

SCOTTISH ENTERPRISE STRATEGIC DELIVERY BODY

Reporting Requirements for the Programme Monitoring Committee

1. Background

- 1.1 Scottish Enterprise as the Strategic Delivery Body (SDB) provides financial and physical performance information on a quarterly basis to the IAB in order that the IAB can fulfil its contractual responsibilities to the Scottish Government and in reporting to the Programme Monitoring Committee. This responsibility is in addition to the standard progress report required for the Eurosyst system and general monitoring that will be conducted during the Programme period. This includes monitoring of spend against the N+2 financial discipline, monitoring commitment levels in the context of the overall implementation of Priority 1, Research and Innovation, monitoring against the Priority indicators and targets. There is also a requirement for the IAB to ensure that the Priority does not exceed the approved average grant rate set out in the financial tables. For Priority 1 this is 45%.

2. The Quarterly Monitoring Report Format

- 2.1 Cumulative Summary of Financial Performance for the SDB under Priority 1 to March 2011

Financial Information expressed in £

	Number of Projects approved	Total Eligible Costs	Approved ERDF Grant	Declared Expenditure to date – March 2011 (estimated)	Grant to date (anticipated on claims to March 2011)	%age delivered
Supporting Commercialisation	2	31,325,541	14,096,493	21,322,186	9,594,983	68.10
Supporting Innovation	4	13,118,832	5,903,474	12,565,739	5,654,582	95.78
Total SDB	6	44,444,373	19,999,967	31,681,897	14,256,852	71.28

Notes

The SDB comprises two elements – Supporting Innovation and Supporting R&D and Commercialisation. The financial information in this report has been aggregated to SDB level for the period to 31 March 2011.

The expenditure noted above reflects anticipated eligible expenditure up to March 2011 for the projects within the 2 SDB ERDF applications. The spreadsheet attached shows eligible spend based on activity for each project and a summary for the SDB.

SDB activity started slowly in year one while reporting systems and compliance matters were addressed particularly in relation to grants to SMEs. Expenditure on the SDB has subsequently ramped up and SE is confident that this will enable the SDB outcomes to be delivered within the agreed extended timescale of March 2012. Projected match funding has now been confirmed following the Government Spending Review, allowing significant progress to continue to be made. A re-profile of the Supporting Innovation SDB has been approved to provide for the high demand in the key area of Innovation and R&D grants and enable ongoing support against grant commitments approved by SE.

The summarised changes are as follows

Removal of T-Tom as a distinct project as the support provided to client companies now forms part of the Innovation grants portfolio and will be evidenced through this support.
Removal of EDGE from the portfolio due to technical issues with eligibility of expenditure and changes to SE strategic priorities

Reductions in some projects as final expenditure is clarified allowing residual budgets to be transferred to Innovation Grants to meet increased demand.

A review of the Supporting Commercialisation SDB is underway in order to provide the necessary realignment to meet established demand.

Demand for Proof of Concept support remains high and this element will shortly reach full drawdown of the original budget with sufficient demand to ensure full delivery of an increased allocation within the extended SDB period. It is therefore proposed to transfer an element of funds from Intermediate Technology Institutes, where demand has been slower than anticipated, to meet increased demand for Proof of Concept.

The re-profiling of budget headings above, alongside the already approved time extension, will allow the SDB objectives to be fully delivered.

Financial progress to date

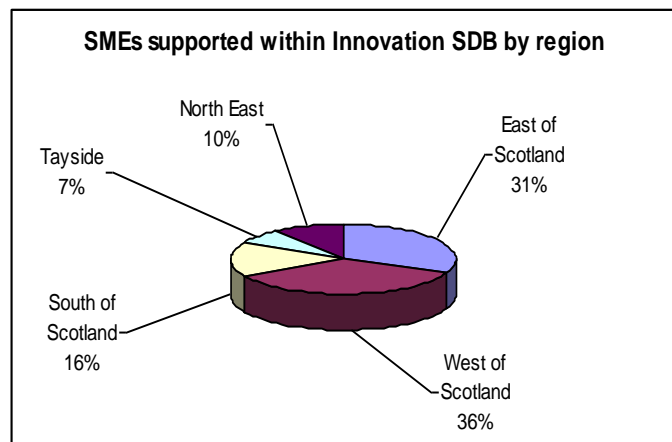
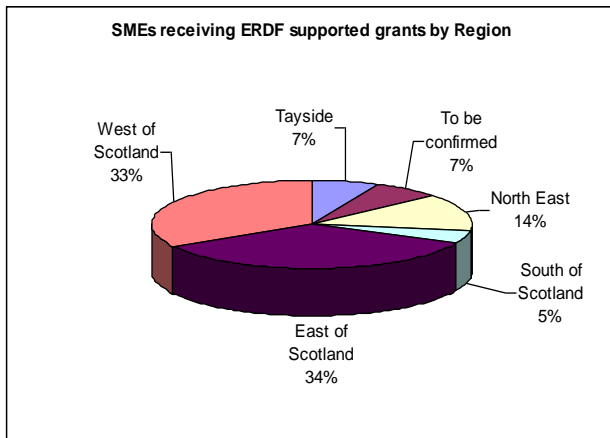
Supporting Innovation SDB

Significant progress has been made with the Supporting Innovation SDB – in particular Innovation and R&D grants for which SE continues to see increasing demand from client companies.

The South of Scotland Innovation Initiative is also performing well; other elements have seen a greater impact from the economic downturn leading to slower progress than originally projected which has led to the re-forecast described above.

An analysis of companies receiving ERDF supported grants is given below.

The first graph provides a geographical analysis of the percentage of SMEs who have received Innovation and R&D grants. The second shows the geographical distribution of companies who have received support across the range of Innovation SDB products, including Innovation & R&D Grants, South of Scotland Innovation Support, Winning through Innovation, Digital Media Initiative, Wellness and Health and Innovation Advisory support.



Supporting Commercialisation SDB

Within the Supporting Commercialisation SDB, Proof of Concept (POC) has been performing well against financial budget and as of March 2011 has exceeded the original profile of spend. ITI commenced one year later than POC within the SDB and given the time needed to deliver projects is not likely to achieve the original forecast level within the remaining SDB period. A Notification of change is in process to transfer some funds out of ITI into POC. This will allow POC to continue delivering approved and committed projects during the remainder of the SDB lifecycle.

Targets achieved to date

The SDB is making good progress against targets in a number of areas. Review of performance against targets continues as part of SE's regular monitoring and evaluation process and preliminary results have been included below. Following confirmation from SFD that they will conduct a strategic review of SDBs focusing on process rather than project performance, SE is now assessing the need and timescales for evaluation of individual projects within the SDB. Independent post project evaluation of the SDB will provide key evidence to support results achieved as a consequence of the interventions.

SE believes that the target set for number of enterprises assisted may be a little high, largely due to the fact that the SDB includes a range of different products offered by SE. Companies may access a range of these products over the SDB period and demand trends now indicated a higher than anticipated number of companies obtaining more than one support product from the SDB portfolio. This issue will be discussed with the Managing Authority staff during a 60b monitoring visit in June for the Supporting Innovation SDB.

Details of the progress to March 11 are given in the following tables. It should be noted that achievements against many of the results and impacts will only become available through the planned evaluation. An evaluation has recently been undertaken of Innovation Grants and this will provide information to report some progress against some eligible grants to date. SE project managers are also undertaking reviews against project delivery to determine what other progress has been made on other elements of the SDB.

2.2 Analysis of SDB Priority 1 Indicators

Supporting Commercialisation targets and results

Approved Indicator - outputs	Approved SDB Target	Forecast Targets to date	% Allocation of funding Committed	% SDB Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% SDB Target met by Actual
Number of enterprises supported	150				41		27%
Number of research networks and collaborations supported	110				0		0%
Number of renewable energy research projects supported	16				5		31%

Supporting Commercialisation

Approved Indicator – results and impacts – to be confirmed through evaluation	Approved SDB Target	Forecast Targets to date	% Allocation Committed	% SDB Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% SDB Target met by Actual
Number of new products and services developed by supported enterprises and research centres	70				48	0	70%
Increase in turnover by supported enterprises (£m). Post programme evaluation will provide evidence	1				0	0	0%
Number of new products and services developed by supported research networks	30				1	0	3%
Number of gross jobs created	90				72	0	80%

Supporting Innovation targets and results

Approved Indicator - targets	Approved SDB Target	Forecast Targets to date	% Allocation Committed	% SDB Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% SDB Target met by Actual
Number of enterprises supported	2,295				1,330		58%
Number of research networks and collaborations supported	90				42		47%
Number of renewable energy research projects supported	22				2		9%

Supporting Innovation targets and results

Approved Indicator – Results and impacts - to be confirmed through evaluation	Approved SDB Target	Forecast Targets to date	% Allocation Committed	% SDB Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% SDB Target met by Actual
Number of new products and services developed by supported enterprises and research centres	266				42		16%
Increase in turnover by supported enterprises (£m). Post programme evaluation will provide evidence	22				0		0%
Number of new products and services developed by supported research networks	20				0		0%
Number of gross jobs created	1034				0		0%

The SDB will provide data in relation to the indicators in the application and the progress against those indicators to date.

3. Additional Reporting Requirements

- 3.1 In addition to the standard reporting format against the indicators provided above an indication of operational factors impacting or having the potential to impact on the implementation and the overall performance of the Strategic Delivery Body, should also be provided, where appropriate.

The Scottish Government have indicated areas of reporting as follows:

- a. size of enterprises receiving financial support
- b. support on start-up advice/consultancy and e-commerce
- c. energy-saving and resource efficiency activity

in line with Article 66 of the General Regulation.

Scottish Enterprise will include a breakdown of micro, small and medium-sized enterprises that have been assisted with the funding.

Scottish Enterprise currently reports on the overall impact of SE products and interventions on company performance. These reports do not relate solely to individual EU funded support. It is anticipated that much more additional impact will be revealed over and above the numbers required in the report, from the results of an independent analysis of the SDB which will be undertaken at the end of each element.

The SDB does not support direct start up advice or consultancy nor is it designed to support e-commerce. Eligible e-commerce activity would be claimed in the Business Efficiency activity under Priority 2. It is therefore unlikely that direct impact on start up activity will result from SDB interventions.

For the same reasons it is not practical to address this requirement prior to final evaluation. There is a target for number of renewable energy research projects supported in the SDB. Some of the activities SE delivers in relation to energy saving and resource efficiency are more appropriate to Priority 2 and would be supported within the Priority 2 approved Business Efficiency ERDF project. Discussions are underway with the Managing Authority to agree how best to present these impacts.

LUPS/11/02/06
ANNEX 3
FOR INFORMATION

Supporting Innovation summary to March 2011

Project	Revised budget (projected)	Total estimated eligible spend to March 11	Balance still to be spent (2011/12)	Total spend anticipated	Percentage spend to date
Innovation and Winning through Innovation	9,889,325	9,629,784	259,541	9,889,325	97.38%
Wellness and Innovation	1,380,557	1,309,968	70,589	1,380,557	94.89%
South of Scotland Innovation	1,101,000	1,012,759	88,241	1,101,000	91.99%
Digital Media Initiative	747,950	612,213	135,737	747,950	81.85%
Total Expenditure	13,118,832	12,564,723	554,109	13,118,832	95.78%
ERDF Grant	5,903,474	5,654,126	249,349	5,903,474	

Supporting Commercialisation summary to March 2011

Project	Revised budget (projected)	Total estimated eligible spend to March 11	Balance still to be spent (2011/12)	Total	Percentage spend to date
Proof of Concept	12,871,541	13,256,690	0	13,256,690	102.99%
ITI	18,454,000	8,277,304	8,277,304	18,068,851	53.06%
Total Expenditure	31,325,541	23,048,237	8,277,304	31,325,541	73.58%
ERDF Grant	14,096,493	10,371,707	3,724,787	14,096,493	