
- Supported the development of proposals for the **redevelopment and expansion of Eyemouth Harbour** to take advantage of offshore wind opportunities
- Our partnership with SRUC resulted in the launch of the **Rural InnovatE programme**; delivering a 6-week programme supporting 18 agricultural and rural businesses to innovate and inspire new business ideas.

Acknowledging the challenging public finance situation, we have also been proactive in **adapting our organisation** to meet these challenges head on. As part of that we have:

- Worked to **reshape our organisation** as part of our '**Shaping SOSE for the Future**' workstream

- Successfully **concluded a 4 Day Working Week pilot**, delivering significant wellbeing benefits for our staff, significant reductions in absences and no loss in productivity
- Developed and implemented MySOSE, our **new CRM system**
- **Invested in workforce development** in priority areas such as cyber security, equalities and diversity, data protection, and carbon literacy.

Our Focus for 2025/26

We will continue to deliver the aims of the Regional Economic Strategy, and our priorities as part of our Six As. A full range of our activity for this coming year is included in our [Operating Plan for 2025/26](#). **Key areas of focus for the year ahead** include:

- Establishing a **South of Scotland Innovation hub**, to create an environment for start-ups, scale-ups, and SMEs to innovate in advanced manufacturing and product design using robotics, deep tech and AI, building the foundations for a deep-tech cluster across the South of Scotland
- Realising the potential from the region being designated as **Scotland's Natural Capital Innovation Zone**. Leveraging this to attract transformative investment in nature-based solutions
- Developing and delivering a **whole-system Energy Transition Plan**, showcasing the South's energy mission and priorities for influencing and investment – helping embed and drive new market opportunities
- Further strengthening our efforts to **support more women, young people, and others from under-represented groups to kick start their business ideas**, building on our success in delivering dedicated coaching and the Pathways Pre-Start pilot, with a focus on developing growth and scale-up potential
- Developing a strategy to support **Third Sector organisations** to pivot and adapt to become more resilient and financially sustainable.
- Helping **social and community enterprises** to identify and maximise opportunities which arise from **inward investment** opportunities, building sustainable business opportunities linked to place and sectoral development
- Supporting the development of social and community projects emerging from **Local Place Plans**, which support Enterprising Communities to do more in their local areas

- Continuing to refine and promote our **Inward Investment** offer, sharpening our focus and capabilities reflecting our growing success in securing investment
- Working to create the Green Energy Transition Zone, a large-scale, strategic, mixed-use employment site at **Chapelcross** to deliver significant and transformational economic impact for the region and Scotland
- Exploring ways to create an eco-system in the South of Scotland to maximise the potential of **AI and Deep Tech**
- Delivering a further round of the **Rural Leadership Programme**, equipping more of our rural business leaders with skills to embrace change and grow their businesses
- Developing a specific offer for **high-growth, innovative enterprises** (start-up, existing or inward investment) to enable them to scale, flourish and maximise their impact
- Making the most of the **nationally significant Dairy Nexus**; a flagship facility that re-positions the region at the forefront of industry-focused, rural co-innovation and knowledge exchange to decarbonise dairy and move towards a circular bioeconomy

This is the beginning for us as an organisation, we have made tangible progress and delivered on key objectives, but we have much more to do. We know there is significant untapped economic potential in the South of Scotland, and we are here to make sure our region capitalises on its potential. We will do this by being even more entrepreneurial and innovative than before. Turning data into intelligence will be ever more important for us, for our decision making and for championing the opportunities of the South of Scotland.

South of Scotland Enterprise
September 2025

Economy and Fair Work Committee
Wednesday 17 September 2025
25th Meeting, 2025 (Session 6)

Scotland's enterprise agencies

The Committee typically takes evidence from the enterprise agencies at least annually. Scrutinising the performance of Scotland's enterprise agencies is, in itself, part of this Committee's remit.

Furthermore, the enterprise agencies play a key role in delivering the Scottish Government's broader economic objectives. For that reason, this session also informs the Committee's pre-budget work and scrutiny of the National Strategy for Economic Transformation (NSET).

Key points

- The Committee can use this session to scrutinise the enterprise agencies' performance and impact on the Scottish economy.
- Scotland's enterprise agencies have seen their budgets reduced over the last two budget cycles.
- The Scottish Government's public service reform agenda is important context. The enterprise agencies are expected to find efficiency savings, share more back-office functions, exercise pay restraint, and reduce their workforce.
- This has prompted a refocus of priorities to better align their operations with the Scottish Government's economic objectives in NSET.
- In terms of the impact the enterprise agencies have on the economy, most of their headline performance targets have been met or exceeded.
- However, SOSE has missed its 2024-25 performance targets on some key measures, such as value of funding leveraged, value of inward investment opportunities secured, and number of jobs supported.
- It is not clear how much of the enterprise agencies' impact is additional to what would have occurred anyway without their intervention.
- Evidence from this session can inform the Committee's pre-budget scrutiny.

Fiscal context

Budget allocations

For all three enterprise agencies, both resource and capital budgets were lower in cash terms in 2025-26 than in 2023-24.

The financial context for the enterprise agencies is therefore one of reduced spending power, a need to find efficiency savings, and greater reliance on other sources of income (e.g. contributions and fees).

Table 1: Enterprise agency budget allocations, £ million

	2023-24 budget	2024-25 budget	2025-26 budget
Scottish Enterprise			
Resource	139.3	131.8	132.4
Capital	105.3	79.0	90.1
Highlands and Islands Enterprise			
Resource	29.3	27.9	28.0
Capital	30.3	23.2	25.2
South of Scotland Enterprise			
Resource	15.1	14.3	14.4
Capital	18.9	13.0	14.1

Source: Scottish Budget Level 4 tables

Capital budgets include financial transaction income and expenditure. All figures in nominal terms. Figures exclude non-cash budget lines for depreciation of assets.

Medium Term Financial Strategy

The Scottish Government presented its latest [Medium Term Financial Strategy](#) (MTFS) on 25 June 2025. This provides context for the enterprise agencies' funding outlook.

A key aspect of the MTFS is public sector pay because it accounts for 55% of resource spending. Here, there are two points that are worth noting for the enterprise agencies.

The first is that the spending plans broadly assume the Scottish Government's public sector pay policy is adhered to (9% increase over three years), followed by pay rising in line with CPI inflation. The second is an intention to reduce the size of the

workforce across the devolved public sector by an average of 0.5% per annum over five years.

Table 2: Average number of employees

	2020-21	2021-22	2022-23	2023-24	2024-25
Scottish Enterprise	1,474	1,428	1,411	1,430	1,384
Highlands and Islands Enterprise	342	334	330	360	TBC
South of Scotland Enterprise	66	108	137	140	143

Source: Enterprise agencies' annual reports

Scottish Enterprise

Scottish Enterprise published its [2024-25 annual report](#) in September 2025.

Some key points on group financial performance:

- Total income was £294 million. Of this, £63.6 million was business income and £230.4 million was grant in aid funding from the Scottish Government. Respectively, this was £11.5 million and £45.8 million lower than two years' previous.
- Total expenditure was £288 million. Within this, there are some trends that suggest changing priorities. For example, the biggest year-on-year decrease (£10.6 million) was spending on 'Enabling delivery'. The biggest increase (£7.2 million) was spending on 'Accelerating the energy transition'.
- Staff costs remained broadly flat in cash terms (£94.4 million in 2024-25; £93.5 million in 2023-24).
- The gap between income and expenditure is an underspend of £5.8 million. £3.4 million relates to capital and financial transactions, primarily investment deals being finalised after the financial year-end. £2.4 million comes from the resource budget, primarily due to additional investment income towards year-end.

Some key points on operating performance:

- Last year, Scottish Enterprise refocused¹ its operations to align its activities with [NSET](#) by boosting levels of internationalisation, investment and innovation in Scotland's economy. To do this, it says it will focus activities on three missions: accelerating the energy transition, scaling innovation, and boosting capital investment.

¹ [Our focus on economic transformation – Scottish Enterprise, January 2024](#)

- Based on this, its key performance measures are set out in the table below.
- It is not clear whether these performance metrics are additional. For example, of the 15,003 new or safeguarded jobs that pay the real living wage, how many would still exist without Scottish Enterprise’s support?

Table 3: Scottish Enterprise performance metrics

Performance measure	2024-25	2023-24	2024-25 target range
New/safeguarded jobs paying at least the real living wage	15,003	16,782	15,000 – 18,000
Innovation investment by businesses and sectors	£442 million	£449 million	£350 - 500 million
Capital expenditure by businesses and sectors	£1.16 billion	£1.89 billion	£1.0 – 1.6 billion
Growth funding raised by businesses	£367 million	£356 million	£320 – 345 million
International export sales	£2.46 billion	£2.15 billion	£1.8 – 2.4 billion
CO ₂ savings by businesses/projects	1,449 kilotonnes	468 kilotonnes	375 – 475 kilotonnes

Source: Scottish Enterprise annual report 2024-25

Highlands and Islands Enterprise

HIE has not published its 2024-25 annual report yet. However, they have submitted unaudited performance data in their written submission to the Committee.

There has been a marked increase in the number of businesses supported to innovate (415 in 2024-25; 224 in 2023-24). Innovation investment in supported organisations is also up considerably.

The trade-off appears to be that the number of jobs supported has fallen from 1,248 FTE to 765, although this remains above target. The target for the average wage of jobs supported has been missed by nearly £3,000 per year.

The figures around the level of external investment secured have fallen significantly year-on-year. This is likely due to the prior year figures being skewed by the Sumitomo investment².

² [Sumitomo press release | HIE, February 2024](#)

The submission also sets out HIE's strategic approach, which appears to be similar to that of Scottish Enterprise. Perhaps the most notable difference is a greater focus on the transition to net zero and tackling the area's demographic challenges.

Also of note, HIE has commissioned a [study that sets out the scale of opportunities for the region presented by major investment projects](#). The purpose of the study is to inform HIE's decision-making. The Committee may wish to explore how HIE intends to respond to the study.

South of Scotland Enterprise

SOSE published its [2024-25 annual report and accounts](#) on 11 September 2025:

- SOSE's expenditure is almost entirely funded by grant in aid funding from the Scottish Government. In 2024-25, this totalled £28.845 million, of which £28.057 million was drawn down. This compares with funding of £32.096 million in 2023-24.
- There was in an-year transfer of £1.531 million to SOSE, of which £1.500 million was ring-fenced for [the Pathways fund](#).
- Staff costs increased from £9.691 million to £10.206 million, as the average number of employees increased from 140 to 143.
- 'Primary measure outcomes' are summarised in SOSE's written submission. The target for most measures has been met. However, for three key measures of performance - value of funding leveraged, value of inward investment opportunities secured, and number of jobs supported - forecast out-turn in 2024-25 has fallen short of both in-year targets and 2023-24 performance.
- SOSE argues in its annual report that this underperformance was due to "the disproportionate impact of individual projects in 2023/24 on both out-turn and expectations".
- Members may wish to note this extract from SOSE's annual report:

"It became apparent in-year that the early adoption of targets from a low evidence base was not practical and thus targets were reduced by 14% in line with our capital budget reduction, and tolerances were applied. Targets are being reflected upon and remodelled for 2025/26."

Relevant parliamentary scrutiny

HIE: Cairngorm funicular

The funicular railway at the Cairngorm Mountain resort was closed in 2018 due to safety concerns. The funicular reopened in 2023 for 8 months, before being closed

for a further 18 months – again due to safety issues. Repairs reportedly cost in excess of £25 million.³

The resort and its funicular railway were previously managed by a private company. Following the funicular’s closure in 2018, HIE acquired the resort and its assets.

This was the second time in a decade that HIE had to step in to save the Cairngorm Mountain resort following financial difficulties.

The Public Audit Committee is scrutinising events around the funicular railway’s closure and management of the resort. On 17 September 2025, it will take evidence from HIE management.

Scottish Enterprise: Grants to arms firms

Scottish Enterprise has been criticised by Amnesty International for due diligence checks on grants awarded to companies that manufacture weapons.

In February 2025, a [Scottish Parliament motion](#) called for:

“Scottish Enterprise to review its human rights due diligence checks to ensure that they take account of where products’ end use is, and that they fully comply with legal obligations under the Export Control Act 2002 and international law.”

The review was undertaken internally by Scottish Enterprise and has now concluded. Parliament was updated on the outcome of the review on 25 June 2025. In answer to [a written question](#), the Deputy First Minister stated:

“Scottish Enterprise will therefore seek to enhance its approach and strengthen management assurance by taking the following steps, which will be rolled out incrementally over 2025-26:

- Establishing more explicit customer checks and assurance relating to the Export Control Act 2002, as informed by international law. These will include specific customer declarations on items, activities and end use that are controlled under the UK export control regime. Scottish Enterprise will have the right to clawback grants where false declarations have been made.
- Updating its policy to enhance the existing checks it undertakes on companies who might be in receipt of Scottish Enterprise funds or other assistance. This will include reduced exemptions from checks, increased frequency of checks, and more explicit requirements to ensure these checks address changes in risk.

³ [Agency secures £11m settlement over Cairngorm funicular - BBC News](#)

- Establishing an internal Senior Review Group to provide greater strategic input and support risk-based decision-making.
- Developing a new digital platform for all due diligence checks which will improve reporting and oversight more generally.

Scottish Enterprise’s letter also confirms that its internal assessment of past practice found no evidence that grant money had gone towards funding the manufacture of munitions.”

On 3 September 2025, the First Minister announced to Parliament⁴ that the Scottish Government will:

“Lift the restriction that we have applied on the use of support for the production of munitions. However, in the face of genocide there can be no business as usual. We will pause new awards of public money to arms companies whose products or services are provided to countries when there is plausible evidence of genocide being committed by those countries.”

Last year’s budget letter: public service reform

In last year’s pre-budget scrutiny, the Committee wrote to the Scottish Government. Two points in particular were relevant to the enterprise agencies – one in relation to sharing services for efficiency savings, the other in relation to reforming Scotland’s economic development support.

In December 2024, the [Deputy First Minister responded to the Committee](#):

“6. The Committee was previously advised of discussions between enterprise agencies to identify potential opportunities for greater interagency collaboration on common functions. Given current funding constraints, the Committee believes this work is vital. The Scottish Government is asked for a progress update on this work and how next year’s budget will support efforts in this area.

The enterprise agencies are identifying opportunities for greater interagency collaboration on common functions. For example, they continue to work together and with Skills Development Scotland on the Enterprise Information Systems (EIS) shared service. A recent strategic review recommended further alignment of core systems and that the shared services seek potential new partners. An exercise is currently underway to understand the systems landscape in each organisation and the potential for moving towards more shared systems.

The Business Support Partnership (BSP) has delivered the Find Business Support website and created a Master Customer Record which is in the final stage of development and will provide enhanced data and a single 360-degree view of every business in Scotland. BSP partners are working together

⁴ [Official Report, Scottish Parliament, 3 September 2025](#)

to identify opportunities to accelerate progress through the use of data to target priority areas to stimulate and support growth and drive better customer experience and outcomes.

The Scottish Government agrees with the Committee's assessment that interagency collaboration on common functions is vital and will continue to work with the agencies to support further progress as part of Public Service Reform activity.

7. The Committee was also advised last year that work was underway to reform delivery of economic development support in Scotland, including considering of the role of the Scottish Government, enterprise agencies and other partners. The Committee would be grateful for an update on this work and how next year's budget will support this work.

The Scottish Government is currently developing a comprehensive programme to reform economic development support in Scotland, working in partnership with our enterprise agencies and other key stakeholders.

The aim of this reform programme is to ensure that Scotland's economic development infrastructure and support mechanisms are aligned with best practices from leading European economies, both in terms of impact and efficiency.

Our three key priorities for this work are:

1. Business Support Reform: Designing a more efficient and streamlined model for delivering business support, with an enhanced use of technology and AI, and a sharper focus on strategic priorities and measurable return on investment.

2. Revenue-Raising Reform: Establishing a self-sustaining model for supporting entrepreneurship and innovation, centred around our universities. This includes increasing flexibility for agencies to reinvest returns and ensure long-term sustainability.

3. Structural Reform: Strengthening accountability and oversight across the economic development system, ensuring that support and investment align with government priorities. This will clarify the roles of different partner organisations, including the Scottish Government, and ensure better coordination for a more effective system.

The reform programme is expected to be implemented within existing funding levels, with a small allocation for a CivTech project focused on the reform of business support."

The Committee may wish to seek an update on these points.

Email to the Committee inbox: Access to business support

In November 2024, the Committee inbox received an email by the CEO of Ceteris, a commercial landlord and social enterprise that offers business support in the central belt. It delivers a Business Gateway contract for Clackmannanshire Council.

The CEO highlighted examples of businesses with growth potential in key sectors such as tech, manufacturing and food and drink. These businesses have outgrown Business Gateway and have sought Scottish Enterprise support. However, they were unable to access this because they didn't meet criteria.

The Committee may wish to ask about how the enterprise agencies determine which businesses they can support with limited resources.

Themes for questions

Members may wish to ask about:

- 1. The enterprise agencies' financial settlement and the impact on their operations.**
- 2. How the enterprise agencies determine which businesses can access support.**
- 3. Progress made in sharing more services and delivering the Scottish Government's public service reform agenda.**
- 4. Pay and staff costs in the context of the Scottish Government's public sector pay policy and workforce reduction target.**
- 5. The enterprise agencies' performance and impact on the Scottish economy.**
- 6. How the enterprise agencies evaluate their impact to ensure it is additional to what would have occurred anyway.**
- 7. The enterprise agencies' 'ask' of the Scottish Government ahead of the forthcoming 2026-27 budget.**
- 8. The enterprise agencies' approach to wider policy agendas, such as community wealth building.**
- 9. HIE's intended response to its Regional Transformational Opportunities study.**
- 10. Scottish Enterprise's review of its human rights due diligence checks.**

Rob Watts, Senior Researcher, Financial Scrutiny Unit, SPICe

Date: Thursday 11 September 2025

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