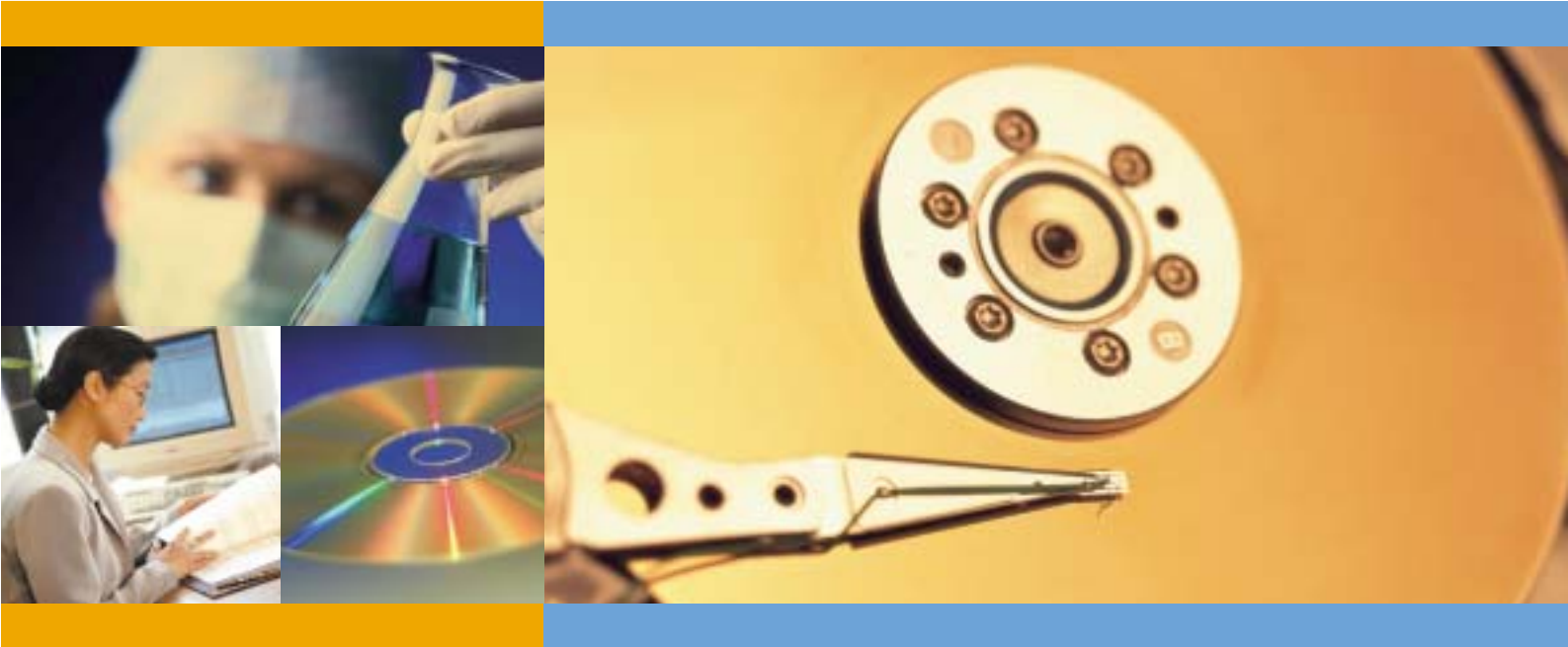


SUPPORTING BUSINESS GROWTH



Regional Selective Assistance **Scotland**

Annual Report

2002-2003

Published by



SCOTTISH EXECUTIVE

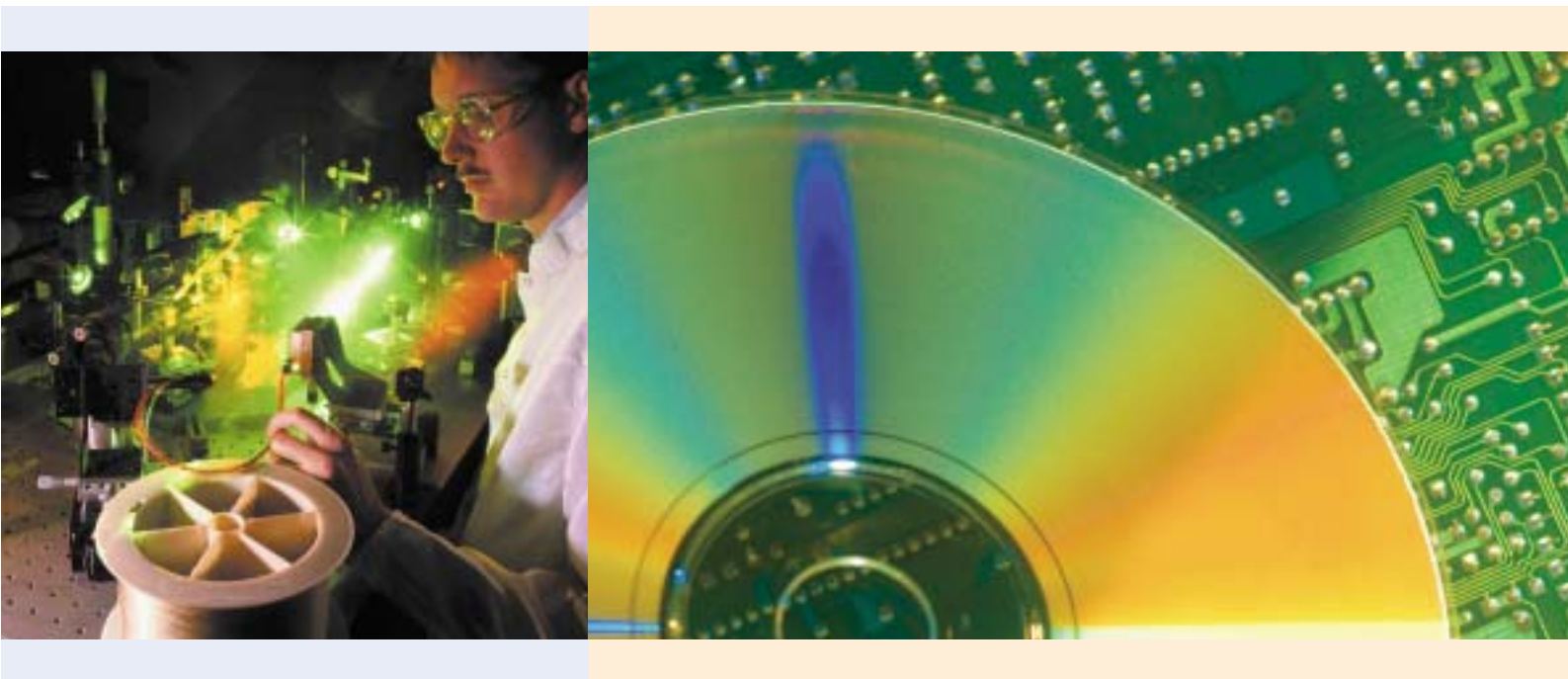
SEPTEMBER 2003



Regional Selective Assistance **Scotland**

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This first annual report on RSA in Scotland covers the year ended 31 March 2003. For more information on the scheme in Scotland, including eligibility, case studies and application forms, visit our website at www.rsascotland.gov.uk

Minister's Foreword

Growing the economy is the Scottish Executive's top priority. Against that background, I am delighted to present this, our first annual report on Regional Selective Assistance in Scotland.

Our goal is to see all parts of Scotland maximise their contribution to the economy. It is only by ensuring that all areas play their full part that we will be able to grow Scotland's economy as a whole. RSA helps by encouraging business expansion and investment to create and secure employment in the Assisted Areas of Scotland. In the past year accepted offers of RSA aim to create or safeguard some 7,700 jobs.

2002/2003 was a year of considerable hard work and achievement. A year in which we took the recommendations of the RSA Review and made them happen. Changing the scheme, updating our processes, creating a new customer focus. All important, but crucially, the main change has been a new openness about RSA – what it is, how it works, which firms we support and why.

In the face of difficult global market conditions, it is vital that we use all of the tools at our disposal to help our businesses remain competitive, develop and expand. RSA is one such tool and while I expect the year ahead to continue to present challenging economic conditions for Scotland's businesses, I am determined to maximise the contribution RSA can make to improving the Scottish economy.



LEWIS MACDONALD

Deputy Minister for Enterprise and Lifelong Learning



The Role of RSA

The Framework for Economic Development in Scotland sets out the Scottish Executive's vision:

“To raise the quality of life of the Scottish people through increasing economic opportunity for all on a socially and environmentally sustainable basis.”

Regional Selective Assistance (RSA) is the main national grant scheme encouraging investment and employment in the Assisted Areas of Scotland. It is a key component of our domestic regional policy. Consistent with our Smart Successful Scotland strategy, RSA is well equipped to support growing Scottish businesses. It contributes to the Scottish Executive's vision by:

- targeting those areas of greatest need;
- helping create and safeguard jobs; and
- supporting business investment.

The Year's Highlights

- A stronger emphasis on employment.
- A greater focus on growing Scottish firms and supporting quality projects.
- A new policy of openness.



A Stronger Emphasis on Employment

Traditionally, projects supported by RSA have involved substantial capital investment. However, assistance can now be offered to projects with relatively low levels of capital expenditure but which will create new jobs. A number of recent RSA offers are based on this new scope to aid job creation – projects where the majority of the investment is in new people rather than new equipment. This is particularly suited to supporting knowledge-intensive industries such as software development, financial services and research & development activities but it can equally assist jobs in the manufacturing or the call centre industry.

Also, during 2002/2003 we introduced a grant premium offering firms up to £5,000 extra for each New Dealer taken on and retained. This is a uniquely Scottish initiative, giving an extra incentive to investing firms to broaden their recruitment base.



Case Study

UNITED BISCUITS

As a result of an offer of £1.2m RSA, United Biscuits (UK) Ltd in Glasgow plans to expand its existing manufacturing capacity and create 101 jobs.

The firm is one of the first to be offered a New Deal premium: if it recruits and retains 20 New Dealers the grant on offer will increase by £100,000.



Case Study

PRO2KEM is an instrumentation company based in Dundee - one of the major UK clusters for biotechnology. A £50,000 offer of RSA has enabled the company to take on 4 new staff and begin to develop advanced micro-engineered lab-on-a-chip technology for analysis of polymers which is attracting interest from around the world. The first of the new products, the Aggrekem detector, was launched at the beginning of March and leads the way in rapid protein aggregation monitoring. Without our new scope for aiding job creation, an RSA offer to the firm would not have been possible.



Regional Selective Assistance **Scotland**

A New Focus

2002/2003 saw major changes to the way RSA was delivered in Scotland. An external review of the scheme in 2001/2002 recognised that RSA played a worthwhile and necessary role but recommended changes to make it more accessible to Scottish firms. Ministers accepted the review's key recommendations and set in train moves to give RSA more focus on growing Scottish firms and on supporting quality projects.

2002/2003 therefore saw us reshaping the scheme to make it more relevant to today's economy. Tough new targets for speeding up decisions acknowledge

that businesses require a quick decision on critical funding issues. Good progress has been made since the targets were introduced in November 2002. RSA delivery across the board is now much more integrated

with other forms of support and local economic development partners are now working much more closely with Scottish Executive staff to deliver a joined up service to local and foreign firms alike.

Target	Actual Average*
For grants up to £50k, 10 working days	15 days
For grants of between £50k and £250k, 20 working days	21 days
For grants over £250k, 40 working days	26 days

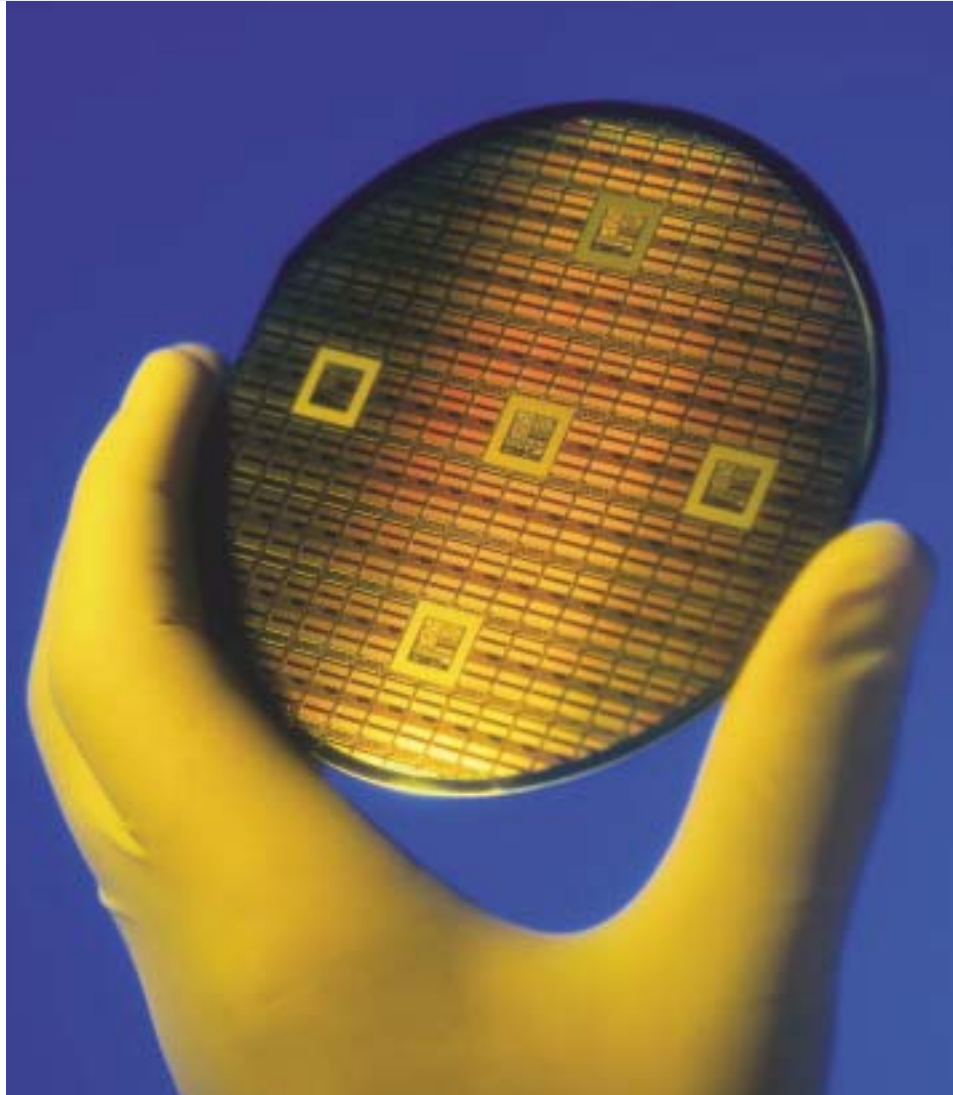
*Average working days for the 5 months to end of March 2003.

Case Study

AGGREKO plc is a world leader in the supply of temporary power, temperature

control and oil free compressed air, with operations in some 50 countries around the globe. An RSA offer of £900,000 helped win for Glasgow a global technology centre to support the current and future operations of the whole Aggreko group. The technology centre was won for Scotland in the face of strong competition from Aggreko's US operation.

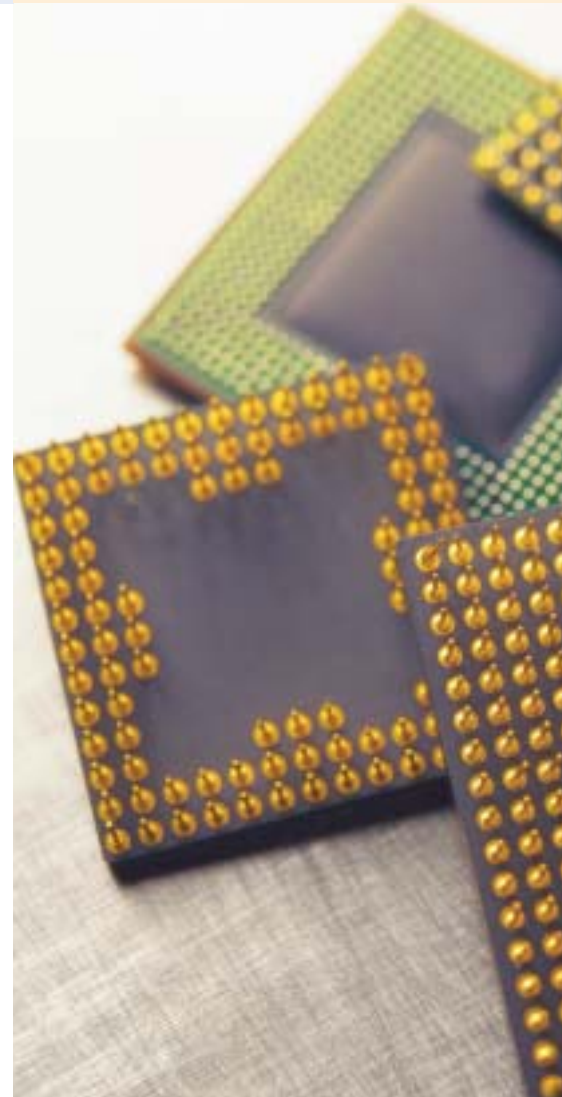
Not only does this project illustrate the type of high quality investment we wish for Scotland, but it also demonstrates effective partnership working. Scottish Enterprise Glasgow were able to complement the RSA offer with a package of training support.

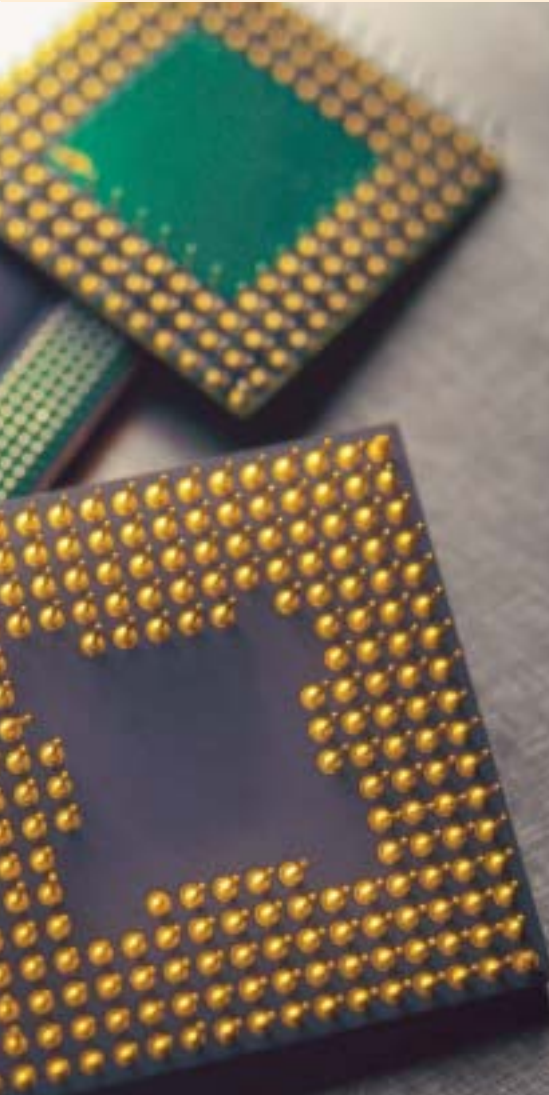


Openness Dispelling the Myths

The 2001/2002 RSA review found widespread misconceptions about RSA. 2002/2003, therefore, heralded a new openness about the scheme designed to make more firms aware of RSA, including where and how it operates. A new website, www.rsascotland.gov.uk and straightforward literature are designed to make it easy to find out about the scheme. From its introduction in November 2002 to March 2003 the website received almost 11,000 hits.

Another new initiative sees us publishing quarterly lists of all firms who have accepted offers of RSA grant, detailing grant and job totals. In this way, we aim to dispel lingering misconceptions about RSA and demonstrate its potential to support business growth across a wide range of industries. From bagpipes to medical instruments to kitchen sinks, RSA can help support business investment which creates or safeguards jobs in the Assisted Areas.





Case Study

APPLIED SWEEPERS LIMITED

An example of the type of firm we are trying to reach is Applied Sweepers Ltd, based in Falkirk, which specialises in the design and manufacture of pedestrian controlled municipal sweeping machines. Last year an RSA grant offer of £150,000 was accepted and this will allow Applied Sweepers Ltd to extend its existing facility and invest in additional production equipment to develop a new series of machines. This grant will help to create 18 new jobs and safeguard 22 others. Applied Sweepers' products can be seen in some of the world's most glamorous locations, such as New York's Times Square and Buckingham Palace, as well as in many towns throughout Scotland.



Regional Selective Assistance **Scotland**



Analysis of Results

An overview of the year shows the continuing impact of the downturn in global demand over recent years and the associated restructuring of the electronics sector – something which hit Scotland particularly hard. The year saw the disappointing closure of companies such as Chungwha Picture Tubes. Such closures are a blow to both the local and national

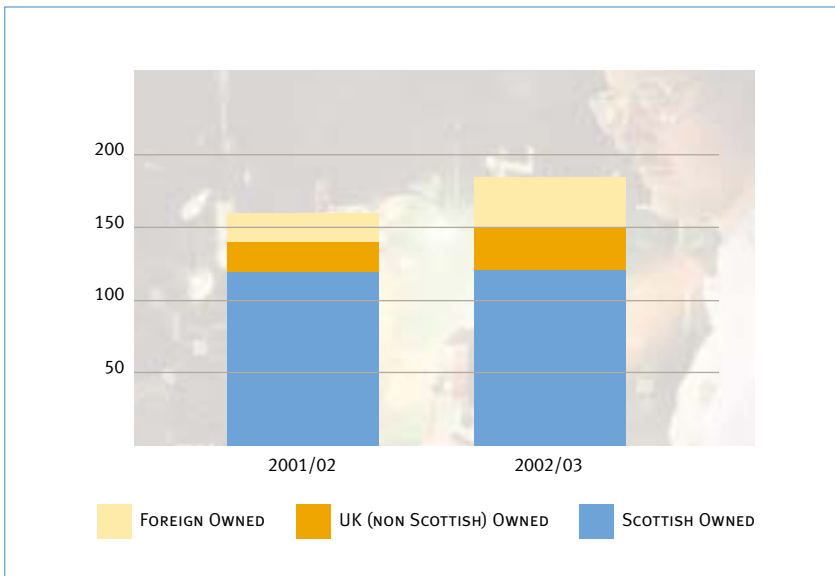
economies and it is of little comfort to know that we have recovered much of the grant previously paid out.

Despite the downturn, many firms have continued to invest, albeit on a smaller scale, and project numbers have held up well, with 182 offers of RSA accepted during the year. Grant offers accepted in 2002/2003 totalled just over £60 million and

these projects represent £286 million in planned capital investment linked to some 7,700 planned new and safeguarded jobs.

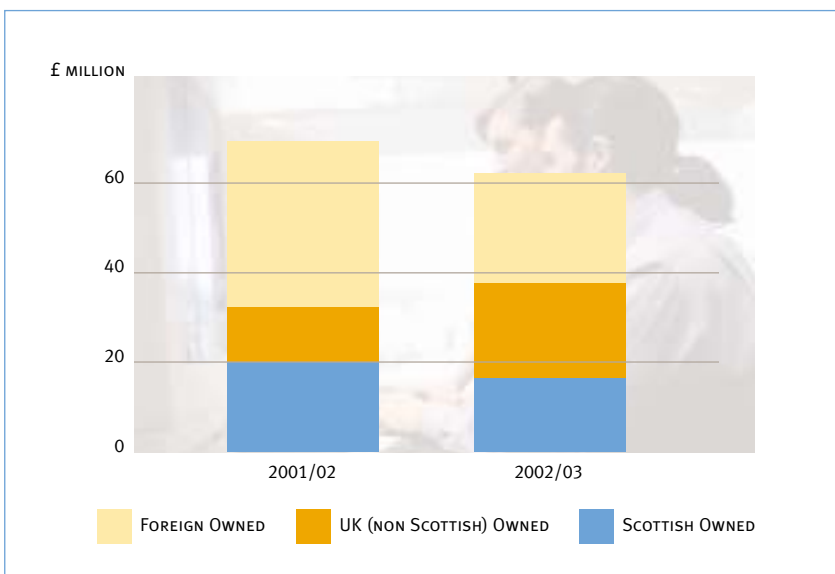
The year also saw one of the largest offers of grant since devolution: £15 million support towards Rolls-Royce plc's investment in its new state-of-the-art manufacturing facility at Inchinnan, safeguarding almost 900 jobs.

Offers Accepted (Number)



This graph shows the number of RSA offers accepted in each of the last 2 financial years. From this it can be seen that the majority of offers are made to Scottish firms.

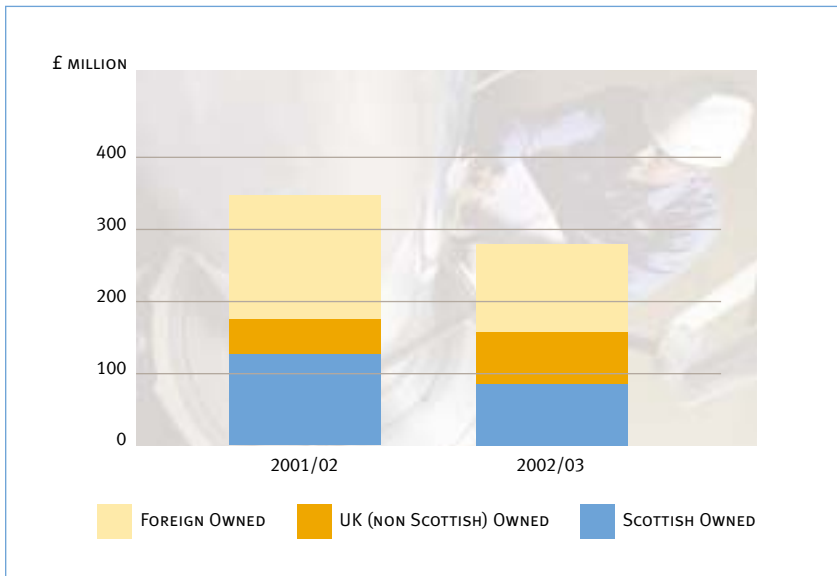
Offers Accepted (Grant Amount)



This illustrates the total value of RSA grant offers accepted. Although a smaller percentage of applications are from foreign-owned firms, these projects have typically been much bigger than the average local ones, and accounted for the bulk of higher value offers. During the 1990's, foreign-owned projects typically attracted over 60% of the total of accepted RSA offers. In the last 2 years foreign-owned firms accounted for 49% and 35% of the value of the grant accepted.

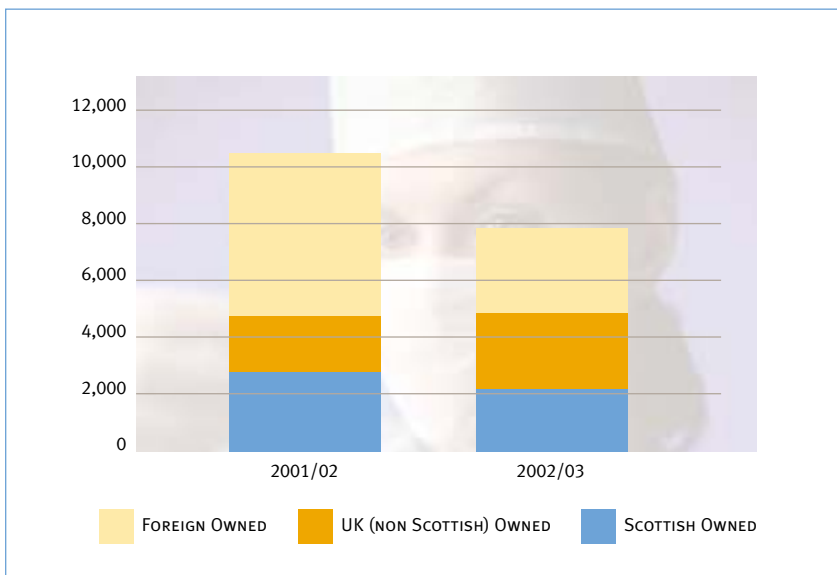


Planned Capital Expenditure



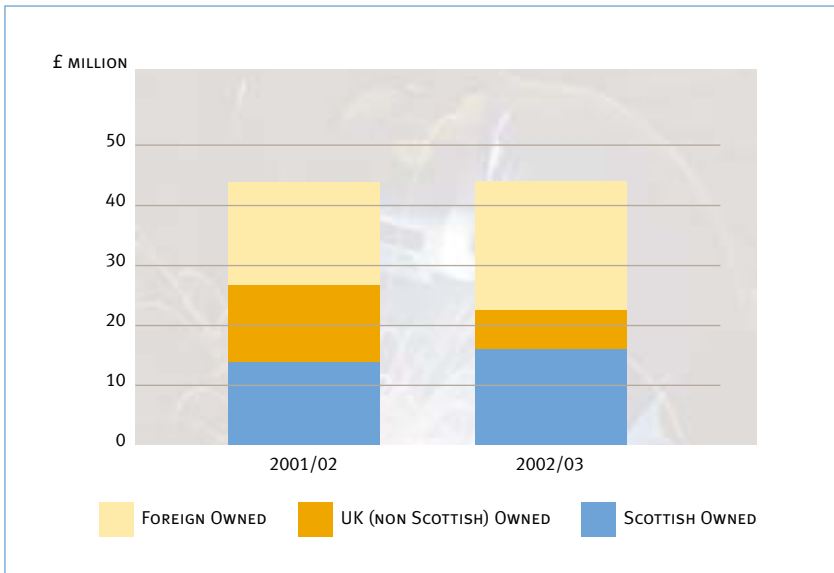
This graph shows the amount of planned capital expenditure associated with the accepted RSA offers. The reduction reflects a wider downturn in firms' investment, over this period. It also shows the impact of an increasing number of projects with limited capital expenditure supported through aid for job creation.

Planned Jobs (Created & Safeguarded)



Shown here are the planned jobs totals associated with the accepted RSA offers. The overall total shows a decline from around 10,500 to some 7,700, the bulk of which is due to a downturn in planned inward investment.

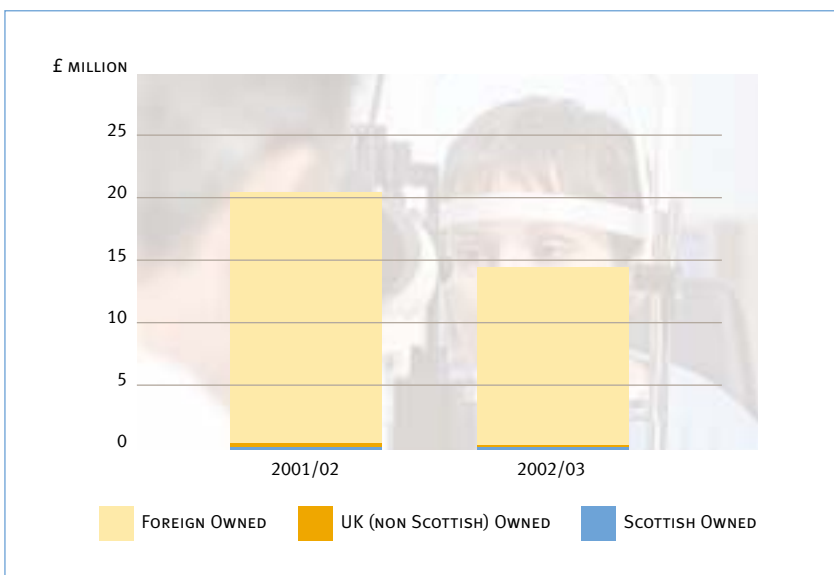
RSA Spend



From 2001/2002 the Scottish Executive moved to accruals based accounting and this is reflected in the figures shown here. The figures will therefore differ from other published figures which may have been prepared on a different accounting basis.

Grants are typically paid out over a period of 3 or more years, in line with firms' achievements of capital expenditure and job targets. These payments, and the RSA recoveries, shown below, are therefore mainly in respect of RSA offers accepted in earlier years.

RSA Recoveries



The RSA recoveries figure for 2002/2003 includes substantial amounts recovered from Chungwha (£8.0m), NEC Semiconductors (£2.4m) and Alcan Aluminium (£1.7m). The transition to accruals based accounting led to some adjustments being made to income recorded in 2002/2003. To assist comparison with the previous year's figure, the total for 2002/2003 is the RSA recoveries actually received during the year and accrued at 31 March 2003.



Scottish Industrial Development Advisory Board (SIDAB)

SIDAB provides independent advice on offers of RSA over £250,000. Its Board of 12 Members are drawn from the worlds of industry and finance, and bring an external perspective to the consideration of these larger cases. A list of current SIDAB Members can be found on our website.

In January 2003, the then Minister for Enterprise, Transport and Lifelong Learning announced a review of SIDAB. The findings of this review will be published during 2003/2004.



VIKRAM LALL
Chair of SIDAB

Looking Ahead

2003/2004 will see us building on the foundations laid in 2002/2003 and working to make sure that the promises of the review are fully delivered:

- We will aim to make RSA offers linked to the planned creation or safeguarding of at least 6,000 jobs within the Assisted Areas of Scotland.
- We will promote further awareness of the RSA scheme.
- We will continue to work towards our challenging turnaround targets for applications.
- We will ensure that for larger grants, firms are engaged with the Enterprise Networks in planning their workforce development.





We welcome feedback.

What information would you like to see in future annual reports?

email us at rsafeedback@scotland.gsi.gov.uk

The photographs in this report are for illustration purposes only.



Regional Selective Assistance **Scotland**



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