

Economy, Tourism and Energy Committee
Tuesday 6 October 2026
7th Meeting, 2026 (Session 7)

Pre-budget scrutiny on the 2027/28 draft Scottish budget

Background

1. The Scottish Government has announced that the draft 2027/28 Scottish budget will be published on Thursday 3 December 2026. The Economy, Tourism and Energy Committee agreed its approach to its scrutiny of the 2027/28 annual budget at its committee meeting on 8 September 2026.
2. The Committee agreed to focus on the year-on-year budget allocation to those agencies funded from the portfolios of the Cabinet Secretary for Economy, Tourism and Transport ('the Cabinet Secretary') and the Minister for Europe, External Affairs and Energy ('the Minister').
3. The Committee also launched [a public call for views](#) from stakeholders which can inform its scrutiny of the draft budget, as well as its evidence taking from and the Cabinet Secretary and the Minister on the draft Budget.
4. The Committee has agreed to take oral evidence from the Cabinet Secretary and the Minister in January 2027, following the publication of the draft Budget.

Evidence session

5. At this meeting, the Committee will hear from two panels of witnesses:
 - Panel 1 - **Stuart Black**, Chief Executive of Highlands and Islands Enterprise, **Adrian Gillespie**, Chief Executive of Scottish Enterprise, and **Jane Morrison-Ross**, Chief Executive of South of Scotland Enterprise, and
 - Panel 2 - **David Richie**, Chief Executive and **Jason McGibbon**, Non-Executive Director, Scottish National Investment Bank.
6. The Annexe to this paper contains written submissions from each of the four organisations giving evidence.

Clerks to the Committee
October 2026

Annexe – Submissions from witnesses

1. Highlands and Islands Enterprise

1 Introduction

Established in 1965, the Highlands and Islands Development Board (HIDB) was Scotland's first economic development agency. Six decades on, its successor, Highlands and Islands Enterprise (HIE) maintains the board's distinctive blend of powers to support both businesses and communities to deliver economic growth across a large and diverse region that covers more than half of Scotland's land mass and includes all of the country's inhabited islands.

While the HIDB was set up to halt and reverse chronic depopulation, the 21st century Highlands and Islands is, in contrast, a region of perhaps unrivalled opportunity. Its offshore wind sector alone holds out the potential to attract billions of pounds in investment and make a substantial contribution to Scotland's economy in the coming years and decades.

This submission will cite evidence to highlight the scale of that opportunity, while recognising that HIE and our partners in government and other public bodies also need to address a range of challenges in order for the region's economic potential to be fulfilled. As requested, we will provide details of our current funding provision and look ahead to what will be required to continue to support economic resilience and growth across our region in 2027/28.

To assist the Committee further, we will include a summary of HIE's unaudited performance outturns for 2025/26. These are currently being reviewed by Audit Scotland for inclusion in our next annual report and accounts, which are scheduled to be laid in the Scottish Parliament by the end of October. For context, we also provide a short summary of our current five-year strategy and annual Operating Plan and outline actions to deliver best value as part of our contribution to public service reform.

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 HIE's funding position

The Scottish Government awarded HIE a 'flat cash' settlement for capital in 2026/27 and a one percent increase of £31,000 for revenue. While this is our opening budget, it is worth noting that HIE was successful in securing £43.8 m additional funding in 2025/26, including £36.2 m through the Offshore Wind Investment Programme (OWIP).

As the table on the next page shows, between 2022/23 and 2026/27 HIE's opening revenue budget from the Scottish Government reduced by £3.43 m (10.9%) and our capital budget reduced by £4.76m (15.9%). In addition, we no longer receive a

Financial Transactions budget – in 2022/23 this was £2.6m. Since 2023/24, HIE has also had to absorb within its revenue budget the operating costs of Cairngorm Mountain (Scotland) Limited (CMSL), alongside ongoing pressures from pay awards and inflation.

Any further reductions to our revenue budget, combined with pay and inflationary pressures, would move HIE towards a position where the entirety of our revenue budget would be required simply to run the organisation. This would leave us little or no capacity for important economic interventions to deliver direct support to businesses and communities as well as other work such as business case development and benefits realisation.

In short, to capitalise on the very significant economic opportunities available across the Highlands and Islands, HIE requires its capital and revenue budgets at least to be maintained at their 2026/27 baseline levels.

Summary of HIE's budget allocations from the Scottish Government, 2022 – 2026:

	2022/23	2023/24	2024/25	2025/26	2026/27	Change 22/23 - 26/27	% change
	£000	£000	£000	£000	£000	£000	%
Revenue (2022/23 includes £1.8m CMSL authorised overspend)	31,470	29,862	27,865	28,010	28,041	(3,429)	-10.9 %
Capital	30,000	28,430	23,200	25,245	25,245	(4,755)	-15.9%
Financial transactions	2,600	1,900				(2,600)	-100.0%
Non-cash	2,000	2,500	3,696	3,000	3,000	1,000	50.0%
Total	66,070	62,692	54,761	56,255	56,286	(9,784)	-14.8%

3 Our strategy 2023-28

HIE's [current five-year strategy](#) sets out a clear vision for the region and direction for HIE, closely aligned with national priorities and programmes. Our vision for the Highlands and Islands is supported by four interconnected pillars – People, Place, Planet and Prosperity – and delivered through an annual [Operating Plan](#).

Embedded throughout the strategy are the cross-cutting themes of net zero, fair and inclusive growth, and regional transformational opportunities. Success will depend on effective collaboration and partnership with government, businesses, communities and organisations across the public, private and third sectors.

Our region is at the forefront of industries that will play a critical role in Scotland's economic transformation, including renewable energy, life sciences and space. At the same time, established sectors such as tourism, food and drink, and the creative industries have significant potential to innovate, adapt and expand, ensuring they continue to make a strong contribution to the regional economy for years to come.

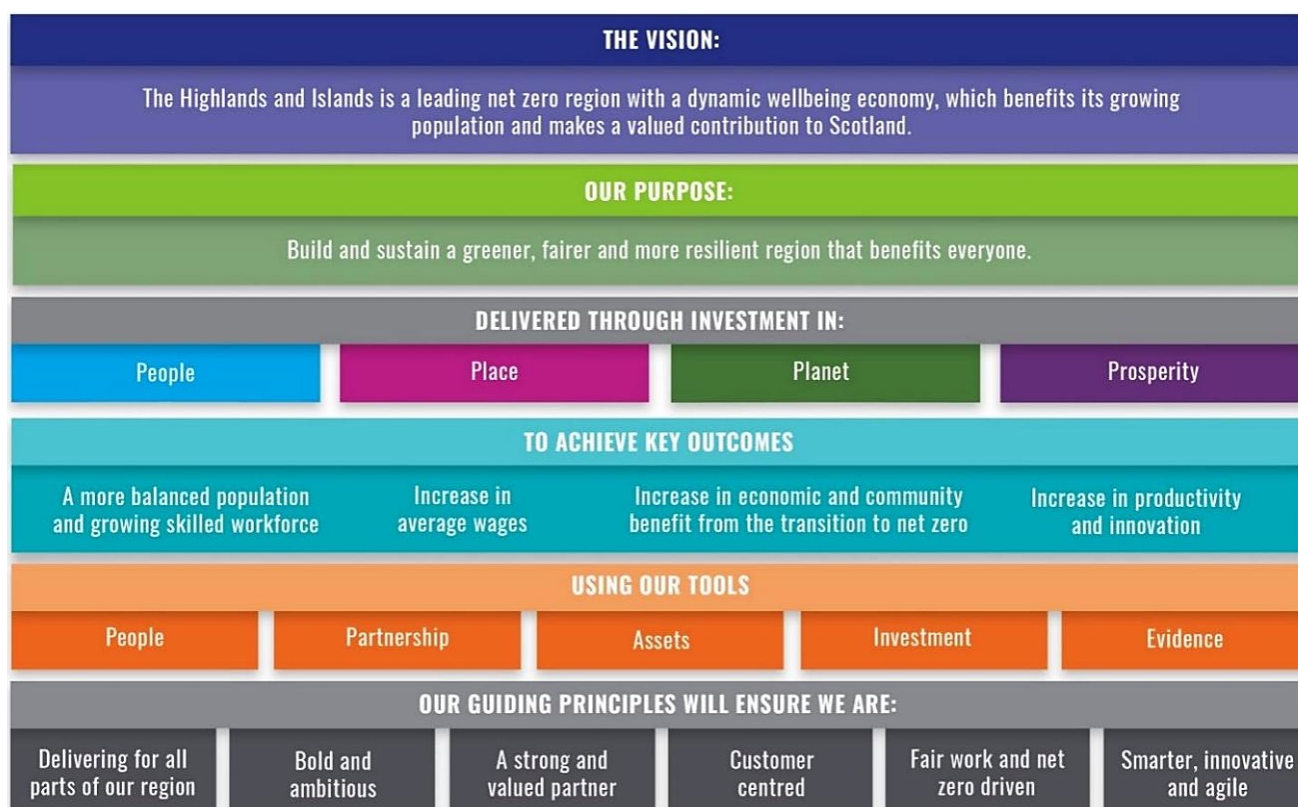
[Regional transformational opportunities](#) research published in May 2025 quantified the potential impact of our current investment pipeline, concluding that more than 250 projects were either planned or under way, with a combined total investment value of more than £100 billion.

Largely driven by the private sector, with co-investment from public bodies and through growth deals, these could have the potential to support 18,000 operational jobs throughout the Highlands and Islands by 2040 and a further 16,000 at the peak of construction. Realising these opportunities will be essential if we are to deliver sustainable prosperity across every part of the region.

Central to this ambition is tackling poverty and inequality through the development of a wellbeing economy and the acceleration of community wealth building to increase the benefits retained within local areas and create greater opportunities for communities to contribute and share in economic success.

Retaining and attracting young people to the region is another priority, requiring us to create opportunities, support young entrepreneurs, expand graduate placements and work with partners on initiatives that address population challenges and strengthen local communities.

Ongoing population challenges continue to affect our island and remote rural communities. Patterns of growth across the region remain uneven and we target support towards 'inclusive growth focus areas' that face particular disadvantage. Some of these are Gaelic heartland areas where we look to support the language and culture as an asset through investment in community projects and infrastructure such as UHI partner Sabhal Mòr Ostaig in Skye and cultural centre Cnoc Soilleir in South Uist.



Building long-term resilience and sustainability will depend on a continued commitment to innovation, including new digital technologies, the promotion of fair work and making the most of the hugely significant economic opportunities offered by a successful transition to net zero.

Achieving our ambitions will also require effective partnership working to plan and deliver the skills and training needed for the future workforce and address infrastructure challenges across issues such as housing, transport, education, workforce skills and digital connectivity.

4 Measuring our performance

HIE's strategy sets out clear outcomes for each strategic pillar, along with long-term indicators of success and a performance framework that measures progress. Annual measures and targets, refreshed through the Operating Plan, are used alongside tracking data to monitor client progress and identify opportunities to support productivity, sustainability, resilience and growth.

We evaluate the performance of our business and community support programmes annually and use longer-term tracking to assess the impact of infrastructure and community investments. HIE has also developed tools and approaches to better understand and demonstrate our contribution to regional development and national outcomes. These include an inclusive growth model that informs geographic targeting and is now embedded within our planning and performance measurement.

In 2025/26, HIE directly supported 1,999 organisations – approving investment of £81.4m in 1,339 interventions with a combined total cost of £176.4m.

As shown below, our activities supported 642 jobs – 54% of which were in disadvantaged areas – and created 1,690 additional employment opportunities. We approved investment of £81.4m in 1,339 projects with a combined total cost of £176.4m. More than 275 community-led projects were supported, spanning the development of community-owned assets, housing investment, creating commercial space and improving resilience and leadership.

PRIMARY MEASURES	TARGET 2025/26	FORECAST OUTTURN 2025/26	FORECAST OUTTURN 2024/25
No. of organisations supported to increase productivity	60	54 ●	40
Average increase in productivity	15%	30% ●	54%
No. of organisations supported to innovate	200	347 ●	415
No. organisations increasing innovation maturity	55	8 ●	
No. of new products, processes or services developed	80	163 ●	263
Innovation investment in supported organisations (£m)	£30m	£50.7m ●	£32m
No. of organisations supported to engage in just transition to net zero	50	112 ●	
No. of organisations baselining their CO ₂ e emissions	25	98 ●	
No. of organisations supported to develop or implement a net zero action plan	50	99 ●	79
No. of community-led projects supported	120	277 ●	271
No. of new / improved income generating community assets	30	52 ●	
No. of jobs supported (FTEs)	600	642 ●	765
Green jobs supported (FTEs)	70	260 ●	242
No. of jobs supported in inclusive growth focus areas (FTE)	200	348 ●	293
Average wage of jobs supported (£/FTE)	£34,000	£35,223 ●	£31,105
Average wage of jobs supported in inclusive growth focus areas (£/FTE)	£32,000	£34,396 ●	£30,647

External investment secured (£m)	£55m	£81.3m	●	£81.6m
External green investment secured (£m)	£25m	£48.8m	●	£24.2m
External investment secured in inclusive growth focus areas (£m)	£20m	£65.3m	●	£23.7m
External Investment secured in supported community orgs/social enterprises (£m)	£12m	£12.3m	●	£28.4m
Capital asset investment (£m)	£80m	£167.4m	●	£152.8m
Green capital asset investment (£m)	£40m	£88.6m	●	£73.1m
Capital asset investment in supported inclusive growth focus areas (£m)	£40m	£125.8m	●	£48.3m
Capital asset investment in supported community orgs / social enterprises (£m)	£20m	£15.2m	●	£40.2m

5 Public service reform – Best Value

HIE believes in a culture of continuous improvement and we have taken significant steps to achieve greater efficiency through an annually-refreshed Best Value Plan, delivering both savings and additional income and contributing to the national public service reform programme.

2025/26 was the fourth year of capturing and measuring our performance against delivery of the plan and progress was significant. We achieved £1.6m in savings and generated £1.2m income to offset running costs through a range of activities, including co-location with other organisations.

Some of these benefits are recurring, such as reductions in pension recovery costs, while others are realised annually through measures such as vacancy management. We have reduced our average headcount by 15% over six years, from 282 in 2019/20 to 240 in 2025/26, while continuing to deal with budget pressures through a comprehensive financial management strategy

6 Looking ahead

Against a challenging backdrop of global uncertainty, higher energy prices and subdued national growth, we expect the Highlands and Islands to experience modest economic growth. While the offshore wind sector faces commercial and delivery pressures, our region remains well positioned to benefit from major renewable energy investment and emerging opportunities, including those linked to AI, digital infrastructure and data-intensive industries,

The extent to which the region can capitalise on these opportunities will depend heavily on overcoming long-standing constraints. Realising the potential of the regional transformational opportunities cited above will require investment in critical enablers including grid infrastructure, housing, transport, ports, digital connectivity and

workforce skills, alongside access to finance, planning reform and securing community support for development.

Highlands and Islands Enterprise
30 September 2026

2. Scottish Enterprise

Dear Convener

Scottish Enterprise (SE) welcomes the opportunity to contribute to the Committee's budget scrutiny 2027/28 and participate in the evidence session on 6 October.

Economies across the OECD continue to face a number of global challenges, including weak productivity growth, higher borrowing costs and continued volatility in energy and global markets. Scotland and the UK more widely are no exception.

Despite this, Scotland has strong foundations, whether in renewable energy, innovation, or international trade. We are well positioned to compete for global capital and take a leading position in the industries of the future.

As Scotland's national economic development agency, Scottish Enterprise brings together the expertise, experience, networks and ambition needed to drive economic transformation at scale, across Scotland. We concentrate our efforts on the areas where Scotland has the greatest potential to be internationally competitive, areas where, together with others, we can scale-up innovation, unlock investment, and create significant impact through internationalisation.

We work across the full growth agenda supporting entrepreneurship, stimulating innovation, attracting investment, enabling international growth, driving capital investment. We back ambitious business and we back regional ambition. We help create the long-term conditions for whole sectors to thrive, from offshore wind to life sciences.

We are a critical innovation catalyst, bridging the gap between research and commercial success through our strategic partnerships with innovation centres and Universities and delivery of spin-out and start-ups programmes, commercialisation support and early-stage funding. As a trusted convenor, we connect high growth potential businesses, investors, academia, government and the wider public sector to unlock opportunities and accelerate growth at scale. We play a distinctive role as a direct investor, co-investing where risk is highest and supporting projects with significant economic potential that may not otherwise secure private sector backing.

We have a strong track record of delivery. In 2025/26 companies and projects supported by Scottish Enterprise:

- Forecast international sales of **£2.15 billion, 12,459** new and safeguarded Real Living Wage jobs including almost **5,000** higher-paid roles, **£355 million** in innovation investment helping businesses develop and commercialise new technologies, more than £1 billion in business capital expenditure supporting investment in facilities, equipment and future growth
- Raised **£348 million** in growth funding supporting ambitious scale up plans

- Estimate **518,000 tonnes** of CO2 savings, supporting Scotland's path to net zero.

Additionally, Scottish Enterprise generated £64 million of business income (including for example income from investment activity, property disposals and rental income).

We follow best practice economic modelling (based on HM Treasury Green Book principles) to evaluate the economic impacts and financial return of our activities. For 2025/26 activity the impacts are expected to ramp up and last for the next five years amounting to:

- a cumulative net additional GVA impact of **£7.7 billion** (the net additional GVA in 2025 is equivalent to 0.5% of total Scottish GVA from a budget that is 0.1% of total Scottish GVA).
- around **18,000** net additional jobs
- A net additional GVA impact ratio of 1:28 for every pound of expenditure (calculated based on the above GVA impact)
- a cumulative Scottish Income Tax take of **£514.8 million** - received by Scottish Government and used to fund key national priorities (this is almost twice our 2025/26 budget due to the enduring nature of employment impacts and subsequent Income Tax collection over the next 5 years).

We target and prioritise our resources around three core missions that contribute directly to the Scottish Government's ambitions for the economy:

1. Accelerating the Energy Transition: A targeted approach supporting opportunities such as offshore wind while helping supply chain companies manage the transition from oil and gas, protecting jobs and skills. Central to this is a coordinated national approach to major industrial assets, including our work to position Grangemouth as a hub for multiple clean energy industries.

2. Boosting Capital Investment: Building a pipeline of high-value investment opportunities by working with partners to develop projects early, reduce delivery risk and create compelling propositions for investors. Through a place-based approach, we help translate national priorities into regionally distinctive opportunities that strengthen Scotland's international competitiveness.

3. Scaling Innovation: accelerating the growth of globally competitive businesses in sectors where Scotland can compete internationally, including life sciences, fintech, space, energy technologies, advanced manufacturing and critical technologies. A planned national Venture Builder model will help drive Scotland's research strengths into more scalable, high-value companies with global potential.

Scottish Enterprise helps convene capital and delivery partners around Scotland's economic priorities and opportunities. By mobilising partners behind shared outcomes,

we help convert investment ready projects, unlock private investment and accelerate delivery. Recent examples include our **£20 million** strategic partnership with ETZ Ltd in Aberdeen and Ryanair's **£40 million** expansion at Prestwick.

Public service reform is embedded in how Scottish Enterprise operates. By simplifying services, strengthening our use of digital, data and AI, and strengthening our evidence-led approach to decision making, we are becoming a more agile, responsive and effective organisation. This enables us to improve the customer experience, deepen partnership working and focus our efforts where they deliver the greatest economic impact for Scotland.

Set out the current funding provision to Scottish Enterprise in the 2026/27 budget

The table in Annex 1 shows the breakdown of the 2026/27 budget compared to 2025/26 for comparison purposes.

We receive additional funding from Scottish Government at the Autumn Budget Revision and Spring Budget Revision to deliver specific ring-fenced projects and programmes. The total budget we therefore expect to receive based on latest assumptions for 2026/27 (excluding non-cash as not available for core delivery) is **£251.6 million**. This compares to **£250.1 million** for 2025/26.

How you measure your achievements against the targets and outcomes set for the organisation

Scottish Enterprise's Board approves targets for our Key Performance Measures each year. Target ranges are set based on budget availability, historic trends, economic context and official statistic forecasts.

The Key Performance Measures align with Scottish Government national priorities and cover key drivers of productivity. These are designed to strengthen the performance of the Scottish economy and directly deliver additional employment impacts.

All measures are collected on a gross attributable basis, meaning they relate directly to the package of support provided by Scottish Enterprise and the outcomes expected to result from that support.

All projects are assessed for additionality to ensure that support leads to outcomes that would not otherwise occur, and that our support level is the minimum required to ensure the project can proceed.

This includes testing whether support accelerates delivery, improves the quality of outcome, and/or increases the scale of activity and investment. It is only once a project has been assessed in this way that it can count towards our measures.

For projects receiving less than **£500,000** of support a proportionate assessment is undertaken, reflecting the scale and nature of the project. For projects receiving more than £500,000 in Scottish Enterprise support a full formal Economic Impact

Assessment (EIA) is undertaken by a specialist team to ensure impacts generated adjust for wider real positive and negative economic effects. The EIA considers:

- Deadweight - impacts that would happen anyway. SE would not support activity that would simply happen anyway
- Displacement – impacts that negatively affect other Scottish-based companies in similar markets (product market displacement) or through accessing key variables such as land, labour and/or capital (factor market displacement). SE would not support activity where high displacement was possible
- Substitution – the substitution of one variable for another in order to benefit from public sector assistance. SE would not fund any activity where this was a possibility
- Leakage – impacts that are generated beyond Scotland and are therefore lost to Scotland. SE only supports activity that improves the Scottish economy
- Multiplier effects – the positive impact on the Scottish economies through supply chain spend and the spending of staff in companies supported and their supply chains. SE seeks to maximise supply chain impacts maximising the value of our support

Delivery against targets are collated as projects and services are delivered. Year to date performance and year end forecasts are monitored on an ongoing basis to actively manage performance and adjust resources as required, and for reporting to the Scottish Enterprise Board for discussion and consideration.

Final performance outturn figures are fed into Scottish Enterprise's Impact Model which converts these results into:

- estimates of economic impacts on Scottish GVA and employment, highlighting achievements against Scottish Government strategy
- estimates of financial benefits for Scottish Government in terms of Income Tax receipts used to fund national priorities

Views on SE's allocation in the forthcoming budget for 2027/28, and views on the implications of the Scottish Spending Review 2026

As a non-departmental public body, it would not be appropriate for Scottish Enterprise to comment on the level of budget settlement it should receive. However, while recognising the significant pressures on public finances, two points are worth highlighting.

Firstly, Scottish Enterprise should be viewed as an investment in Scotland's economy rather than as a cost of administration or delivery. We generate significant income that can be recycled into further economic development activity (we have generated £466m of business income over the last 5 years), while our support for business

growth, innovation, productivity and investment contributes to a stronger economy, increased tax revenues and wider societal benefits. Secondly, we have a strong pipeline of projects and opportunities ready for delivery that have the potential to make a significant contribution to Scotland's economic ambitions. Realising these opportunities will help drive investment, create high-value jobs, enhance productivity and support long-term economic growth.

At the same time, Scottish Enterprise continues to face the same inflationary and cost pressures affecting organisations across the public, private and third sectors, placing additional pressure on the resources available to deliver our remit, particular in the face of sustained real terms budget reductions.

We would welcome increased budget flexibility and multi-year funding which would enable us to be bolder with our forward financial planning and investment decisions. Significant economic opportunities can emerge quickly and often require timely intervention. At the same time, elements of our income remain inherently volatile. Greater flexibility and reduced administrative costs and budgetary risks increases our ability to respond to emerging opportunities with pace.

Longer-term outlook for the Scottish economy from your organisational remit point of view

From our engagement with businesses, investors, and major projects, we see an economy that remains resilient but is likely to experience modest rather than rapid growth. Scotland's real onshore GDP is estimated to have grown by 0.7% in the three months to June 2026, and the Fraser of Allander Institute forecasts annual growth of 1.0% in 2026, 1.1% in 2027 and 1.2% in 2028. This growth will depend on the pace and scale of conversion of the big industrial opportunities for Scotland in a timely manner, for example floating offshore wind, AI-enabled services and industrial adoption; life sciences; and defence.

Businesses are taking investment decisions amid high uncertainty. BoE base rate remains at 3.75%, and inflation was 3.1% in August, sustaining pressure on financing costs and project viability. Energy volatility adds a further risk: crude oil averaged \$91 a barrel in August and reached a high of \$113.48 in early September trading. Higher oil prices can support parts of Scotland's oil and gas economy, but they also raise costs across the wider business base and complicate investment decisions in both existing and transition technologies.

Trade tensions are also influencing investment decisions. In a Scottish Government survey covering late April and early May, 12.5% of businesses with at least 10 employees reported an impact from US tariffs, rising to 28.3% among goods exporters and 26.1% in manufacturing. Direct exposure is concentrated: goods exports to the US are equivalent to 1.9% of Scottish GDP, excluding offshore oil and gas, with beverages representing 25% of those exports. The wider risk is that prolonged trade uncertainty weakens demand, delays investment, and reorganises supply chains around resilience and market access.

AI will affect Scotland through both investment and adoption. The immediate global investment wave is concentrated in data centres, computing capacity, semiconductors,

and energy infrastructure. The broader opportunity is to raise productivity through adoption in sectors in which Scotland already has capability, such as financial and business services, life sciences, advanced manufacturing, and energy. The IMF estimates that around 60% of employment in advanced economies is exposed to AI, with some work complemented and some displaced. Scotland's challenge is therefore to secure productive investment while helping firms adopt AI, develop skills, and spread the gains beyond a small number of large businesses.

International capital remains available but is increasingly selective. Global FDI rose 6% to \$1.6 trillion in 2025, but more than 80% went to the 20 largest recipient economies and much of the increase reflected AI-related megaprojects. Scotland secured 108 inward-investment projects in 2025 and remained the leading UK destination outside London, although project numbers fell by 20%. This reinforces what we see directly: investors increasingly require ready sites, and access to required infrastructure, skills, energy capacity, policy certainty, and credible delivery timetables.

We see Scotland's strongest potential sources of growth in the energy transition and associated engineering supply chains; AI-enabled services and industrial adoption; life sciences; advanced manufacturing; space, photonics, and quantum technologies; and defence and other strategically important industries. Growth must also come from greater investment, innovation, technology adoption, and international sales across the established business base. The measures of progress will be a combination of additional capital invested by firms, companies reaching scale, productivity and export growth, higher-value employment, and the share of investment retained through Scottish supply chains.

Our central scenario for Scotland's economy is one of modest aggregate growth, constrained public expenditure and strong international competition for capital. SE's missions are designed to identify and focus on the most transformative opportunities within such a scenario. We are focussed on converting the energy transition into Scottish industrial value; increasing the number of innovation-led companies that reach international scale; and developing investable propositions that can crowd in private capital. These priorities are intended to address the points at which Scotland's opportunities most often fail to convert into economic impact.

Our role is to maximise the impact from our resources by focusing on the most transformative opportunities and leveraging the wider economic development system. Our expected £251.6 million delivery budget will be less than 0.4% of the Scottish Budget, but we create an outsized impact from that by bringing market intelligence in, identifying barriers early, convening the organisations needed to resolve them and using targeted intervention to influence investments much larger than our own contribution. Scotland's next phase of economic growth and resilience will largely be driven by government policy, regulation and market forces aligning around areas where Scotland has credible international advantages. Scottish Enterprise will continue to play a helpful and positive role in supporting that alignment and maximising its potential value for Scotland's economy.

We trust this information will be helpful to the Committee's deliberations and look forward to discussing these issues further at the session on 6 October.

Scottish Enterprise submission Annex 1

2026/27 Budget Settlement compared to 2025/26 - baseline budgets					
	26/27	25/26	Difference	Difference	Comments
	£m	£m	£m	%	
RDEL including Expected Credit Losses and Write Off's	132.42	132.42	0	0.0%	
RDEL (Ring-fenced for Prestwick Hangar Expansion Project)	1.62	0	1.62	100.0%	SG have provided ring-fenced funding towards the
Total RDEL	134.04	132.42	1.62	1.2%	
CDEL	87.082	82.038	5.044	6.1%	The increase related to additional budget we required for the impact of accounting under IFRS 16 (Leases) where we expected a significant charge in 26/27. The majority of the costs ended up being incurred in 25/26 and so the majority of the increase was available for core CDEL projects given the need to find space to fund the IFRS 16 costs in 25/26
CDEL (Ring-fenced for Prestwick Hangar Expansion Project)	1.52	0	1.52	100.0%	
Total CDEL	88.602	82.038	6.564	8.0%	
FT (net budget)	0.931	10.26	-9.329	-90.9%	
Total	223.58	224.72	-1.145	-0.5%	
Non- cash	13.5	13.5	0	0.0%	Ring-fenced for mainly depreciation this budget is not available for core delivery
Total budget	237.08	238.22	-1.145	-0.5	

Scottish Enterprise
September 2026

3. South of Scotland Enterprise

Introduction

South of Scotland Enterprise (SOSE) welcomes the opportunity to brief the Committee ahead of its pre-budget scrutiny session. Our message is clear: the South of Scotland is investable, ambitious and ready to deliver more for Scotland's economy.

Given the direct relevance of the evidence to both Committees' scrutiny, this submission is also being shared with the Scottish Parliament's Europe, External Affairs and Culture Committee in response to its request for written evidence as part of its pre-budget scrutiny.

About us

SOSE is Scotland's newest Enterprise Agency. SOSE launched in April 2020, following unanimous support from the Scottish Parliament. That support recognised a simple point: the South of Scotland has distinct challenges, but also major untapped potential. We cover Dumfries and Galloway and the Scottish Borders, backing businesses, strengthening communities, attracting investment and creating good jobs. We also have a statutory duty to improve the amenity and environment of the South of Scotland.

We support businesses of all sizes — from microbusinesses and SMEs to major employers. We unlock investment and infrastructure, back community-led regeneration and help the region seize the opportunities of net zero. We work 'for, by and in' the South, so growth is grounded in local strengths and delivers for people, businesses and communities.

SOSE was designed to work differently: local, flexible and practical. We cut through complexity and make support easier to access. With around 140 staff, and working closely with local government, the third sector, academia and national agencies, we are proving a different model of economic development — one that creates local, social and economic value.

In 2025/26 we delivered record support across the South of Scotland, engaging with almost 2,300 organisations. Since we were established, we have helped create or protect an estimated 10,000 jobs and invested over £50 million in grants.

The challenges are real. So is the momentum. The South of Scotland is building a stronger reputation as a distinctive, investable region able to attract the capital, talent and partnerships needed for lasting growth.

Delivering for the South of Scotland – our impact in 2025/26

Last year we had a record year and approved £18.3 million for 648 projects. We helped create or safeguard 749 jobs, almost double the previous year. Every £1 invested generated £3.33, contributing almost £61 million to the regional economy. We also worked directly with 2,862 people on entrepreneurship, including 2,016 young people and 725 women.

We measure performance through our **Performance Measurement Framework**, which tracks progress against our Primary Measures and is aligned to our strategic priorities — our ‘Six As’. The framework also reflects cross-cutting commitments such as fair work and equality which are central to SOSE’s approach. 2025/26 was our third year of capturing Primary Measure data and key metrics are included in the table below.

Figure 1 – Outcomes against our primary measures

Primary Measure	2025/26 Overall Forecast out-turn*	2025/26 Forecast out-turn (excluding exceptional outlier)*	2025/26 Target Range	Target Rating (excluding exceptional outlier)*	2024/25 Forecast out-turn *	2023/24 Forecast out-turn *
No. people engaged in entrepreneurship	2,862	2,862	2,000-3,000	●	3,122	1,455
- No. people engaged in entrepreneurship who are - Women	725	725	/		612	478
- No. people engaged in entrepreneurship who are - Young People	2,016	2,016	/		2,174	805
No. clients that are innovating	256	256	100-200	●	245	106
Total capital value of projects supported	£78m	£53.8m	£30-£50m	●	£31.3m	£38.7m
Gross Additional Increase in client profitability	£58.1m	£58.1m	£45-£60m	●	£44.3m	£61.4m
Gross Additional Increase in client turnover	£549m	£309m	£200-£250m	●	£147.6m	£208.4m
No. new/improved income-generating community assets projects supported	22	22	15-25	●	30	15
Total value leveraged	£61m	£45m	£30-£60m	●	£23.5m	£19.2m
Value of inward investment opportunities secured	£45m	£20.8m	£20-£40m	●	£4.4m	£6.7m
Value of investment in Net Zero opportunities	£67.9m	£43.7m	£30-£50m	●	£28.5m	£40.8m
Estimated CO₂e emissions reductions by clients and projects (tCO₂e)	125,966	124,502	3,000-5,000	●	3,605	4,632
Value of investment in Natural Capital opportunities	£18m	£18m	£10-£20m	●	£19.1m	£2.7m
No. of jobs supported	748.7	658.7	300-500	●	377.2	1,706
No. clients that have increased their digital capabilities	264	264	75-150	●	210	32
Additional supporting data:						
No of Projects approved	648	647			558	165
No of Projects excluding Pathways project	184	183			168	165
Values against Funding Approved	£18.3m	£13.6m			£10.3m	£9.2m
Total project value supported (inc. SOSE Funding)	£79.3m	£55.1m			£33.7m	£52.4m
Unlocked potential per £ of SOSE investment	£3.33	£3.05			£2.29	£4.73

* Out-turns are forecasts as it relates to the expected out-turns recorded at point of approval. Target rating excludes the exceptional outlier project data: Pickstock:
 ● Blue >100%, ● Green 90-100%, ● Amber 50-90%, ● Red <50% (of lower target range excl. Pickstock)

No. clients that have increased their digital capabilities only includes funded activity. Non-funded activity such as events increases this number to 494.

Jobs supported in 23/24 includes the upturn due to COVID crisis focus.

Our approach is becoming increasingly data-driven and intelligence-led. We continue to improve our systems and processes to strengthen the accuracy and usefulness of the information we collect, supporting evidence-based decision making.

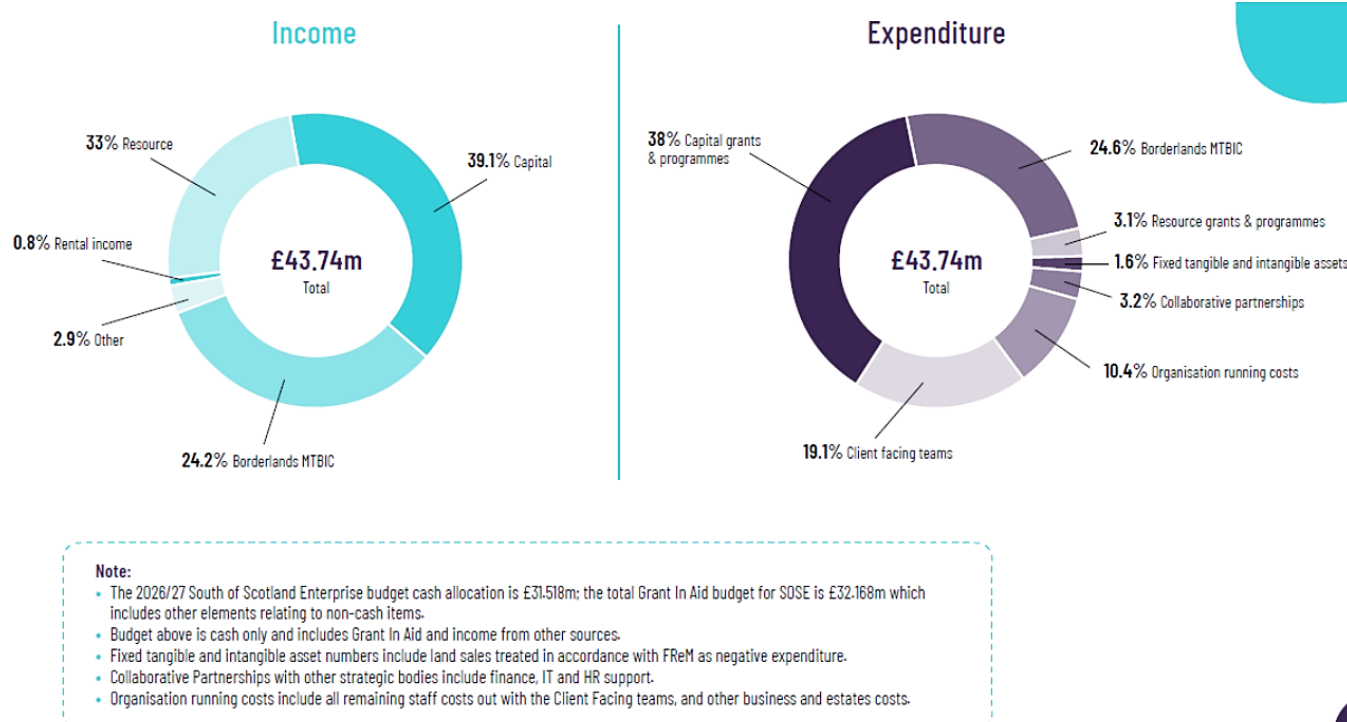
Our 2025/26 performance shows strong progress across a broad programme of work. As SOSE matures, major projects built over several years are now converting into impact. Alongside this, we continue to support the backbone of our rural economy — helping microbusinesses and SMEs build resilience, innovate and grow. Annual out-turns will vary because our work differs in scale, complexity and timescale. To keep reporting transparent, exceptional outlier projects are identified separately where they would otherwise distort the overall picture.

A full overview of performance can be found in our published Annual Report for 2025/26 which is online here: [LINK](#)

Our budget, priorities and focus for 2026/27

This year, SOSE received £32.17 million in Grant in Aid from Scottish Government. Our budget also includes funding for the Mountain Bike Innovation Centre in Innerleithen through the Borderlands Inclusive Growth Deal. Our 2026/27 budget is summarised below.

Figure 2 – SOSE Budget 2026/27



Our delivery this year continues to align with our Five-Year Plan [LINK](#), published in 2023. It sets out our core priorities — our ‘Six As’ — shaped by national strategy and the South of Scotland Regional Economic Strategy.

Figure 3 – Priorities from Our Five-Year Plan



Our Operating Plan for 2026/27 ([LINK](#)) sets out our activity in full. Our immediate priorities are to:

- Work with Center Parcs as development continues of its new village in the Scottish Borders, helping maximise opportunities for local businesses, communities and the wider regional economy.
- Invest in and promote the Chapelcross Energy Transition Zone.
- Establish our new Borderlands Deep Tech Accelerator Hub, a new innovation hub for and in the South of Scotland providing deep tech expertise, rapid prototyping and business support in a single hub.
- Support innovation, productivity and business growth across the South of Scotland, including through investment, specialist advice and programmes that help businesses adopt new technologies, innovate and scale.
- Attract further investment into the South of Scotland and supporting businesses of all sizes to grow and create jobs.
- Support the next generation of entrepreneurs, including women, young people and other underrepresented groups, by continuing the Pathways programme to start and grow new businesses.

- Support community organisations, social enterprises and local groups to strengthen their resilience, develop projects and create lasting economic and social impact.
- Realise the potential of our designation as the Natural Capital Innovation Zone for Scotland.

Looking further ahead

Businesses and communities across the South of Scotland continue to face cost pressure, tighter investment and squeezed profitability. But the region has stayed resilient, and major opportunities are moving forward — including Center Parcs, Kight Powerhub, HEMSPAN, Chapelcross and the South of Scotland Natural Capital Innovation Zone.

These projects show what the South can deliver. They build on regional strengths in energy transition, life sciences, agritech, advanced manufacturing and natural capital. Together, they are diversifying the economy, strengthening resilience and creating opportunity for businesses, communities and future generations. Realising this potential requires partners to pull in the same direction. Through the Regional Economic Partnership, we are bringing public, private and third sector partners together around the foundations of growth — housing, transport and skills. Without these fundamentals, growth will not reach every community in the South.

To build resilience and tackle rural depopulation, we must make more of international opportunity. That means attracting inward investment, supporting business growth and connecting the South to global markets, investors and talent. As part of Team Scotland, SOSE works with Scottish Development International, Scottish Government and international partners to raise the region's profile and connect projects to opportunity. We want Scotland's international networks, including Scotland House, to make rural opportunities more visible and more investable.

We recognise the fiscal challenges facing the Scottish Government and welcome the Spending Review's focus on sustainable, inclusive growth. Enterprise agencies are central to that agenda. We attract investment, help businesses innovate, support good jobs and ensure growth reaches every part of Scotland. Investment in economic growth is not optional; it builds prosperity, strengthens communities, broadens the tax base and reduces pressure on public finances over time.

SOSE is focused on maximum impact from every pound and on bringing further investment into the South of Scotland. Our impact has grown despite broadly flat funding, showing the value of clear regional focus, strong partnerships and delivery discipline. Public service reform and proposals to empower regions are an opportunity to build on that progress and go further.

Conclusion

The South of Scotland has the assets, ambition and opportunities to deliver more for Scotland. SOSE is focused where we can make the greatest difference: unlocking

investment, creating good jobs, widening opportunity and building long-term resilience. With the right support and continued regional empowerment, the South will help drive Scotland's future growth.

SOSE**29 September 2026**

4. Scottish National Investment Bank

1. About the Scottish National Investment Bank

I became Chief Executive of the Scottish National Investment Bank in January 2026. Since that point I have reflected on the Bank's journey since launch, the lessons we have learned, and the role we can play in supporting Scotland's economic future. As Scotland's development bank we invest patient debt and equity capital in businesses and projects that support our Net Zero, Place and Innovation missions. We invest on commercial terms, seeking both financial returns and measurable economic, social and environmental impact.

Since launch, the Bank has received nearly 1,700 enquiries and committed more than £1.2 billion across 53 businesses and projects, with a further £1.9 billion invested alongside our capital by public and private sector investors. Our investments have also positively impacted more than 325,000 people, supported around 1,000 new homes, helped sustain over 3,300 jobs and contributed to economic activity across 28 of Scotland's 32 local authority areas.

2. Strategic Priorities

The economic environment in which we operate has evolved significantly. Our Business Plan and Investment Strategy, published earlier this year, reflect both that changing environment and the lessons we have learned since launch.

The Scottish National Investment Bank remains focused on:

- Building a stronger and more resilient portfolio;
- Delivering sustainable returns through strong commercial discipline;
- Attracting additional private investment into Scotland; and
- Maximising our long-term impact.

Through our Net Zero mission, we are supporting Scotland's energy security, resilience and transition. Investments such as Pentland Floating Offshore Wind Project and the Devilla Battery Energy Storage System demonstrate how the Bank can help unlock opportunities in offshore wind, energy infrastructure and the transition to a low-carbon economy.

Through our Place mission, we are continuing to increase the pace and scale of delivery of high-quality, energy-efficient homes and regeneration across Scotland. Investments in the Octopus Affordable Housing Fund and SME housebuilders such as Whiteburn are helping increase housing supply while supporting economic growth.

Through our Innovation mission, we are backing ambitious sector-agnostic businesses with the potential to scale, create high-quality jobs and compete internationally. Investments in companies such as EnteroBiotix and Bioliberty demonstrate the strength of innovation emerging from Scotland, particularly from our leading universities, and the opportunity to build globally competitive businesses.

The scale of Scotland's opportunities and challenges across housing, infrastructure, innovation and the energy transition cannot be met by public capital alone. The Bank's commercial investment presents an opportunity to deploy public capital on a recyclable basis, delivering greater efficiency compared to traditional grant funding and sub-commercial routes.

Our Business Plan sets out our ambition to maintain our leading role as a commercial investor in both the offshore wind and the housing sectors. Given the capital intensity of those sectors, maintaining current levels of investment will require access to further capital from Scottish Government. We continue to engage on that issue.

Engaging and mobilising private capital at scale is also critical to delivering impact against our missions. Alongside our core investment activity, we have therefore set an ambition to attract and manage third-party capital, enabling us to bring additional investment into Scotland and extend our impact.

3. Investment Performance

The Bank's 2025/26 Annual Report and Accounts sets out a record year of investment commitment with the Bank committing £374 million last year into businesses and projects across Scotland. That is our highest annual level of investment to date and has brought in other investment of £445 million, from high-quality investment partners including Octopus, Strathclyde Pension Fund, National Wealth Fund, Copenhagen Infrastructure Partners, GB Energy, SSE, Goldman Sachs and KIRKBI. In 2025/26 the Bank did record investment losses of £65 million and unrealised losses of £85 million.

The realised losses relate to M Squared Lasers, R3 IoT and Trojan Energy. The unrealised losses include write-downs associated with Orbex and PneumoWave. Additionally, we included fair value provisions against a further 7 investee companies, of which PureLifi and Calcivis have entered administration. We continue to work with the remaining businesses and will seek to maximise our value recovery. A degree of loss is consistent with the higher-risk elements of a development bank portfolio, particularly in earlier-stage and scaling businesses. However, that does not diminish our responsibility to learn from these outcomes and strengthen our approach as stewards of public capital.

The losses reflect a combination of factors, including challenging market conditions, a constrained fundraising environment, inflationary pressures and supply chain

disruption. In some cases, investee companies did not achieve the commercial and operational milestones anticipated at the time of investment.

While challenges remain, the Bank has already taken action to strengthen portfolio construction and portfolio management. We are encouraged by the progress being demonstrated across much of the portfolio and remain focused on maximising long-term value from our investments.

Going forward we will continue to refine our approach to investment and to portfolio management, embedding lessons learned from our engagement in the market, and will be pleased to keep the Committee updated in this respect.

4. Looking Forward

The Bank's first five years have provided valuable experience and as Chief Executive I am focused on ensuring we apply those learnings as we support Scotland's long-term economic development.

The Bank's allocation for investment in 2026/27 is £200 million. This is comprised of £190 million of Financial Transactions and up to £10 million of recycled investment returns. The Bank was not allocated a resource budget in 2026/27 and instead, for the third consecutive year, will meet its operational costs from its investment returns. We remain focussed on delivering commercial value and impact from our portfolio and our investments. In addition to the Investment Strategy and third party ambitions as set out above, we are also prioritising our work with the Scottish and UK Governments to realise the opportunity of perpetual status for the Bank through the developing Public Financial Institution workstreams at UK level.

We look forward to working with the Committee as we take these opportunities forward.

David Ritchie
Chief Executive Officer
