

SCOTTISH ENTERPRISE STRATEGIC DELIVERY BODY

Reporting Requirements for the Programme Monitoring Committee

1. Background

- 1.1 Scottish Enterprise as the Strategic Delivery Body (SDB) will require to provide 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 Date

Financial Information expressed in £

	Number of Projects approved	Total Eligible Costs	Approved Grant	Declared Expenditure to date – June 2010	Grant paid to date (anticipated on submission of claims to 2010)	%age delivered
Supporting Commercialisation	2	31,325,541	14,096,493	16,414,039	7,386,317	52.40
Supporting Innovation	6	13,118,832	5,903,474	8,713,774	3,921,198	66.42
Total SDB	8	44,444,373	19,999,967	25,127,813	11,307,516	56.54

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.

The expenditure noted above reflects eligible activity up to June 2010 for the projects within the 2 SDB ERDF applications. The spreadsheet attached shows eligible spend based on activity to June 2010 for each project and a summary for the SDB.

SDB activity was anticipated to be slow in year one while reporting systems and compliance matters were addressed particularly in relation to grants to SMEs. Expenditure on the SDB has ramped up and SE is confident that this will enable the SDB agreement to be delivered over the long-term although it is not yet clear how the Government Spending Review will affect SE available funds. SE has submitted a request for an extension to the timescale for delivery of the agreement to help address issues resulting from the spending review and availability of match funding both for SE and the companies supported within the SDB. The Notification of Change (NOC) requests an extension for delivery of project activity until 31 March 2012. It is anticipated that this will allow significant progress to be made. This is the first stage in a process of full review of the SDB. Once SE's budget is confirmed, it may be necessary to re-priorities projects or amend the budget profile of individual projects within the SDB in a further NOC.

A further NOC Change will be submitted following the announcement of budgets for SE. A review of our legal commitments and available budget will determine whether any changes are necessary to the profile of SDB projects or if any scope exists to include additional projects currently under consideration. SE has reviewed in particular the grant elements of the SDBs and at present, the level of commitments related to grants offered to eligible companies is sufficient to fully utilise the planned budget profile in the SDBs. It is likely that this will lead to a request to transfer budget to this element from other budget headings as part of the planned re-profiling.

SE would expect that if the time extension is granted alongside any necessary re-profiling of budget headings, this will allow the SDB to be fully delivered and will help to ensure that SE has appropriate levels of match funding to support this.

Elements of the SDB expenditure are performing well while others have been slower to achieve expenditure e.g. grant expenditure in the Commercialisation and Innovation SDBs are generally performing well with enterprises drawing down grants. The South of Scotland Innovation Initiative is also performing well; other elements have been slower than expected.

One element of the SDB has not demonstrated spend yet. T-Tom was originally planned as a stand alone project within the SDB. However, significant elements of the project are now delivered as part of the Grant Intervention Framework. This will result in movement of spend into the Innovation and R&D grants element of Supporting Innovation as part of the planned NOC.

Further discussion will also be necessary in connection with the EDGE project which may be subject to a significant change over the coming months that will impact on the SDB.

Within the Supporting Commercialisation area, spend on Proof of Concept is fairly well on track particularly in relation to grants. It may be necessary to re-direct more expenditure in the ERDF programme to this area to fulfill legal commitments.

Intermediate Technology Institutes (ITI) spend is less than anticipated for this point in time and the reasons for this are under review.

SE will seek an extension to the timescale for the delivery of the SDB agreement in order to achieve drawdown. SE is also reviewing the full portfolio of projects to determine whether there will be difficulty in achieving full drawdown.

Targets achieved

The SDB is making progress against targets in a number of areas. The next progress report will include an update on targets achieved and is expected to show marked improvement particularly for some impacts and results as a number of projects have completed and products and processes have been developed.

SE believes that the target set for number of enterprises assisted may be a little high. This is largely due to the fact that the SDB includes a range of different products offered by SE. Companies may access a range of these over the SDB period and the impact of this may have been underestimated when the SDB was agreed. The planned NOC will address this issue,

Details of the progress to June 2010 are given in the following tables. It should be noted that achievements against many of the results and impacts will only become available through evaluation. An evaluation has been undertaken of Innovation Grants and this will allow us to report 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

COMMERCIALISATION

Outputs

Approved Indicator	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		20%

Results and Impacts

Approved Indicator	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				1	0	0
Increase in turnover by supported enterprises (£m)	1					0	0
Number of new products and services developed by supported research networks	30				1	0	3%
Number of gross jobs created	90				61	0	66

INNOVATION

Outputs

Approved Indicator	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	2295				1062		46%
Number of research networks and collaborations supported	90				42		47%
Number of renewable energy research projects supported	22				2		95

Results and Impacts

Approved Indicator	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				26		9%
Increase in turnover by supported enterprises (£m)	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 at 2.2 should give an indication of operational factors impacting or having the potential to impact on the implementation and the overall performance of the Strategic Delivery Body.

The Scottish Government require reporting on the following

- 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.

Responses to the comments above are as follows:

- a All activity and expenditure relates to agreed target groups for each individual project. This would be SMEs or in the case of Proof of Concept eligible institutions. All support is checked to ensure enterprise eligibility for ERDF. Discussion will be necessary on how this is to be presented as this will be administratively difficult to capture in the way described by class of SME.
- b 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 unclear why this is represented here as an indicator for the SDB.
- c At this stage, it is not possible to address this. 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. Clarification required regarding this aspect.

Scottish Enterprise will require clarification of how these aspects are to be addressed so no response can be provided at this stage.

Scottish Enterprise Innovation SDB summary LUPS/ERDF/2008/1/1/0498

SDB spend April 08 - March 09

Innovation summary to March 09	Profile	Total eligible spend	Claim 4 to March 09	Claim 7 - April - December 09	Claim 8 - January - March 10	Claim 9 Apr - June 10	Total
Innovation and Winning through Innovation	7,866,000	6,408,480.67	988,466.77	2,683,447.39	1,213,073.18	1,523,493.33	6,408,480.67
EDGE	912,290	189,600.68	189,600.68	0.00	0.00	0.00	189,600.68
Wellness and Innovation South of Scotland	1,771,055	884,362.96	242,347.38	391,390.79	133,101.87	117,522.92	884,362.96
Innovation	981,000	844,360.69	187,647.89	315,284.90	93,582.82	247,845.08	844,360.69
Digital Media Initiative	783,419	386,968.45	0.00	0.00	122,657.33	264,311.13	386,968.46
T-Tom	805,068						0.00
Total	13,118,832.00	8,713,773.45	1,608,062.72	3,390,123.08	1,562,415.19	2,153,172.46	8,713,773.46
ERDF	5,903,474.40	3,921,198.05	723,628.22	1,525,555.39	703,086.84	968,927.61	3,921,198.06
Expenditure declared in claim			1,608,063.00	3,399,026.00	1,553,513.00	2,153,172.46	8,713,774.46
ERDF			723,628.35	1,529,561.70	699,080.85	968,927.61	3,921,198.51