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Scottish Enterprise

3rd November 2025

Daniel Johnson MSP
Convener, Economy & Fair Work Committee
Scottish Parliament
Edinburgh
EH99 1SP

Dear Convener,

Thank you for the opportunity to participate in the Committee's evidence session as part of its pre-budget scrutiny process. I hope the information shared on the day was helpful and I am pleased to provide further follow-up detail on additional topics as discussed.

Expenditure on Direct Support
The Committee was keen to understand the totality of expenditure on direct support to companies in 2024/25. The following aims to provide a break-down of our support where we can (percentages are based on our total costs before non-cash Expected Credit Losses):

- £44m of direct investment and £91.3m of grant funding was provided (50% of total costs); and
- £68.5m (77%) of our staff costs (25% of total costs) are for colleagues in customer facing roles and, although associated expenditure is accounted for as an 'operating cost', it is pointed entirely at direct company and project support. Indeed, as highlighted at the session, the knowledge, know-how and expertise of our staff is as greatly valued as financial support, by companies, and partners, we work with.

Additionally, £47.8m (18%) of our total costs covered both indirect support activities to support companies such as to develop and create the conditions that stimulate and encourage growth, innovation, and international investment (this for example includes the costs of delivering one:many programmes and external advice provided direct to companies); and our fixed costs (for example premises, travel, legal advice costs, and other day-to-day running costs).

The remaining £20.4m (7%) covers staff who enable the delivery of our frontline activity.

Information on grant awards made in FY 2024/25, and the proportion going to SMEs is provided further down this letter in the section on grant support.

We noted the Committee's observations regarding our Annual Report & Accounts and presentation of key expenditure information. These will inform preparations of 2025/26 Report with a view to considering improvements to the presentation of information and making it clearer.

Impact of our Activity and Measures
Our measures reflect the key drivers of productivity and economic growth and link to the national performance framework and measurement frameworks in key Scottish Government strategies. The table below shows the number of company and partner projects that contribute to them (noting that many contribute to multiple measures).

With regards the direct impact of our support on companies themselves and their operations, we cannot report on all the benefits a customers get from our support, but I do hope the company examples included as an annex to this letter provide you with a flavour of that type of detail, in particular related to productivity support and improvements.

Measure	**Measure value**	**Number of projects**
Planned jobs paying at least the real living wage	15,003	869
- of which planned higher paid jobs	4,150	833
Planned Innovation Investment	£442m	448
Planned Capital Investment	£1.2bn	226
Growth Funding raised	£367m	238
Estimated Export Sales	£2.5bn	896
Estimated CO2e Savings tonnes	1,449k	134

Business Support
As a national and international economic development agency, when it comes to business support, our focus is to work with companies, including SMEs, that are innovating, exporting, investing and adopting high-performance work practices with the aim of closing the gap in Scotland's economic performance.

Companies within SE's Account Management Model sit across three portfolios. The number of companies in each portfolio will change on a regular basis as companies often transition from one into another as they grow and scale or come on and off the Account Management portfolio dependent on their needs and growth prospects:

- **Early Stage** (pre-revenue up to £10m turnover). Current number in portfolio - **circa 220**
  Typically, high growth spinouts, start-ups and early-stage scale ups with the potential and ambition to scale in Scotland. SE's team of experienced specialists engage strategically with the company's leadership over a 12-36 month period to support ambitious growth plans. Our Entrepreneurship and Investment team also works with around 40-50 university projects (pre and post spinout) and they are currently supporting a cohort of 20 pre scaler companies through our Pathways to Scale programme which targets Female Entrepreneurs.

- **SME Growth** (10-250 employees). Current number in portfolio - **circa 550**
  Companies that SE supports to develop capabilities in innovation, internationalisation, increasing productivity, raising investment, or exploring new markets. Our support provides access to skills and expertise as well as accessing funding from the private or public sector.

- **Large Companies** (250+ employees, FDI and indigenous companies). Current number in portfolio - **circa 270.** SE support our large companies (including those with significant global presence) to support their ambitions in investment, internationalisation and innovation. Although their primary focus is growth, Global Account managers also support companies through safeguarding jobs in Scotland.

Across all our Account Management portfolios, we take an Account Team approach, bringing in internal and external resources, as and when required, to support the growth of the portfolio companies. Additionally, SE delivers a plethora of support in various forms to both account and non-account managed companies throughout the year including for example:

Financial:

- Co-investment and direct investment in the form of loan or equity to finance growth - as noted at Committee, we support around 100 companies a year via this activity - the vast majority of which are early-stage ambitious companies with significant scale up potential.
- Grant funding designed to support growth projects and leverage additional company investment, including products such as our SMART:Scotland and Small R&D grants targeted specifically at SME's. Over 90% of companies in receipt of grant products currently available via our Online Grant System are either micro or SME status and were awarded almost 70% of the funds available via the platform (see Annex 1 for further detail).

Non-financial:

- One-to-many/one-to-few activities, events and initiatives including, for example, preparing to export; international market events; meet the buyer and supply chain events; leadership development training; and international e-commerce
- A range of specialist expertise services such as SMAS, Financial Readiness, Workplace Innovation, Digital Transformation and Trade Advice amongst many others - as just one example, in 2024/25 931 companies accessed our International Trade Support (with over 70% recorded as SMEs).
- The Scottish Entrepreneurial Ecosystem Guide, a comprehensive directory of business support from startup to scaleup, backed by a team of SE Entrepreneurship specialists who can provide tailored signposting to support. Notably, the guide is SE's 4th most visited page and between August 2024 and October 2025 the guide was downloaded over 920 times with the page visited by individuals from 49 countries worldwide across 6 continents.

Our dedicated Enquiry Service (which we deliver on behalf of Business Gateway and Find Business Support) provides initial advice, guidance and signposting to non-account managed customers, triaging and directing them to the right team, service or partner organisation. Last year the team dealt with over 10,000 enquiries and supported over three and a half thousand companies.

The expert Research Service is universally available to all companies and pre-starts across Scotland. It offers impartial, high-quality intelligence allowing companies to make informed decisions, identify and mitigate potential risks and unlock new opportunities through strategic insights. There is high demand for the service - their market reports were downloaded 50,000 times in 2024/25 and bespoke research was provided to over 2,200 unique companies.

Grant Support and Funding Criteria

Scottish Enterprise provides grant support to a range of organisations including partners, universities, industry and sector specialists, as well as companies. SME's account for 91% of grant award recipients in FY 2024/25 (based on accepted offers where a purchase order has been raised in our finance system - note this is not directly comparable with figures on page 1 which are based on expenditure and include payments from awards made in previous years).

The majority of our grant products are available to customers via our Online Grant System (OGS) which is designed to offer a user friendly and efficient application and claims process. Annex 1 provides a breakdown of applications in 2024/25 for those grant products that are currently available on the OGS platform (noting that some products were only on-boarded part way through the year).

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Grant Funding Criteria
The eligibility criteria and amounts of grant funding available for projects varies depending on the objective of the funding, the subsidy basis and the value of support needed. Companies are given clear guidance on eligibility criteria from the outset to determine if a grant is suitable for them or their project. Some grants are only available to those companies already working with an account manager or a specialist. Where a company is not eligible for a particular grant our enquiry service or specialists can redirect them to more appropriate funding where available.

Public monies and grant funding can only ever be used to part-fund a project and conditions/associated targets will be factored in to offers dependent on the grant - for example, job targets, capital investment etc. Compliance with these will be tracked throughout the duration of the project prior to funds being made available for draw down.

Fairwork and Net Zero criteria are applied as standard across all grant products.

The table included in Annex 3 provides specific detail on eligibility criteria for some of our better known, more high-profile grant products - further detail on others is available at findbusinesssupport.com.

Long-Term Investment Analysis
The figures below provide a year-on-year breakdown of spend, income and write-offs from 2017 to March 2025, along with a cumulative figure with the total figures for the period from 2003 to 2017.

Providing annualised figures prior to 2017 would involve a significant and complex manual reconciliation exercise, requiring alignment of data across many sources including annual accounts, fund accounts, and other systems, while also adjusting for historical IFRS standards. Given the complexity and resource intense nature of the task, challenges with capacity, and conflicting demands and priorities we are unable to provide the annualised 2003-2017 figures at this particular time.

Investment Period	Spend (£m)	Income (£m)	Write Off, Cost (£m)
Pre 2017	445.70	137.99	82.19
2017 - 2018	47.02	18.47	5.81
2018 - 2019	59.96	34.71	9.73
2019 - 2020	91.47	49.46	18.19
2020 - 2021	114.39	96.11	6.94
2021 - 2022	54.08	106.6	12.89
2022 - 2023	56.70	26.59	24.20
2023 - 2024	52.77	32.39	17.88
2024 - 2025	42.52	33.89	19.56
Total (£m)	**964.61**	**536.21**	**197.39**

Productivity
The principle of improving productivity is reflected across our grant-making portfolio and is intrinsic to each of our missions. Whether supporting innovation, workforce development, infrastructure, or sector-specific growth, our support is designed to improve economic output and efficiency. In practice, this means that all our grants - regardless of their immediate focus - contribute to productivity outcomes.

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Increased capital investment in particular is recognised as a critical lever for improving productivity, which will have a disproportionate impact on Scotland's productivity performance. Our 'Boosting Capital Investment' Mission focuses on the things - such as physical assets, digital infrastructure, or innovation - that will directly enhance output per worker by improving the tools, systems, and environments in which people operate.

Given the importance of capital investment in tackling Scotland's productivity challenge, I wanted to share some of the most recent key developments within that specific Mission (I have also included some specific company examples at annex 3):

1. **MPCP - Manufacturing Property Challenge Programme (£35m)** - launched to deliver up to 600,000 sq ft of new or refurbished manufacturing space by 2029/30. Example of company supported to date: Colhoun Estates - a 35,000 sq ft new-build manufacturing facility at Plot 17, Gateway Glasgow. This project involves a high-spec build which supports energy-efficient growth facilities and high-value manufacturing.

2. **Capital Grant -** newly opened Capital Grant Support Programme with awards up to £15m. More flexible than RSA, enabling more impactful productivity-enhancing expansion projects. There is already a strong pipeline of transformational growth projects across priority sectors. Over 24/25 we engaged 662 companies to explore capital investment intentions and productivity drivers, identifying pathways to boost capital investment, ultimately contributing to productivity gains.

3. **Wage Levels -** the Mission targets higher quality, higher skilled, and better paid jobs. Projects are assessed for impact on income levels and living standards - and meeting threshold of sustaining or creating jobs that are paid at least the sector median salary.

4. **Leadership Ambition -** Leadership programmes focused on driving radical ambition and increasing risk appetite to support business leaders to reconfigure business models and unlock productivity. For example, the Workplace Transformation Programme supported 16 ambitious leaders to fast-track capital investment projects within their organization, with an average grant award of £30,000.

5. **Adopting Service Based Business Models -** SE is supporting companies to adopt service-based business models which see a shift from product ownership only to a service-based offering - so, for example, rental/lease options for a product - designed to foster customer relationships and create predictable revenue streams. extend product lifecycle, enhance customer value, and unlock new revenue streams.

I do hope the information enclosed along with the attached annexes is helpful to the Committee in its budget scrutiny work and helps brings to life further the work of Scottish Enterprise as a national economic development agency.

Yours sincerely

Kerry Sharp

KERRY SHARP
Chief Finance & Investment Officer

ANNEX 1

Online Grant System Awards for 2024/15 Breakdown

Table 1- Breakdown of Company Application Type per Grant Product

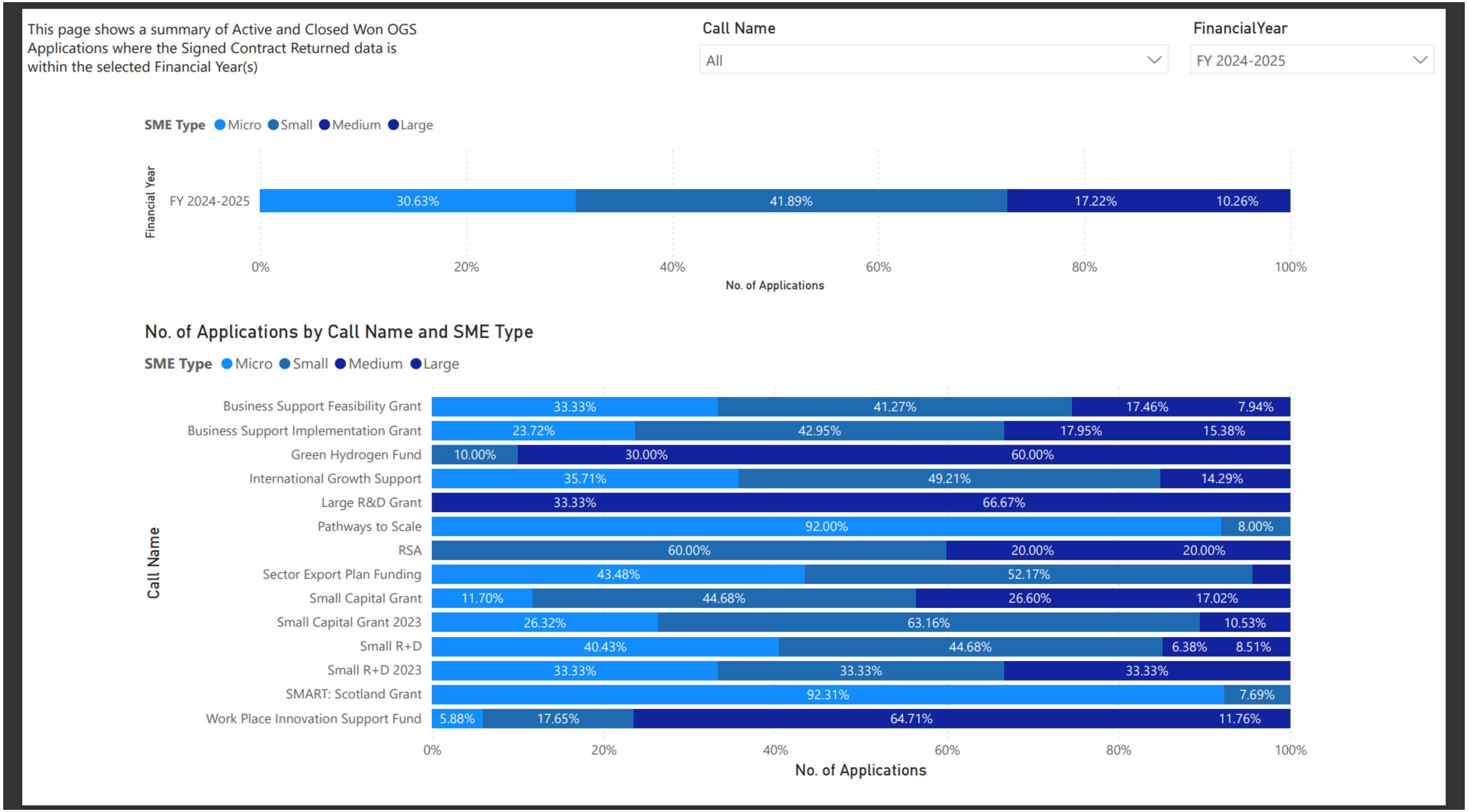
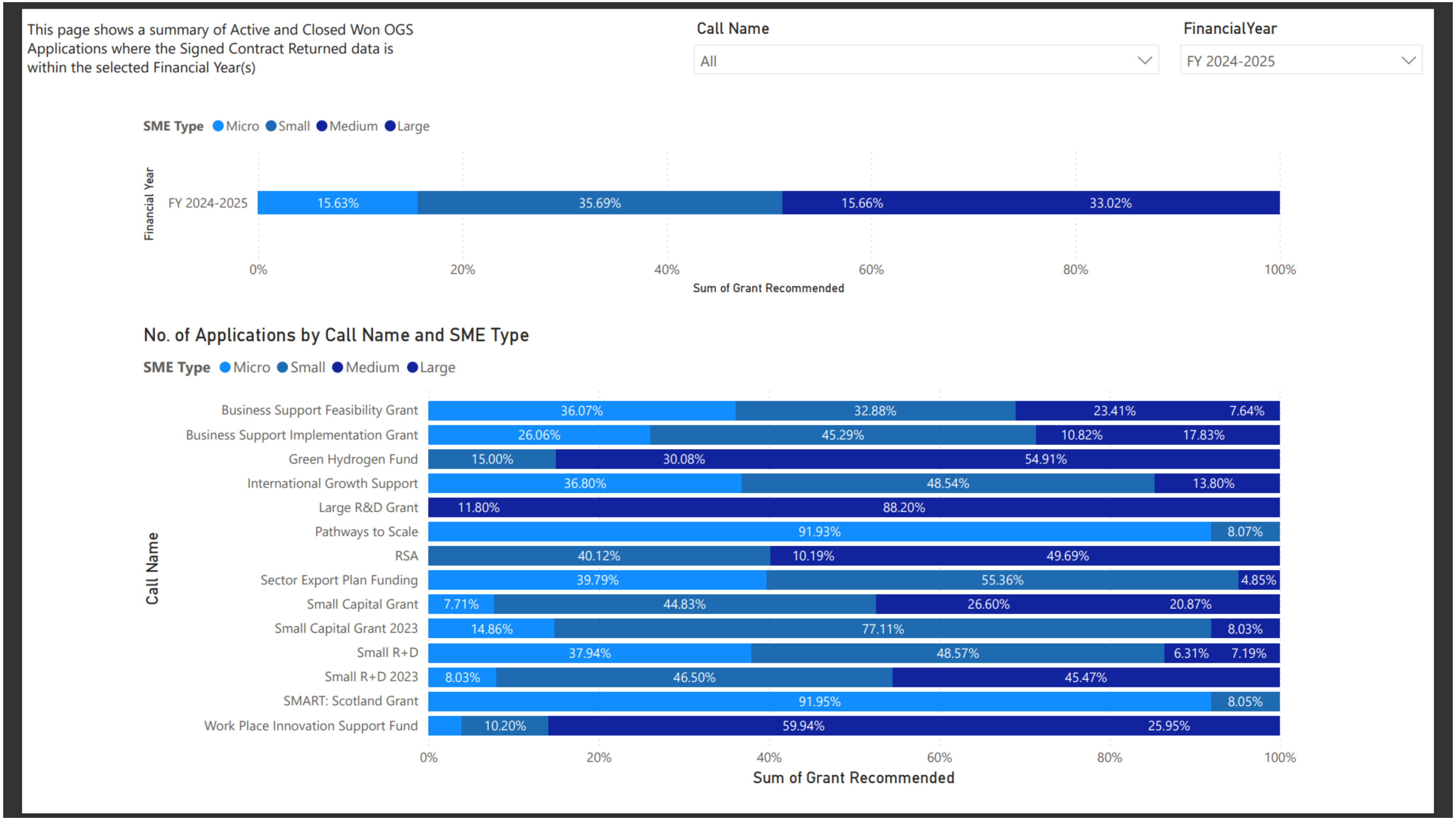


Table 2 - Breakdown of Grant Share by company type per Grant Product



Grant Criteria **ANNEX 2**

Grant Product	Eligibility Criteria	Level of Funding Available
SMART:SCOTLAND • R&D grant aimed at high-risk, highly ambitious projects. • Provides support to conduct feasibility studies. • Supports activities that have a commercial endpoint.	• Only available to SME's, university spin-out or an individual. • Company/individual must be based, or planning to set up, in Scotland. • Company/individual has secured or have a clear line of sight to private match funding for the project. • Project represents an advance in technological innovation for the UK industry or sector concerned. • There are technical risks and challenges associated with defining and developing the technology. • Company/individual owns, or has rights to use, the intellectual property required to undertake the project. • Company/individual owns all intellectual property developed during the project. • Company/individual has the necessary management and technical expertise and resources (either in-house or brought-in) to make the project a success. • Both the project and business are financially viable. • SMART: SCOTLAND funding is essential for the project to go ahead.	• Up to 70% of eligible costs for small enterprises • Up to 60% of eligible costs for medium enterprises. • Studies must last between 6 and 18 months. • Maximum grant is £100,000.
R&D Grant • Project must be new and innovative. • Can be an independent project, or one with a commercial partner, or where a company is carrying out technical work as part of a collaboration.	• The business is based in or planning to locate in Scotland, in the area served by SE. • The project represents a significant innovation for a company. • The company can demonstrate the idea has commercial prospects. • There are the necessary management and technical expertise and resources, either in-house or brought-in, to make the project a success. • The project cannot go ahead without the R&D grant or would proceed on a slower timescale or with a significantly reduced scope, which would have a detrimental impact on the commercial opportunity. • Both the project and the business are financially viable. Applicants are not eligible if: • They are a sole trader or charity. • Most of the R&D activity is being undertaken by third parties. • Work has already started or commercial contracts are in place. • The project focuses on routine or periodic changes or updates to products, processes or services and other operations, even if such changes may represent improvements. • The end product will have a known adverse effect on the environment and/or society. • The project is located in the Highlands and Islands or southern Scotland.	• SMEs working independently may receive a grant for between 35% - 50% of eligible costs. • Large companies working independently may receive a grant for between 25% - 40% of eligible costs. • Also available to consortiums (between two to six companies) carrying out eligible R&D at same levels stated above. • Minimum grant considered is £150,000.

Capital Investment Grant A discretionary grant aimed at encouraging capital investment and wage growth to deliver a step change in Scotland's economy.	Businesses can apply whether based in Scotland or not - although the project must take place in Scotland. The business may be Scottish-owned or headquartered outside Scotland. To qualify for funding, the project needs to meet all of the scheme criteria. It must: • Involve capital expenditure • Not offset job losses elsewhere • Be financially viable • Be mainly funded by the private sector • Demonstrate the need for grant funding to progress • Align with Scotland's net zero ambition. Projects are expected to last between 6 and 36 months. Funding will not be offered if a company is already committed to undertaking the project or where we believe it would proceed anyway without the grant. We also look for evidence that it delivers a measurable improvement to productivity and wages.	The amount of funding offered will depend on: • The size of the business • Our assessment of how much is needed for the project to go ahead Minimum grant considered is £150,000. If the project focuses on capital investment, the minimum size will likely need to be around £1 million. Dependent on the size of the business, different levels of funding are available: • Up to 40% of the eligible costs for a small enterprise • Up to 30% support for a medium enterprise • Up to 20% of the eligible costs for a large enterprise.

ANNEX 3

Productivity Support - Company Examples (Anonymised)

Example 1: Food Processor Dundee

Project Description	Purchase and commission of specialist Portioner including Static In-Weighing and Compact Grader.
Support Description	Direct financial support in the form of a small capital grant for £97,500 towards the purchase of the specialist cutting machine.
Impacts/Benefits	• 15 Safeguarded jobs • 112.9 tonnes of CO2 • £593k of efficiency savings • £655k capital investment • £848k UK sales. The grading machine allows for the automatic grading of steaks, into their respective pack sizes, to allow maximum yield from each muscle, by cutting to multiple weight targets. This new machine will enable the business to: • Increase throughput • Reduce costs • Safeguard and create jobs • Enable business growth.

Example 2: Design, manufacture and fabricator of steel structures, Lanarkshire

Project Description	Purchase and installation of specialist cutting machine.
Support Description	Direct financial support in the form of a small capital grant for £199,972 contribution to the purchase of a 5 axis CNC machine costing £550k.
Impacts/Benefits	• 14 Real Living Wage jobs • £550k Planned Capital Expenditure • 5 tonnes of CO2 • £1,500,000 UK sales • £100,000 international sales • £300,000 efficiency savings. The machine will allow for more multi axis cutting to be undertaken which will speed up the production process which will increase capacity and productivity as well as create a reduction in carbon. The new machine will allow the business to create: • New higher skilled roles • Safeguard existing roles • Increase throughput • Enable diversification into new markets • Improved wellbeing amongst staff.

Example 3: Technology Developer, Stirling

Project Description	Development of a Data Infrastructure and ERP platform to enable implementation of Machine Learning based productivity and production quality improvement.
Support Description	Attendance on the AI Readiness Programme and subsequent funding support in the form of a Small Capital Grant for £89,640, enabling the delivery of two work packages, including the implementation of the hardware and software solutions.
Impacts/Benefits	• New jobs 3 (Green jobs and 2 of which are high value) • Safeguarded jobs 50 (all Green and 30 of which are high value) • UK sales £5,000,000 • Capital Investment £87,946 • International sales £5,000,000 The ERP is a completely new solution and the data project provides a platform to assist their Data Scientist process and automate multiple processes, having a long-term impact, creating greater profitability and speeding up development.

Example 4: Metal Fabrication Company, Coupar, Fife

Project Description	Expansion project in order to satisfy increased demand for specialist processes for rolling, bending and pressing of heavy plates and tubular steel sections. SE support will help bridge a gap in available cash resources and mitigate risks.
Support Description	Direct financial support in the form of an RSA grant for £450,000. The project allowed the company to conduct a £2.5m Capital Investment project which involved building work and purchasing new state of the art rolling/pressing machines - increasing production capacity and capability.
Impacts/Benefits	• 10 New jobs • 35 Safeguarded jobs • £2.505m Planned Capital Expenditure • UK sales £2.954m • Increase in turnover from £4.4m y/end March 2024 to £7.4m in y/e March 2027. This expansion project enables the company to manufacture heavy walled tubular steel sections for the rapidly expanding Offshore Renewables market.

Example 5: Laser Company, Glasgow

Project Description	An expansion project allowing the company to move into new, larger, improved and more suitable premises in order to increase productivity and optimise opportunities.
Support Description	The £433,000 project was supported with £128,000 grant support from SE. SE has been involved in supporting the company since its early days and it has previously benefited from SMART and R&D grants to aid the development of its novel technologies, as well as specialist advice in the areas of financial readiness, intellectual property, workplace innovation, international markets and manufacturing excellence.
Impacts/Benefits	The new, larger premises bring improved productivity, greater operational efficiency, increased innovation capacity and the creation of three new full-time posts as well as safeguarding eight existing posts.