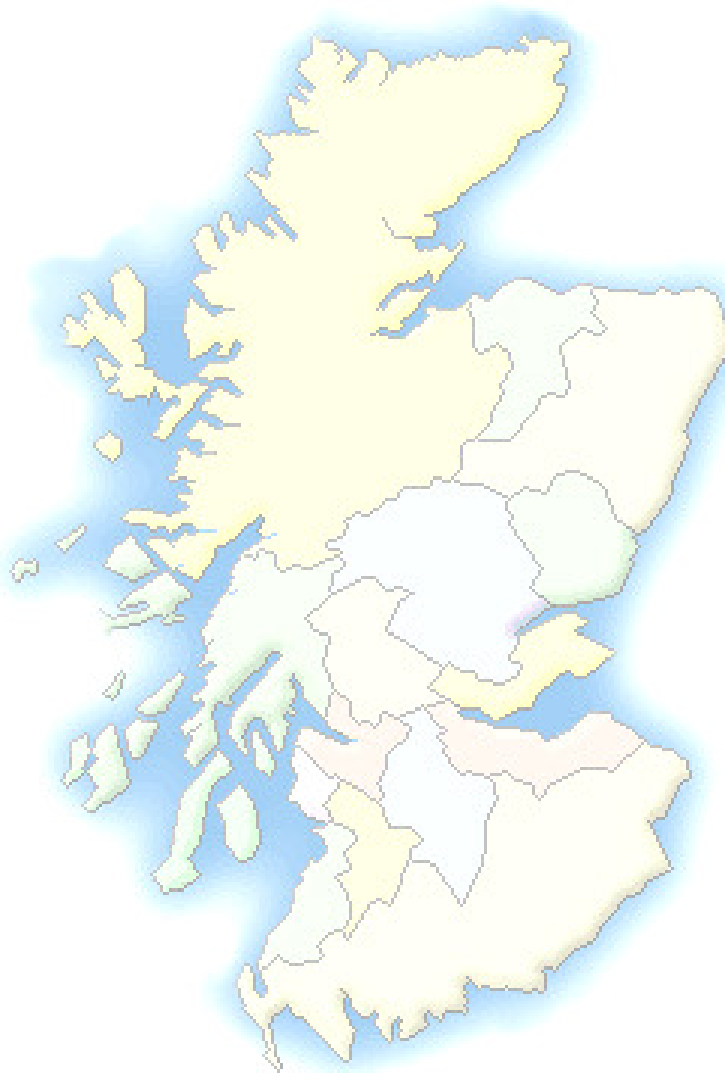




Report to the Argyll and Bute Community Planning Partnership

Scottish Enterprise's Contribution to the Single Outcome Agreement In The Context of the Economic Downturn



Version 1 – March 2009

**Scottish Enterprise's Contribution to the Single Outcome Agreement
In The Context of the Economic Downturn
Report Version – March 2009**

~ CONTENTS ~

Section	Title
1	Report Summary
2	Purposeful Partnerships
3	SE and Community Planning
4	SE and Single Outcome Agreements
5	Scottish Enterprise Business Plan Summary
6	National and Regional Key Sectors
7	The Current Climate; Review of Current Intelligence
8	Key Issues; by Sector
9	Scottish Enterprise's Response to the Downturn
10	Summary of Current SE Customer Feedback
11	Review of Wider Economic Commentary
12	Policy Approach
Appendix A	The Scottish Government's 6-Point Economic Stimulus Plan
Appendix B	Major SE-related Projects in the West Region
Appendix C	SE Summary Statements on National Outcomes Contributions

For More Information, Contact:

Brian Mcleish, Stakeholder & Partnership Manager

Scottish Enterprise, West Region

0141 951 3098

Brian.Mcleish@scotent.co.uk

1.1 As statutory Community Planning Partners, Scottish Enterprise (SE) is keen to ensure that we provide appropriate information to our Partners.

1.2 Recent guidance produced by the Improvement Services outlines the role of Scottish Enterprise in the SOA process. It states that *“While the work of Scottish Enterprise in particular is now more firmly focused on the achievement of national outcomes, the Enterprise Agencies continue to have an important and beneficial role to play within SOAs. This role includes working with local partners to establish economic challenges and opportunities, to contribute to articulating realistic and stretching economic outcomes and where national and local outcomes are complementary, to contribute to the delivery of local outcomes¹”*.

1.3 SE will contribute to the National Outcome 1, 2 and 3 as they are a natural fit with our own direct objectives, as stated in the SE Business Plan².

1.4 SE will also contribute to National Outcomes 10, 11, 14 and 15 as a public sector agency with responsibilities to deliver of all our activities within the wider business and stakeholder community³.

1.5 SE is currently implementing a full action plan in response to the current economic climate, contributing to the Scottish Government’s 6-point recovery programme⁴. This report draws on the current experience in developing this plan, particularly the messages coming from our work with some of Scotland’s most growth-focussed companies.

1.6 Together with the feedback from our client companies, our business and industry partners and commissioned economic monitoring information, we anticipate that this Report can be used to help set out some of the context and boundaries for the Partnership.

1.7 The analysis presented in this paper shows a very mixed picture for the Scottish economy. In many ways it is simply too early to analyse the impact of the dramatic changes in the economy over recent months and the speed of change makes forecasting precarious. However, in contrast to many business surveys which appear only to conclude on a pessimistic note, this response suggests that there are grounds for some cautious optimism. There are always opportunities in a rapidly changing economy.

1.8 The biggest single challenge is probably still access to business finance. The biggest opportunity is probably still those knowledge-based, international niche markets, in key sectors, that Scottish firms have been successful in the recent past.

2. Purposeful Partnerships

¹ Letter to CPP Chief Executives, 5 February 2009, Dr Andrew Goudie

² www.scottish-enterprise.com/se-operating-plans-current

³ Appendix C to this Report

⁴ Appendix A – The Scottish Government’s 6-Point Stimulus Plan

2.1 SE continues to work closely with Local Authorities, particularly the economic development departments and through the Community Planning process.

2.2 We also work in partnership with Scottish Government, universities, colleges and public sector bodies, such as VisitScotland, Highlands and Islands Enterprise and Skills Development Scotland, to achieve our over-arching goals and to maximise our contribution to the Scottish Government's Economic Strategy.

2.3 SE also has a number of partnerships with other business organisations such as local economic forums, the Industry Advisory Boards, Chambers of Commerce and the Federation of Small Businesses.

2.4 SE now has Regional Advisory Boards, composed of individuals from the private sector, further and higher education and representation from local authorities. The Boards will provide strategic advice and policy input to each of SE's operational regions.

2.5 A close working partnership continues with the Business Gateway, with elements of the national delivery functions presently managed within SE. This is due to transfer out of SE in the coming year.

2.6 SE are a key member of the Strategic Forum, chaired by the Cabinet Secretary for Finance and Sustainable Growth and as an agency, we are aligning our services in order to play a key part in delivering on the Government's Economic Recovery Programme.

2.7 SE is a funding partner in a number of Urban Regeneration Companies where the regional impact is deemed to be significant. Each of these URCs is at different stages of development and SE continues to play a full role both as a co-funding partner and at an operational level in many cases.

3. Scottish Enterprise and Community Planning

3.1 SE is Scotland's main economic, enterprise, innovation and investment agency⁵. Following the recent review of the Enterprise Networks, SE has a particularly focussed remit and we deliver dedicated support services locally, nationally and internationally.

3.2 Now operating as one national, cohesive organisation, SE has retained all of its local office bases; the closest for Argyll and Bute being Spectrum House, Clydebank Business Park, Clydebank, G81 2DR.

3.3 SE no longer operates under a local enterprise company structure and our reporting and performance management systems are now designed to record and manage information on our activities at a *national and regional* level.

⁵ <http://www.scottish-enterprise.com/>

3.4 SE contributes to the Community Planning process through representation at Board, Officer and Thematic meetings as well as providing contextual economic information and information on SE's services which will help to compile the Single Outcome Agreements (*See Appendix B Major Project Activities*)

3.5 While SE can help inform the choice of local outcomes and indicators, and contribute to their delivery, SE is unable to take ownership of any locally determined targets and outcomes.

3.6 Other ways in which SE contributes to the CPP process are through; sharing of training and staff development materials wherever practicable, updates on our corporate carbon reduction agenda and activities (particularly relevant to National Outcome 14), dissemination of the Community Plans to our staff and any other in-kind contributions that we are able to make.

4. Scottish Enterprise and Single Outcome Agreements

4.1 SE will contribute to the reporting framework of the SOAs under National Outcomes 1,2, 3, 10, 11, 14 and 15 (*See Appendix C – SE National Outcome Statements*).

4.1 Our activities in Argyll and Bute will be delivered and managed as part of our West regional operations. The work we do in the Argyll and Bute area contributes to our wider regional and national approach. This means that reporting will now focus on the regional and national level.

4.2 SE can report on the companies which we work with under our Account Management programme that we know are based in the Argyll and Bute area, but it should be noted that **there are no longer targets set that are based on geographical location**, only criteria relating to a company's potential for growth.

4.3 Under our remit for Investment and Innovation, there are major infrastructure and investment projects based in the West Region which may have an impact in Argyll and Bute. SE will report on the progress of these projects following Year End, which can be submitted into the SOA reporting framework.

5. SE Business Plan Summary

5.1 Following the restructuring of the Enterprise Networks in April 2008, Scottish Enterprise has a refreshed remit.

5.2 **The SE Business Plan 2008-2011**⁶ outlines our activities following this restructure.

5.3 The Government Economic Strategy shows that increased GDP growth is driven by increased productivity, population growth and economic participation. Scottish Enterprise is best placed to focus on the first of these: productivity.

5.4 Furthermore, the strategy diagnoses Scotland's current poor productivity performance being down to shortfalls in enterprise, innovation, investment and skills. Scottish Enterprise is best placed to focus on the first three of these and as a result the business plan is structured around objectives in these three areas:

5.5 **Enterprise:** responsive and focused enterprise support, helping growth companies and industries to reach their full potential

5.6 **Innovation:** stimulate innovation to support business growth including exploiting new products, processes and technologies

5.7 **Investment:** helping to create the right conditions for growth companies and industries to have access to property, markets and finance to help them grow

5.8 The Scottish Government has given SE a very clear remit to focus on priority sectors and on supporting those businesses, of whatever size, that have high growth potential and that are important to the national or regional economy.

5.9 SE will work proactively and selectively with a much smaller number of businesses, predominantly those with whom it has, or will establish, an account management relationship. This means that for the majority of firms, including those serving mainly local markets, public sector advice and/or guidance should be sought through the Business Gateway, overseen by local authorities.

5.10 Increased productivity will result in more competitive and faster growing businesses in Scotland. These will generate the opportunities to attract and retain population, and create more and higher quality employment – which stimulates the labour market to help raise participation.

5.11 We will also ensure that we play a full and proactive part in delivering the government's equity agenda and contribute positively to social and geographic equity. In particular, we will help exploit the opportunities of a move towards a low carbon economy and increasingly integrate sustainable development into our work with our customers (See Appendix C).

6. National and Regional Key Sectors

⁶ www.scottish-enterprise.com/se-operating-plans-current

6.1 To help build a world-class economy, SE's work is driven by identifying and responding to the expressed demand of those key sectors in Scotland that have real global competitive advantage, particularly:

- Energy, including oil and gas, power generation and renewable energies
- Financial and business services, with our direct focus on the first of these,
- Creative industries within which we focus on digital markets
- Food and drink
- Life sciences
- Tourism
- The “enabling technologies” that support these industries

6.2 SE also works with a number of regional priority sectors;

- Aerospace, defence and marine
- Construction
- Textiles
- Forest industries
- Chemical sciences

6.3 The principal sector that SE works with in the Argyll and Bute area is tourism.

6.4 The Loch Lomond and Trossachs area has been named as one of SE's six key destinations for tourism. We will continue to work with all of our partners in the area to develop and deliver a programme of projects to strengthen tourism in this area.

7. The Current Climate; Review of Current Intelligence

7.1 There are two dominant risks currently facing our economy; declining markets and difficulty in accessing business finance. There are many more challenges besides, and in this section we outline what our customers are telling us about the current business climate in Scotland.

7.2 Based on the key areas of concern expressed by our customers, we outline three 'headlines' for each area below.

7.3 Turnover

- 75% of our customers tell us that they have maintained or grown their turnover over the last few months and 75% of our customer tell us that they expect a similar result going forwards
- However, real effects of the downturn were also reported including a marked drop in demand for products and services leading to redundancies.
- Many firms recognise the opportunities that the downturn has presented and are considering options to help them once the downturn eases including; brand development, exploration of new markets and even acquisitions.

7.4 Costs

- Firms are looking at ways to reduce costs, particularly through efficiencies and waste reduction as a result of spiralling costs
- 66% of SE's customers have experienced increase utility costs since September 2008. Transport has also seen a rise in costs.
- Around 33% of our customers also estimate that labour costs have also increased

7.5 Access to Finance

- The majority of firms report 'no change' in relation to accessing finance. However, this must be considered in light of the fact that our customers are predominantly 'high growth potential' customers
- However, for some firms, access to finance, particularly access and the time taken on decision around re-financing is very challenging.
- Supporting this feedback is a marked rise in demand for equity finance provision from SE and its co-investment partners

7.6 Investment Plans

- A minority of investment plans have been put on hold
- The significant majority of firms that SE works directly with are still fully committed to opportunities to invest in their future growth
- In some cases, however, cash flow has taken priority over investment

8. Key Issues; by Sector

8.1 In this section, we outline, by key sector the principle feedback on challenges being faced by our customers in light of the downturn.

8.2 Energy

- Where investment in areas such as exploration have been curtailed, operational orders for oil & gas remain stable and high
- Focus on cost-cutting and delays to orders are making their way down the supply chain, and being felt by smaller suppliers

8.3 Financial Services

- This industry has been directly and badly affected by the downturn with many job losses and recruitment or expansion plans on hold
- There is however some cause for optimism as Scotland has a cost advantage over international competitors which stands us in good stead for future opportunities in the sector

8.4 Creative Industries

- Many of the companies SE works with (Digital Technologies and ICT, rather than cultural media) are anticipating falling turnovers in the year ahead
- On the positive side, games and entertainment developers are reporting that business remains strong with continued growth

8.5 Food & Drink

- A fall in sales was anticipated following the festive period. However, the fall has been sharp with many smaller suppliers suffering, as large retailers embark on major promotional drives
- A new trend of 'trading down' (i.e. customers opting for own-brand or value-brand food and drink) has provided an opportunity for the sector

8.6 Life Sciences

- Dominated by small firms, the rise in transport and utility costs has put pressure on this sector.
- Particularly for 'pre-revenue' companies, accessing finance has proven very difficult and delays in contracts being issued by larger pharmaceutical companies is causing more pressure

8.7 Tourism

- The picture is not yet clear, but there remains the hope that the domestic tourism market will fare well out of the downturn, particularly with the ripple effect from the Olympic Games and Commonwealth Games to come
- SE has received reports of some firms delaying refurbishments as a result of nervousness over how the downturn might yet affect our Tourism

9. Scottish Enterprise's Response to the Downturn

9.1 SE has undertaken to ensure that our products and services are suitably varied and flexible in order to best help our customers through the downturn. Some examples of services – in addition to our normal provision – are below.

9.2 Business reviews: SE is undertaking dedicated Business Reviews with every one of the 2,000+ companies with which we have an 'account managed' relationship with to help them

identify and exploit new opportunities. In particular, SE is providing additional support to assist companies to innovate and undertake R&D, as those who invest at this time in an economic cycle are more likely to be successful when the economy moves out of it.

9.3 Access to Finance: Additional resources have been allocated to meet increased demand for finance and there may well be further demands going forward.

9.4 Scottish Manufacturing Advisory Service (SMAS): We have made provision to double the number of projects that SMAS can support. This helps manufacturing firms eliminate waste from their processes, increase the quality of products and produce goods in a more cost effective manner, ultimately helping them to become more competitive.

9.5 Infrastructure Projects: The Scottish Government has provided accelerated funding this year which is allowing us to bring forward investment in key infrastructure projects including for example, the SECC Arena.

9.6 Support to Exporters: Scottish Development International has increased the level of service available to firms wishing to export by increasing the eligibility for support to a further 2-3000 business. It has also instituted flexibility in payments allowing them to “sell now, pay later” for participation at major trade shows where SDI has taken exhibition space.

9.7 New European powers: SE is exploring how to utilise new European powers that range from the support to high growth “young innovative enterprises” through to possible relaxation of state aid regulations. There may be demands for additional resources to deliver these new powers

9.8 Wider support to Firms: SE is undertaking a major marketing and communications campaign entitled “Now’s the Time to Ask” which invites all companies to contact us on areas where they would require assistance to help them to grow. Every question submitted will be answered with practical information on how to tackle the issue including business guides, information and advice from Scottish Enterprise and Scottish Development International, or partner organisations like Business Gateway.

9.9 SE services will encompass a range of products and support packages tailored to the needs of individual companies and will range from short term, one-off assists, to longer term investment projects.

9.10 In addition, the major marketing campaign which launched this month ‘Now’s The Time to Ask’, invites all businesses of any size or description from around Scotland to talk to us about their own issues, and for us to help them source practical solutions.

10. Summary of Current SE Customer Feedback

10.1 Despite the downturn, many of the companies with whom we work state reasonable levels of confidence about their prospects for the future. However, we are not complacent and recognise the very real challenges being faced by many companies and also the market conditions being faced by the key sectors. Scottish Enterprise will continue to monitor these

and amend its activities in light of changing economic circumstances and demand from our customers, working alongside key partners as we contribute to the Government's recovery programme.

11. Review of Wider Current Economic Commentary

11.1 Outwith SE's own survey of its customers, a number of business organisations across the UK are closely monitoring the changes to our economy. Some brief headlines are stated below;

11.2 The RBS PMI Scotland Report

- A panel of 600 companies in October 2008 reported record contraction of orders, activity and employment, with the service sector indicators being lower than ever recorded by this survey
- Whilst the manufacturing sectors readings were also low, they were only marginally lower than the levels recorded in 1998 and 2001
- This survey showed the highest falling levels in financial services, business services and tourism
- Delays in purchasing, compounded by lack of access to credit are recorded as being at the root of the turmoil

11.3 The SRC Scottish Retail Sales Monitor

- The September 2008 report stated that retail sales were actually 4.6% higher than a year ago, but when the overall inflation volume is removed, sales were lower. Non-food sales fell for the first time since 2000

11.4 The Lloyds TSB Scottish Business Monitor

- A net balance of 10% of Scottish companies reported falling turnover at the end of August 2008 in comparison with a net of 28% reporting increased turnover at the same point in 2007
- A balance of 28% of firms expect turnover to decline over the coming months compared with a balance of 1% expecting increases in the May 2008 survey

11.5 The Scottish Engineering Quarterly Review

- This survey provided some corroboration that manufacturing services are holding up better than the service sector
- However, overall orders have fallen into the negative for the first time since 2003

11.6 The Federation of Small Businesses (FSB)

- An online poll in November 2008 of 4,600 businesses in the UK (437 in Scotland) found that 54% had suffered a decrease in trade over the past year.
- 57% of those who had recently sought a loan had been refused
- The FSB report that small businesses are predominantly suffering from; hikes in finance interest rates, lack of support from banks, imposition of facility fees and even renegeing on promised finance

11.7 The CBI SME Trends Survey

- In October 2008, it was found that 17% of SMEs had recently expanded their workforces while 29% had reduced the numbers employed.
- This balance of a -13% employment record represents the biggest quarterly fall in employment since 2003

11.8 The British Chamber of Commerce Quarterly Survey (October 08)

- Confidence measures amongst members of the British Chambers were noted as falling sharply from October 2008

11.9 The Domestic Impact

- Changes in personal finance were recorded in October 2008 as being significantly worse than at the same time last year.
- The “climate for major purchases” is recorded as being at its lowest level since scoring began in 1982.

11.10 Conclusions of Surveys

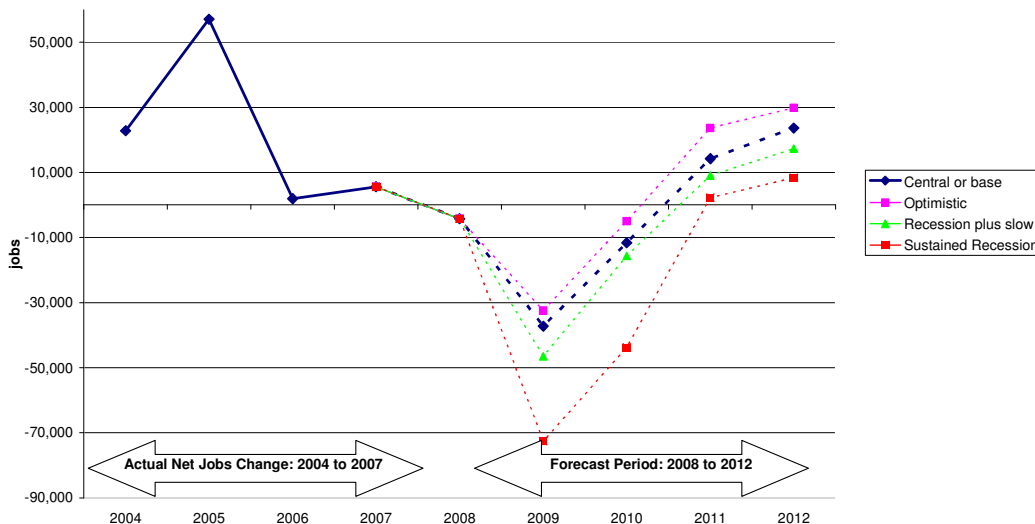
- There is a dramatic weakening in current levels of business confidence and activity across all sectors. Many surveys indicate that the declines are happening at a record rate. There is some evidence that the service sector is experiencing more difficulties than manufacturing at this stage.
- There is little evidence or indication from lenders that the tightening on credit availability will ease in the near future. Small firms may be at a particular disadvantage but the evidence does suggest that firms of all sizes are affected.

11.11 Following a presentation made to SE by the University of Strathclyde Business School ⁷ in December 2008, the following points were highlighted as factors for consideration of the potential impact of the credit crisis;

⁷ Presented to SE on 8/12/08 by Brian Ashcroft, University of Strathclyde Business School

- Learning from previous recessions, negative growth tends to last between 5-7 Quarters (though not always consecutive).
- The Scottish business cycle tends to be flatter than the UK due to the proportionately bigger public sector and higher degree of social security payments paid out in Scotland, higher export propensity and lower asset ownership e.g. houses and shares
- Historically, Scotland has not always experienced recession at the same time as the UK; it is possible that Scotland will suffer less, but many believe it will actually suffer worse, though not as bad as in 1980/81
- The banking and financial sector is directly impacted and, with its large finance sector and with major Scottish-based banks at the heart of the sub-prime impairments, Scotland is likely to suffer more lingering negative impacts than the UK
- The wider economy will be affected through falls across supply chains; e.g. smaller upholstery companies may suffer as the car manufacturing sector struggles, domestic spending plans will be reduced and reduced inward tourism to Scotland is likely to have a big impact also
- In terms of changes to employment levels, the following chart indicates some informed estimates of varying scenarios of recovery for Scottish employment levels:

Forecast Net Jobs Change 2008 – 2012: Different Scenarios



12. Policy Approach

12.1 There is a need to distinguish between policies which aim to counteract the expected recession and those which are about dealing with the results of the recession.

12.2 Policies that assist market adjustments may help mitigate the impact of the recession e.g. information on market opportunities, job vacancies, retraining readily available and accelerated payments

12.3 Scottish Enterprise, as the main Scottish agency for economic growth, have undertaken a number of changes and adaptations to our existing services (outlined in section 9) as a result of this advice, and as part of the Government's recovery planning.

APPENDIX A - The Scottish Government's 6-Point Economy Stimulus Plan;

- A.1** Bringing forward some capital expenditure e.g. investment in affordable housing
- A.2** Enhanced support for tourism promotion
- A.3** Speeding up of the planning process
- A.4** Increased support for energy efficiency
- A.5** Increase advice to businesses and individuals
- A.6** Improved financial advice to vulnerable individuals

APPENDIX B - Major SE-related Projects in the West Region

B.1. Due to out-commuting and business-to-business links, the businesses and residents of Argyll and Bute may also benefit from the impacts of a number of major projects which SE is

involved with in the *surrounding areas* as part of our operational activity across the West of Scotland.

National Outcomes/ References	Projects
1 + 2 (+10)	<p style="text-align: center;">Clyde Waterfront</p> <p>Supporting the rapid development of housing, business premises and leisure facilities along the river, SE is a lead partner of the project along Glasgow City, Renfrewshire and West Dunbartonshire Council.</p>
1 + 2	<p style="text-align: center;">BAE Systems Clyde Waterfront.</p> <p>Assisting BAE Systems to bring a derelict and neglected part of their Govan / Scotstoun facility in Glasgow into more productive operational use.</p>
1 + 2 + 3	<p style="text-align: center;">Pacific Quay</p> <p>Promotion and development of Pacific Quay as a strategic business location for key industries - particular focus on the Digital Media Quarter.</p>
1 + 2 (+10)	<p style="text-align: center;">Clyde City Centre Waterfront Initiative</p> <p>Maximising economic outputs from the redevelopment of Tradeston on the Clyde's South bank and commercial expansion of the International Financial Services District at Broomielaw on the North</p>
1 + 2 (+ 10 + 13)	<p style="text-align: center;">SECC QD2 Clyde Waterfront</p> <p>One of Scotland's key tourism projects, SE will contribute to construction of a new 12,500 seat National Arena at the SECC.</p>
1 + 2	<p style="text-align: center;">Advanced Forming Research Centre (AFRC)</p> <p>A purpose built research facility in Renfrewshire which will undertake engineering research using intellectual property and manufacturing methods that will deliver major productivity gains.</p>

APPENDIX C - SE Summary Statements on National Outcomes Contributions

C.1 National Outcome 1

We live in a Scotland that is the most attractive place for doing business in Europe.

SE's contribution to delivering the best possible business environment will focus on increasing access to investment finance and high quality business infrastructure. This will, in particular focus on the key sectors identified in Section 6 of this Report.

Equity investment funds – In response to both good evidence of impact and an increasing level of demand SE will increase its resources directed at supporting 'risk shared' equity-based co-investments in growing companies. We expect a high percentage of those investments to be with our account managed companies and in Scotland's key industries. We will build on good progress with an annual investment of £10m in the Scottish Co-Investment Fund. We will also increase our commitment to the Scottish Venture Fund, supporting equity investments from between £500,000 and £2m, and continue to invest up to £100k in new starts through the Seed

Fund. In each case we will seek private sector investment which at a minimum matches our contribution.

Physical infrastructure- Scottish Enterprise will make physical infrastructure investments primarily supporting key industries. These investments will be concentrated on a smaller number of high impact projects aimed at helping a key industry sectors grow faster. We acknowledge the impact that the credit crunch is having on the availability of finance for some of the joint investment partners that we work with and that this could impact on the speed in delivering any one individual project. We remain eager to make our contribution to the government action plans to handle the impact of the credit crunch and will continuously examine possible options to advance our capital spend.

Amongst the projects which we will be including in our plans for the next three years will be:

- the Advanced Forming Research Centre (Enabling Technologies in engineering)
- the Fife Energy Park and Energetica in Aberdeenshire (Energy)
- the Edinburgh BioQuarter and Centre for Regenerative Medicine (Life Sciences)
- the Scottish Exhibition and Conference Centre in Glasgow (Tourism).

These projects offer strong long-term returns.

We will continue to allocate £12.5million each year towards the furtherance of the country's Urban Regeneration Companies in Clydebank, Irvine, Inverclyde and the East End of Glasgow and South Lanarkshire areas where the Commonwealth Games will be held in 2014.

C.2 National Outcome 2

We realise our full economic potential with more and better employment opportunities for our people.

SE's contribution to this outcome will focus on working with businesses to help them grow and attract new investment to Scotland. We will continue to concentrate our services on those businesses where we can maximise our impact. Whilst we will support such growth businesses that can achieve scale from all sectors we would expect a high percentage among the key growth sectors.

Company growth support – We offer support to a wide range of companies, addressing key growth issues. For companies that we most intensively support, we appoint an account manager to make sure that the full range of services is made available. These services cover strategy development, business efficiency, organisational development and internationalisation. Also regarding research work, we are doubling our investment in the Scottish Manufacturing Advisory Service (SMAS). This offers a specialist service to manufacturing businesses, with an emphasis on SMEs. It helps to deliver increased productivity, usually in less than six months. We will work closely with partners to identify businesses that have the capacity and ambition to benefit from the account management approach.

Internationalisation/SDI – The work of Scottish Development International supports companies to break into international markets and help attract investors to Scotland. Our work will increasingly focus on account managed companies and the key industries. SDI has a long and impressive track record of delivery in attracting inward investment and in the current climate this is more important than ever.

C.3 National Outcome 3

We are better educated, more skilled and more successful, renowned for our research and innovation.

SE's contribution will focus on improving Scotland's performance on innovation, concentrating on:

- Increasing the commercial exploitation of Scotland's major strengths in science and research
- Stimulating innovation in the key industries and in growth companies beyond the traditional technology focus.

Scottish Enterprise has been investing vigorously in the development of intellectual property (IP) in partnership with the Intermediate Technology Institutes (ITIs) for Energy, Tech media and Life Sciences. The focus is now shifting towards getting IP from the ITIs into the company base. We will invest more of our resources in supporting companies that are building their future success on the exploitation of IP. The High-Growth Start-up Unit will be the model for this work.

We recognise the critical role high-growth start-ups, such as university spin-outs, play in realising the value from innovation and commercialisation. Company building describes the intensive support given to help new innovative ventures grow to significant "businesses of scale". This works best where companies have a significant technology dimension, usually reflected by their development or acquisition of major intellectual property (IP).

Within our key industries we will continue to invest in a portfolio of projects designed to stimulate innovation. In the life sciences industry the Translational Medicine Research Collaboration and the Edinburgh BioQuarter remain good examples of this. We will work closely with the national Industry Advisory Groups for each key industry to develop a pipeline of projects for each industry.

While SE will focus on the delivery of the first 3 National outcomes, we will also work with partners to achieve the ambitions set out in a further 4 National Outcomes.

C.4 National Outcome 10

We live in well-designed, sustainable places where we are able to access the amenities and services we need.

SE will contribute to delivery of this outcome through its business infrastructure and Regeneration role, as outlined under National Outcome 1.

C.5 National Outcome 11

We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.

SE will contribute to delivery of this outcome, primarily through our role in increasing sustainable economic growth. Specific contributions include our partnership role in Urban Regeneration Companies and supporting economic diversification in rural areas. SE will also contribute through continued support for the third sector – both supporting individual social enterprises through our business support services and working with partners to ensure an integrated approach to delivery of the Scottish Government's Third Sector Action Plan.

C.6 National Outcome 14

We reduce the local and global environmental impact of our consumption and production.

Scottish Enterprise's role is to contribute to the objectives of the Government Economic Strategy for sustainable economic growth; that is a dynamic and growing economy, while ensuring that future generations can enjoy a better quality of life too. The Government's targets are to reduce carbon emissions over the period to 2011, and by 80% by 2050.

Objective

Our objective is to assist the Government's ambition to transform Scotland to a sustainable and low carbon economy, by helping develop key (industry) sectors and the businesses within them to exploit the opportunities that will arise from tackling the challenges of sustainability and climate change.

Policy

Our focus is on Scotland's key sectors and our contribution to their growth, and our work to support productivity in the Scottish economy through our themes of enterprise, innovation and investment.

Key Sectors We will work with industry leaders to identify key environmental market opportunities, and embed sustainable development into our industry strategies.

Enterprise We will help companies to grow by identifying and promoting company investment in clean technologies and products. We will offer resource efficiency advice to all companies that we do business with.

Innovation We will promote research and demonstration projects, and support commercialisation focusing on low carbon products.

Investment We will seek to adopt best practice in our physical development projects, including detailing environmental requirements in project specifications. We will market and encourage environmental applications to our financial investment funds.

International We will promote international investment opportunities in Scotland, by marketing Scotland particularly linked to existing sustainable development strengths and the Government's ambitious targets on climate change, zero waste and renewable energy.

Action for 2009/12

Our priorities over the period 2009-12 in the area of promoting the carbon reduction agenda are to:

- Carry out an updated Strategic Environmental Assessment on our 2010-13 Business Plan. This will include details of how we will comply with our statutory duty to promote biodiversity;
- Review our role in promoting and exploiting clean technology opportunities;
- Work more closely with SEPA to improve the integration of environmental advice to businesses and to develop the environmental technologies sector;
- Help to identify opportunities and constraints affecting the ability of the Scottish economy to move towards becoming a low carbon economy; and
- Explore the opportunities and implications of adopting a high BREEAM rating for all future physical infrastructure projects.

C.7 National Outcome 15

Our public services are high quality, continually improving, efficient and responsive to local people's needs.

SE has simplified its governance and management structures and created a more flexible workforce. We have also increased the proportion of staff who are customer facing. These changes are designed to deliver more integrated services and a consistent high quality service to our customers. SE will continue to look at improving our operations and vigorously pursue the scope for shared services with other public sector agencies.

Additionally, in relation to the efficient government agenda is the premise that public sector partners should, where possible, share training to ensure the best value is achieved from these investments.

SE has made an offer to our Local Authority partners to start discussions on areas where training and development materials could potentially be shared and will make efforts to ensure that an open dialogue with Local Authorities and the wider Community Planning partnership continues.

SE will ensure that each Community Plan is distilled and disseminated amongst all its operational staff to encourage and grow understanding of the wider aims of partnership working through the community planning process.