

Scottish Government Business Policy Overview, 2021 to 2023

Introduction

This document provides an overview of the Scottish Government's business-related policies from 2021 to 2023. The report is split into the following sections on current policy actions:

- 1. Business guidance and advice*
- 2. Access to finance*
- 3. Business Regulation*
- 4. Innovation*
- 5. Entrepreneurship*

The information provided may be used to give insight and inform on how the TPI & Scottish Forum's research programmes & other work relates to Scotland's current policy landscape from 2021 to 2023.

1. Business Guidance and Advice

Scottish Government business guidance and advice policies are centred around the core principle of supporting growing businesses. Their most recent policy actions reflect a policy approach committed to achieving a “wealthier and fairer Scotland through ensuring that Scotland’s businesses have every opportunity to grow and succeed” and that the appropriate support is available from a governmental position to help them do this¹.

- Central aims to help **small and medium-sized enterprises (SMEs)** make a positive impact both locally and nationally.

General Support

Giving local authorities the resources to deliver ‘Business Gateway’ (BG), providing business support and advice relating to:

- Funding
- Planning
- Financial management
- Marketing
- Sales
- Growth

The BG service is available to businesses at all stages, from start-ups to larger firms. BG services include:

- Online information, events & workshops
- One-to-one support
- Assistance in clearing bureaucratic & logistical hurdles
- Help to pursue finance and funding opportunities
- Advice on exporting and products

¹ Scottish Government, ‘Supporting Business’ (2023): <https://www.gov.scot/policies/supporting-business/>

Recruitment & training

The Scottish Government has taken the initiative to fund its national skills body ([Skills Development Scotland](#)), offering recruitment and training guidance for employers including the free-of-charge Skills for Growth diagnostic tool, designed to help businesses understand their training needs to meet objectives and achieve growth goals.

Specialist support

Scottish Government's business policy has recently started to take a more nuanced approach, funding a range of specialised support - especially in the rural economies and key struggling sectors such as food & drink, tourism, and the creative industries. Some examples are seen below:

- **Rural:** [Growbiz](#):
 - o Community-based enterprise support organisation in Perth & Kinross business support through:
 - One-to-one meetings
 - Peer support
 - Learning sessions
 - Mentoring
 - Training
 - Networking
- **Food & Drink:** Support through initiatives such as Connect Local, which delivers the [Connect Local Regional Food](#) Fund and supports the growth of local food & drink businesses.
- **Tourism:** Building support networks of Visit Scotland, including one-to-one support from industry relationship managers, [marketing toolkits](#) and a specialised [Visit Scotland Growth Fund](#).
- **Creative:** Range of support for businesses in the creative industries, funded mainly through Creative Scotland and the [Cultural Enterprise Office](#) as well as organisations dedicated to specific tourism sub-sections:
 - o Craft Scotland
 - o Screen Scotland
 - o Scottish Music Industry Association
 - o Publishing Scotland

Scottish Government policies on business guidance and advice centre around the development of support networks & funding

The Scottish Government's policy approach to business guidance and advice centres around the core principles of developing strong business support networks and continued funding for under-served and vulnerable sectors.

Sectors such as tourism & the creative industries, which have been major players in the lagging of Scottish productivity are especially being targeted by business-supporting policy actions and funding schemes in an attempt to reinvigorate their stuttering performance

Focus on helping SMEs through funding and support highlights the need for a combined top-down, bottom-up approach to improving Scottish productivity, with the help needed at both ends of the productivity pyramid.

2. Access to Finance

Scottish Government policy on access to finance focuses again on the importance of SMEs. SMEs are seen as a vital part of the Scottish economy, contributing significantly to economic growth. Ensuring they have access to the finance they need to succeed, and grow has become an important business policy directive for the Scottish Government.

The main policy directive granting ease of access to finances for SMEs is the ‘**Scottish Growth Scheme**’:

The Scottish Growth Scheme (SGS)

The SGS is a programme of Government commitment by the First Minister – offering up to £500m of financial support to help businesses (particularly SMEs) to grow. This is being delivered through several different initiatives split into 3 sub-categories: **microfinance, loans, and equity**²:

- **DSL Business Finance** (microfinance):
 - Provides loans of up to £25k to start-ups and small businesses.
- **Business Loans Scotland** (loans):
 - Provides loans in the range of £25k - £250k for SMEs with growth ambitions.
- **UMi Scotland** (loans):
 - Provides loans in the range of £25k - £250k for SMEs with growth ambitions.
- **Foresight** (equity):
 - Provides equity investment up to £2 million within a deal ceiling of £10 million for SMEs with identified ‘high growth potential’.
- **Techstart** (equity)
 - Provides equity investment of up to £2 million within a deal ceiling of £10 million for high-growth start-ups and young, innovative SMEs³.

² Scottish Books International, ‘Scottish Growth Scheme’ (2023): <https://scottishbooksinternational.org/scottish-growth-scheme/>

³ Scottish Government, ‘Policy: Supporting Businesses’ (2023): <https://www.gov.scot/policies/supporting-business/finance/>

SMEs are at the core of Scottish Government policies on access to finance

SMEs are again highlighted as critical to developing the overall Scottish economy. Tailored policy directives and initiatives to provide financial support and funding for SMEs through loans, equity & microfinance options aim to support the growth and development of SMEs throughout their growth journeys.

A particular focus is given to tech SMEs, which are given the opportunity for the highest ceiling of equity support.

3. Business Regulation

The Scottish Government's approach to business regulation takes an enabling stance, aimed at making it easier to do business in Scotland by improving Scotland's regulatory landscape and making Scotland more competitive. The Scottish Government hopes to achieve this through a policy action of '**Better Regulation**'. This is enacted through 3 main policy initiatives & by stressing the importance of non-regulatory options at the outset of policy development, to ensure the cost/benefits of each option are weighed and considered equally:

1. Business and Regulatory Impact Assessments (BRIAs)
2. Voluntary Regulation
3. Regulatory Reform (Scotland) Act, 2014

Better regulation principles:

The Scottish Government's Better Regulation agenda aims to unload and reduce unnecessary burdens on business by ensuring regulation follows the principles of being:

- Proportionate
- Consistent
- Accountable
- Transparent
- Targeted only where needed

BRIAs:

*"BRIAs are designed to help assess the likely costs, benefits and risks of any proposed primary or secondary legislation, voluntary regulation, codes or practice and/or guidance that may have an impact on the public, private or third sector"*⁴

⁴ Scottish Government, 'Business and regulatory impact assessment: toolkit' (14th December 2022): <https://www.gov.scot/binaries/content/documents/govscot/publications/advice-and-guidance/2022/12/business-regulatory-impact-assessment-toolkit/documents/business-regulatory-impact-assessment-toolkit/business-regulatory-impact-assessment-toolkit/govscot%3Adocument/business-regulatory-impact-assessment-toolkit.pdf>

- Scottish Government recommends always completing BRIAs as best practice to:
 - o Confirm understanding that the impact will not change
 - o Address unintended impacts which have not been identified

BRIA completion guidance is provided here:

- [BRIA toolkit](#)
- [BRIA template](#)

Voluntary regulation

Whilst less common than top-down regulatory initiatives, Scottish Government policy directives are inclusive toward voluntary regulation – i.e., regulation where industry groups create their own agreements, pledges, codes of practice, certification, and accreditation schemes to regulate norms, behaviours, and standards.

One such example can be seen here in the [Scottish Retail Consortium’s Framework for Government-Sponsored Voluntary Regulation](#) in the retail/customer-facing sector.

*Regulatory Reform (Scotland) Act, 2014 (RRS 2014)*⁵

The main purpose of the RRS 2014 was/is to improve the way regulation is developed and applied and to deliver consistent and proportionate regulation. The idea behind this is to create generally more favourable business conditions in Scotland, along with supporting improvements to the environment.

The RRS includes provisions that enable:

- [The Scottish regulators’ strategic code of practice:](#)

⁵ The National Archives, ‘Regulatory Reform (Scotland) Act 2014 (2014): <https://www.legislation.gov.uk/asp/2014/3/enacted#:~:text=An%20Act%20of%20the%20Scottish,to%20the%20environment%3B%20to%20make>

- This informs regulators how they should apply regulatory principles and good practices to contribute towards sustainable economic growth (ecological narrative)
- [The national standards for mobile trader food hygiene:](#)
 - These were developed to provide consistency, transparency, efficiency and effectiveness in the implementation and enforcement of food hygiene regulations

Combining industry-led & top-down regulation to improve competitiveness

The Scottish Government's 'Better Regulation' principles combine with its SRS 2014 to outline a policy directive that is aimed at loosening bureaucratic red tape on business regulation, promoting proportionate, consistent, accountable, transparent, and targeted regulatory practices to boost economic competitiveness.

The Scottish Government's regulatory business policies also recognise the importance of voluntary & industry-led regulation through the creation of standards and norms at the industry level. This may be beneficial in complex industries where expertise is required, and government-level interference may hinder regulatory progress.

4. Innovation

Encouraging innovation is seen as a key pillar of the Scottish Government's vision to create a flourishing and enabling environment for short, medium, and long-term growth, emphasising the importance of “*developing and manufacturing the technologies of the future*”⁶.

- After all, Scotland has a long history as an ‘innovation nation’, television, toasters, ATMs, and Ultrasound are all Scottish inventions!

Scottish Government policy directives include 3 main areas for encouraging innovation:

- 1. Expansion of its Innovation Action Plan (2017)**
- 2. Business Support for Innovation**
- 3. Programme for Government (PfG)**

The Scottish Government has begun to recognise the importance of investing in R&D to support their vision for an innovative Scotland:

- Set a target to grow its Business Enterprise Research and Development (BERD) expenditure to £1.75 billion by 2025
- Committed an additional £45m from FY2018/19 to FY2020/21 for business R&D grants to support this upscaling of R&D expenditure

Innovation action plan

Since the Scottish gov initially published its Action Plan in 2017, it has continued to support business creation, growth, and innovation by enacting the following principles of the plan:

- Directly encouraging more business innovation
- Using public sector needs and spending to catalyse innovation (ties into increased R&D expenditure)

⁶ Scottish Government, ‘Policy: Supporting business: Innovation’ (2023): <https://www.gov.scot/policies/supporting-business/innovation/>

- Supporting innovation across sectors and workplaces
- Making the best use of university research knowledge & talent to drive growth & equip Scottish people with the tools and skills required to innovate
 - o Importance of intertwining education and academia, innovation, and business-focused policymaking

Business support for innovation

The Scottish Government and its partners have set up the [Business Support](#) and [Business Gateway](#) websites, aimed at helping businesses of all sizes and sectors across Scotland to find business support. Initiatives are aimed at helping reduce running costs & addressing food security concerns (since the pandemic and destabilisation following the conflict in Ukraine) and helping develop entrepreneurial business ideas for innovation.

- The Business Gateway website also provides information for existing businesses on support for innovation and R&D:
 - o This is designed to encourage support for businesses who plan to research and develop new products and/or services through:
 - Funding for R&D
 - Tax credits
 - Governmental support
- [Scottish Enterprise](#) also provides innovation support directly to Scottish-based companies:
 - o Advice on securing investment
 - o Introductions to project partners with industry and academia
 - o Digital solutions & intellectual assets advice

Programme for Government (PfG)

The Scottish Government takes a somewhat holistic approach to innovation, viewing it as part of an ecosystem where businesses can survive and grow. [Their Programme for Scotland \(2020/21\)](#) outlines the policy actions they are planning to take to drive innovation⁷:

- Academic knowledge created in colleges and universities is vital in skills creation, which in turn is vital for innovation
- Emphasis on driving growth within ‘most promising sectors’:
 - o Software
 - o Fintech
 - o Data / big data-driven business
- Building closer links between the private and public sectors

Investment in R&D, business support provision and emphasis on the digital sectors to drive Scottish innovation

Scottish Government policy actions for driving innovation promote stronger linkages between the public and private sectors, including academic institutions to develop skills that will drive Scottish innovation.

Emphasis is given to the importance of innovation in the digital technology sectors such as Fintech, software development and data-driven businesses, as Scotland moves into the Industry 4.0 era it will likely rely on these sectors to drive innovation: a key pillar of productivity.

⁷ Scottish Government, ‘Protecting Scotland, Renewing Scotland: The Government’s Programme for Scotland 2020-2021’ (1st September 2020): <https://www.gov.scot/publications/protecting-scotland-renewing-scotland-governments-programme-scotland-2020-2021/>

5. Entrepreneurship

Tying in with the previous sections on innovation and access to finance (particularly for promising SMEs), the Scottish Government takes an encouraging approach towards entrepreneurship.

Programmes such as [Scotland CAN DO](#) (SCD) are aimed at working with public, private, and third-sector partners towards a common goal of improving Scotland's entrepreneurial landscape. SCD is made up of 2 main pillars - designed to promote a 'can do' culture across:

1. Business
2. Youth and education

Business

The Scottish Government's recent policy approach encourages businesses to start up, grow and innovate through various programmes – usually based on financial incentives:

- Annual investment in the [Scottish EDGE Fund](#) competition, for Scotland's most talented, promising, and ambitious entrepreneurs at the early stage of business development
- Promoting alternative and progressive business models through programmes such as [Co-operative Development Scotland](#) and [Scotland for Employee Ownership](#)
- Continued investment in a flagship development fund; [Unlocking Ambition](#), designed to support young companies that are in the process of taking steps towards transformational growth

Youth and Education

The Scottish Government's approach to entrepreneurship has shifted to be more inclusive and encouraging to young people and students through actions such as:

- Continued support of the [Bridge 2 Business initiative](#) – offering college & university students first-hand opportunities to engage with entrepreneurial role models from established self-made businesses
- Encouraging teachers to introduce enterprise and entrepreneurial thinking to students at the secondary education level through programmes such as [Scotland's Enterprising Schools](#)

- Working with the [Scottish Institute for Enterprise](#) & [Young Enterprise Scotland](#) – aimed at promoting collaboration across tertiary education, providing Scotland’s college & university level students with more unified and approachable programmes
- Supporting gender equality initiatives through the [Women in Enterprise Framework and Action Plan](#) (2017) to tackle the gender gap in start-ups, and supporting female-led initiatives such as⁸:
 - o Investing in Women’s [AccelerateHER](#) programme
 - o [Women’s Enterprise Scotland Ambassadors role model project](#)

Scottish Government aims to promote and encourage entrepreneurship & young business growth

Promoting entrepreneurship is a policy device that interacts with and supports other policy actions encouraging innovation and access to finance. The Scottish Government aims to encourage entrepreneurship and help reinvigorate economic performance and productivity in Scotland.

Focusing on 2 key pillars of Business and Youth and education, Scottish Government’s entrepreneurship policy encourages business start-ups from a young age, both in terms of people and business development. Encouraging tertiary and secondary level students to think entrepreneurially through curricular and extra-curricular activities aims to provide young people with the skills and tools needed to start new businesses and think laterally.

Encouraging and promoting female-led businesses and business ideas aims to bridge the gender gap. Combining this with the previous focus on life sciences & digital innovation aims to encourage women’s participation in STEM & digital-focused industries.

⁸ Scottish Government, ‘Women in enterprise: framework and action plan’ (31st August 2017): <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2017/08/scottish-framework-action-plan-women-enterprise/documents/00524024-pdf/00524024-pdf/govscot%3Adocument/00524024.pdf>

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