

WRITTEN SUBMISSION FROM SCOTTISH ENTERPRISE, DATED 4 NOVEMBER 2016

Thank you for your letter dated 5 October following the Committee's consideration of Audit Scotland's Report 'Supporting Scotland's Economic Growth'.

Your letter asked us to respond to the recommendations within the report and answer some specific questions the Committee had following their evidence session with Audit Scotland.

Firstly, with regard the Report:

Scottish Enterprise (SE) worked very closely with Audit Scotland as they undertook this important exercise. We were keen to ensure that the final Report could provide a strong body of evidence to draw on and inform future action.

We were pleased the report concluded that SE is performing well and our activities are having a positive impact on Scotland's economy, and it acknowledges that our work is guided by a clear strategy with strong governance.

Since publication of the report, our own Board's Audit Committee has met with Audit Scotland to discuss the recommendations in greater detail and work has been carried out to prepare an Action Plan to be completed and implemented following the Scottish Government's ongoing Enterprise and Skills Support Review.

In the meantime, a number of actions are already underway in response to Audit Scotland's report recommendations as follows:

Recommendation: in the context of the changing economic development landscape and as part of the Scottish Government's review of the economic development and skills agencies, consider how the enterprise bodies, taking into account their respective strengths and expertise, can best support the delivery of the economic strategy

The Scottish Government Review of Enterprise and Skills Support will shape future approaches to the delivery of Scotland's economic strategy. Phase One of the review has now been completed and the report highlighted the strengths and expertise of the agencies.

We were pleased that a number of SE's recommendations have been included in the Phase One report, including the creation of a single economic development board supported by a single action plan with clear targets and measures; operationalising a 'no wrong door' approach to supporting Scottish companies; and strengthening local/regional/national links and partnerships for greater impact.

We will work closely with SG and other partners to implement the recommendations of the review over the coming months. In the meantime, our focus remains firmly on doing everything we can to achieve greater impact on the economy.

Recommendation: agree common performance measures, where appropriate, that are clearly aligned to the NPF. This will allow the Scottish Government to compare the enterprise bodies' performance; measure their individual and joint contribution to NPF targets

SE's measures have always been informed by the NPF to ensure a clear line of sight between our activities and national outcomes. Over the past few years we have undertaken benchmarking internationally on an annual basis with a view to being as transparent and robust as possible in how we use evidence to prioritise decisions and demonstrate impact.

We are looking at ways to further improve our approach to measurement, reporting, and transparency of performance so that we can better tell the story of how our support to companies and sectors contributes to the NPF.

This will involve simplifying our measurement approach and may, potentially, mean fewer targets in future. This work has been shared with our colleagues in HIE and is an opportunity for both SE and HIE to use the same measures in order to achieve, where possible, greater clarity and consistency around how we assess our impact.

While consistency is our shared ambition, it must be acknowledged that there will also be a need for some measures and targets appropriate to the economic circumstances that prevail in different parts of the country e.g. specific connectivity or community development measures for the Highlands and Islands.

Recommendation: regularly review whether their support, for example, to individual businesses or involvement in task forces, continues to add value. This should include reviewing the opportunity cost of continuing support in each case.

Together, Account Managers and the companies they work with regularly review progress against an agreed Account Plan to ensure that the account management service continues to deliver value to both the company and the Scottish economy.

Approximately 10% of the Account Management portfolio changes in an average year (in actual terms, over the last four full years we have exited from 529 companies and 845 companies have been new to the portfolio).

We are genuinely committed to ensuring that the work we do with companies continues to add value. With that in mind, we have recently undertaken a review of all Account Managed companies to ensure we deliver the right service to the right company at the right time. This process may see us work with companies in different ways and mean a higher number of companies exit active Account Management. The focus as always is on working with those companies that can deliver strong growth and job outcomes with our support.

From time to time Taskforces can be established to deliver focused activity and resource to a particular economic challenge or shock e.g. steel industry. The nature of the Taskforce work is that there are specific goals to be delivered by a number of

partners and, at an appropriate point in time, Taskforces will determine that their work is complete.

With reference to the specific questions raised by the Committee our response is below:

1) Rationale for some Support being delivered jointly or on behalf of the other organisation

There are a number of activities that are delivered 'pan-Scotland' including Trade and Inward Investment services via Scottish Development International, the Scottish Investment Bank (SIB), the Scottish Manufacturing Advisory Service (SMAS), and Regional Selective Assistance (RSA). These arrangements are designed to optimise resources and efficiencies, and to provide a pragmatic approach to delivery of services.

Both HIE and SE staff work closely to ensure that, regardless of location, businesses have full access to all available services. There are similarities across the two agencies, with both operating an Account Management model to deliver direct, tailored and deeper levels of support to growing businesses.

HIE has a distinctive strengthening communities remit and provide services for business to address specific challenges of population, infrastructure and connectivity.

2) Whether performance targets are too easily achievable

We currently have three year measures, through to 17/18, and have introduced a policy that, for some measures, individual companies can only count once against the target rather than each time they are supported. For some measures, such as bringing companies into exporting or innovation, this is really stretching and reflects our ambition.

Given the current economic climate (slowing growth due to the oil & gas sector downturn, increased uncertainty due to Brexit), and the general reduction in our budget since 2010/11, increases in our target ranges are challenging.

We use evidence to learn 'what works' and refine and focus activities to deliver greater efficiency and impact. Over time, our measures have changed to reflect evidence on specific challenges or opportunities for the economy e.g. introduction of new measures on the number of companies becoming innovative or new exporters.

Our success in achieving targets (where we do) is a reflection of the work of our staff and the commitment of the businesses we support, and we acknowledge the role our partners also play in helping us achieve success, both here in Scotland and overseas. There is very much a Team Scotland effort, involving our own organisation, and others in the public and private sector as well as Government in realising our goals each year.

3) Account Management – exit procedure, companies unsure of why they are Account Managed

We were genuinely surprised to discover that there was a company within our portfolio that was unsure why it was Account Managed, but are keen to remedy this type of misunderstanding.

At the start of any Account Management relationship we issue a letter outlining the general terms of our engagement with a company. Following the Audit Scotland's Report, we have crafted a new version which we believe better reflects, and clarifies, SE's and the company's expectations of the AM relationship.

The vast majority of Account Managed companies are actively engaged with their account managers on a regular basis. However, depending on where a company is in its growth journey there can be periods from time to time when the relationship is less active – at this stage in the process a company is moved into our Watching Brief category – which is a much lighter Account Management service.

I do hope this proves useful to the Committee in their deliberations. Please do not hesitate to contact me if you or any of the Committee members have any further questions.

Yours Sincerely

Jane Martin
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Scottish Enterprise