



T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

Lord Smith of Kelvin  
Chair, Scottish Enterprise  
By email: [robert.smith@scotent.co.uk](mailto:robert.smith@scotent.co.uk)

30 May 2022

Dear Lord Smith

## **SCOTTISH ENTERPRISE - 2022-23 STRATEGIC DIRECTION**

I am writing to set out my expectations of Scottish Enterprise (SE) for 2022-23. In doing so, I wish to express my gratitude for the way in which SE responded during 2021-22 to the ongoing challenges presented by the pandemic.

As you know, we published our National Strategy for Economic Transformation (NSET) on 1 March 2022, setting out our vision for strengthening the Scottish economy and ensuring that the benefits of success are shared by all. I would expect that both your strategy and operational business plan will focus effort and resources on delivering the actions and benefits of that strategy. In particular, I expect you to work with partners to:

1. Be entrepreneurial, support entrepreneurs and the development of an entrepreneurial mindset across the country in order to:

- increase the total number of successful new businesses created in Scotland, with a particular focus on supporting more women and other under-represented groups into entrepreneurship;
- increase the percentage of Scottish start-ups and existing mid-sized businesses that grow to scale;
- support alternative business models such as cooperatives, social enterprises and community-owned businesses;
- attract international entrepreneurs to Scotland; and
- build strategic partnerships with key entrepreneurial ecosystems in other countries.

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2. Strengthen Scotland's position in new markets and industries and help build successful businesses in areas where our human and natural capital and technology and research capabilities provide the basis of global competitive advantage. This will require focused action by you to:

- support innovation and business R&D in key industries and sectors with the greatest economic opportunity;
- shape and deliver the benefits of the forthcoming Innovation Strategy;
- promote strategic clusters to attract inward investment and strengthen local supply chains; and
- drive work to increase Scotland's exports.

3. Address the longstanding productivity gap in Scotland by supporting businesses to transform their business models through the application of data and digital technology, and focussing support on improving the productivity of businesses operating in internationally tradeable sectors.

4. Enable Scottish businesses to plan for, and realise the opportunities associated with a just transition to a net zero and the development of a climate resilient Scotland. This will require action to:

- support the growth of net zero investment and supply chains, prioritising the areas of greatest opportunity;
- help businesses baseline their climate risk and adapt their business models, in order to improve their climate resilience, protect critical domestic supply chains and future-proof productivity;
- contribute to the development of just transition plans for individual sectors and regions; and
- work with Scottish Government and other partners to develop proposals on how future funding for businesses can be linked to advancing the transition to net zero, in accordance with the Bute House Agreement.

5. Support Scotland's economy to promote wellbeing and fair work. I am aware of the progress that SE has made in this regard both as an employer and in the way in which you have applied Fair Work First criteria to your grants, procurements and other funding. The Bute House Agreement commits to strengthening our approach to conditionality and I therefore ask that you continue to show leadership in this space and require more companies to commit to fair work practices across their organisation when they work with you as grant recipients, project partners or contractors.

## **Governance**

Where appropriate, I expect SE to play an active role in the governance of each of the programmes described in NSET and be accountable to the new NSET delivery board for the delivery of specific actions included within these programmes.

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## Reform

NSET commits the Scottish Government to establish a programme to radically transform the way in which economic development activity is delivered across Scotland. I am encouraged by the support you provide to the Business Support Partnership and would expect you to build on that success and provide the staff and other resources required to shape and deliver a more comprehensive approach to reform that:

- is based on a thorough understanding of the needs of your customers;
- extends across and enables greater collaboration amongst all organisations that support economic development in Scotland;
- embeds digital technology at the very centre of your operating model through greater data sharing and the use of common operating platforms;
- reduces operating costs, particularly in areas that do not deliver front line benefits to service users;
- increases the accessibility of online information and services to Scottish businesses;
- provides robust mechanisms for measuring, reporting and making subsequent improvements to customers' experience.

In summary, I expect SE and its partners to develop a new target operating model that fully embraces the opportunities provided by digital technology to provide services that meet clear user needs in a cost efficient and measurable way.

## Spending Review

I expect SE to maintain a strong commitment to identifying and achieving efficiencies by maximising the impact of your interventions and ensuring that they deliver best value for public spending, as set out in the Scottish Public Finance Manual. In doing so, I expect SE to ensure that your business plan for 22-23 is deliverable within the budget allocated to SE.

I am also looking for your full participation in the preparation of the Scottish Government's Resource Spending Review. The reform programme described above will enable SE to refocus its activities in line with the anticipated resource allocation during the spending review period and I would therefore expect early action during 22-23 to enable SE to prepare for the challenges and opportunities this will bring.

## Sponsorship

The [Scottish Government relationships with public bodies: progress review](#) contains fourteen recommendations for improving how the Scottish Government manages its relationships with public bodies. The recommendations look to strengthen existing policies, address concerns, and allow for consistently effective sponsorship. I expect SE to work co-operatively with the Sponsor Team to consider the recommendations.

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## Conclusion

I hope this letter is helpful in setting out my expectations of SE. I look forward to seeing SE's strategy and annual business plan in due course and to further discussion on NSET delivery at our quarterly strategic engagement meetings.

Yours sincerely,



**KATE FORBES**

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