# DigitalBoost Development Grant

# Investment Impact Appraisal

## Draft Report to
## Lanarkshire Enterprise Services Ltd

May 2022

# Contents

# KEY FINDINGS

***SERVICE PROVISION AND GRANT ADMINISTRATION***

60% of grant recipients found out about it through Business Gateway with the next most common sources being other businesses / colleagues (16%) and enterprise agencies (10%).

A very high level of satisfaction was apparent with how the grant was administered, with between 85% and 94% of grant recipients providing a positive rating for service attributes including clarity of information about eligibility, ease of application, speed of decision making, ease of making grant claim and speed of processing and payment of grant claims. However, only 60% gave a positive rating for the time available to make their application and it was clear from comments made that this was due to the initial tranche of funding being over-subscribed and applications therefore being put on hold.

***PROFILE OF SUPPORT***

Grant recipients were supported in a range of ways. Most commonly, buying hardware (59% of grant recipients) but also in areas such as buying software (36%), setting up an ecommerce website (26%), building a website (25%) and a wide range of other aspects of digital support such as digital consulting and training costs.

34% of grant recipients said they took up the offer of a Cyber essential Pre-Assessment; ratings for this were fairly modest, with only 55% providing a positive rating.

***BUSINESS IMPACTS***

Grant recipients identified a wide range of positive **operational outcomes** within their business as a result of the grant (relating to different aspects of digital capability, capacity and skills) with 94% of grant recipients identifying at least one operational outcome within their business / organisation as a result of the grant. The most common outcomes cited were: improved communication with external parties (58% of grant recipients), improved efficiency of internal processes (58%), facilitation of remote working (39%), improved senior management understanding of digital activities (36%), improved staff satisfaction (36%) and improved digital skills (36%).

*BUSINESS IMPACTS (CONTINUED)*

Grant recipients also identified a wide range of **business development outcomes** as a result of the grant with 93% of grant recipients identifying at least one business development outcome within their business / organisation as a result of the grant. The most common outcomes cited were: increased quality of service / product (74% of grant recipients), increased brand awareness and engagement (52%), increased online sales (36%),development of new products and services (35%) and diversification of the business (34%).

In relation to **specific commercial outcomes** that grant recipients indicated they had already received:

- 52% said they had increased revenues
- 37% said they had reduced operating costs
- 31% said they had improved profit margins.

80% of grant recipients indicated that their business had secured at least one of these outcomes. The survey comments suggest that amongst many of the remaining firms, such outcomes are anticipated in the future and analysis of these comments is being undertaken.

16% of grant recipients indicated that their business / organisation's vehicle fuel consumption had reduced as a result of the grant (Typically due to the grant enabling home and remote working).

*ECONOMIC IMPACT ASSESSMENT*

Our analysis shows the following mid-point estimates of already realised impacts when grossed up to cover the sample of beneficiary firms as a whole:

- Turnover of £49.9m
- Gross value added (GCA) 0f £19.5m
- Creation of 672 full-time equivalent jobs.

*ECONOMIC IMPACT ASSESSMENT (CONTINUED)*

Forecasted mid-point impacts in relation to each of these metrics, with turnover and GVA being calculated over time and discounted appropriately are:

- Turnover of £319.8m
- Gross value added (GCA) of £142.4m
- Creation of 1,964 full-time equivalent jobs.

*FUTURE SUPPORT NEEDS*

51% of firms anticipate they will need financial assistance to continue their organisation's digital development; only 10% indicated that this was not so, with 39% indicating that they were "not sure" whether such support would be needed.

43% of firms expressed interest in the availability of an interest-free loan to support their organisation's digital development, with 30% indicating that they were not interested in this and 27% indicating that they were "not sure".

Within the open-ended survey comments, and in the in-depth qualitative interviews that accompanied the quantitative survey, there was a very common view that grant recipients should be able to secure similar support in the future, particularly if this was demonstrably to support a new stage of their digital development.

# 1.0 Background, Objectives and Methodology

### *Background*

1.1 The DigitalBoost Development Grant was funded by the Scottish Government to help SMEs to become more competitive, productive and resilient and, in particular, to help drive forward Scotland's economic recovery from the pandemic.

1.2 The scheme was administered by Lanarkshire Enterprise Services Limited (LESL) on behalf of the Scottish Government. With the closure of the scheme and all monies having been disbursed, there was a requirement for a formal appraisal of the grant's impact on SMEs, and IBP, working in partnership with Bellerby Economics were appointed to undertake this.

1.3 2,239 firms had benefitted from grant support at the time of evaluation fieldwork, this covering a period from 12th January to 31st March 2021. Awards ranged from £1,500 to £25,000 with an intervention rate of 75%.

### *Objectives*

1.4 The overall requirement has been for an impact assessment that has both historic and forward-looking dimensions. There is a requirement to provide "a formal impact of the grant's impacts to SMEs" in order to allow the Scottish Government to assess the performance of the scheme. At the same time, the impact assessment is intended to inform future iterations of digital support from the public sector and others in Scotland.

1.5 The initial study brief identified three broad objectives in relation to:

- Digital capability – enabling businesses to enhance efficiency, improve productivity, develop mew markets and so on.
- Digital capacity – for example, digitising of processes.
- Digital skills – both directly through funded training and development, and indirectly through the learning gained by delivering the project.

It is, of course, quite possible for beneficiaries to have seen improvements across all of these broad outcome areas.

1.6 These objectives were developed further to ensure that participants' experience of applying for the grant could be understood fully, that any environmental impacts could be understood and to allow for a full Economic Impact Assessment. The specific objectives therefore related to:

- Experiences of applying for and receiving the grant
- The profile of support received by participants
- Business impacts in relation to the following dimensions of support:
  - Operational
  - Business development
  - Commercial
  - Environmental
- Estimates of the overall economic impact of the grant programme
- Assessment of future support needs.

These issues are explored in the remainder of this report.

***METHODOLOGY***

1.7 The main part of the impact assessment methodology has involved a detailed survey of beneficiaries, covering a range of qualitative and quantitative issues to address the objectives described above . The questionnaire used for the survey is included as Appendix 1.[1]

An initial online survey invitation and reminders generated 1,266 completions and a further 150 interviews were completed by telephone, boosting the overall sample to 1,416 (63% of respondents). In our experience, this is a high response rate for an impact assessment of this nature. Assuming the characteristics of a random sample, a sample of 1,416 from a population of 2,399 grant beneficiaries provides data accurate to +/- 1.67%.[2]

1.8 In addition to this, IBP's consultancy team undertook 30 depth interviews with a selection of interviewees. These were designed to provide further insight as to firms' experiences and motivations relating to the grant application process, the impacts on them (and how these came about) and their views on future support needs. The Topic Guide used to guide these discussions is included as Appendix 2.

[1] Appendices are provided under separate cover, for reasons of space.

[2] Based on a 50% answer and a 95% confidence level.

1.9 This report has been prepared to detail the overall findings in relation to the study objectives set out above. It is structured as follows:

Section 2 provides an overview of perspectives in relation to service provision and grant administration.

Section 3 sets out a summary profile of support provided through the grant.

Section 4 provides a largely qualitative assessment of the impacts of the grant at a business level, addressing each of operational, business development, commercial and environmental impacts.

Section 5 sets out a detailed Economic Impact Assessment.

Section 6 comments on the nature of firms' future needs in the digital are.

The main focus of this draft report has been on the main survey findings, with the additional insights from the depth interviews also being reference on a thematic basis within each section.

1.10 In addition to this report, LESL has been provided with a detailed breakdown of the main survey findings by location and sector of business, as well as a full listing of the open-ended comments made as part of the survey. Detailed notes from the depth interviews have also been provided under separate cover.

## 2.0 SERVICE PROVISION AND GRANT ADMINISTRATION

2.1 The great majority of organisations (90%) classified themselves as organisations wishing to make a profit. 6% defined themselves as a "charitable or voluntary sector organisation or social enterprise" with the balance giving an "other" response or not answering this question.

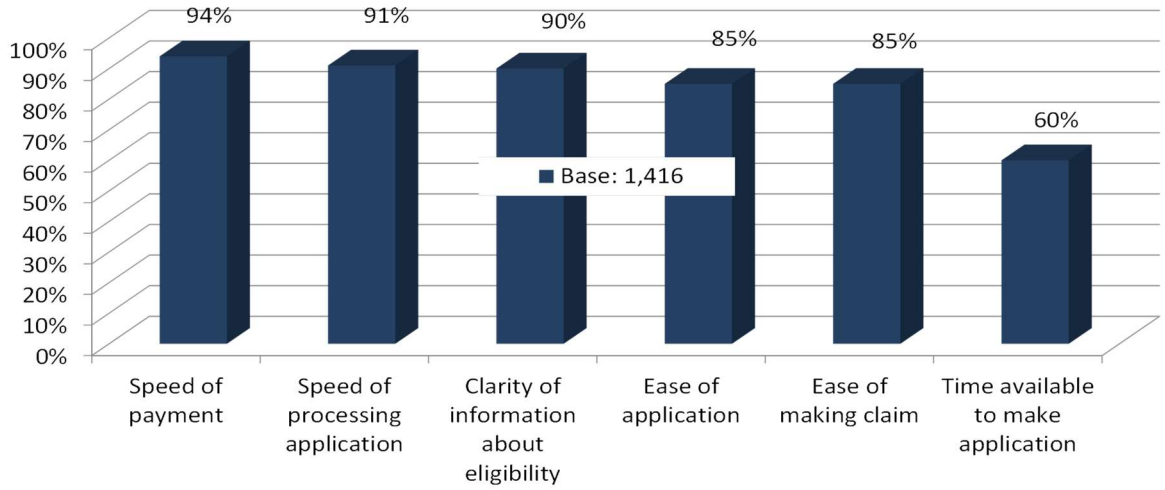
2.2 The survey responses allied to the depth interviews suggested that it would be helpful to recognise two broad categories of firms, albeit it was not practical for the purposes of this study to separate these for quantitative analysis. Some firms were clearly in a "digital space" where the application of digital technologies was ta the heart of their business proposition and / or competitive advantage (interestingly, however, these firms could exist within a range of traditional "sectors"). Others were involved in more mainstream business activities but had a requirement to upgrade digitally in order to manage their business and meet customer demands, especially in the context of a need for remote communications and service delivery generally, brought about by the pandemic.

2.3 By some distance, the most common source of awareness of the DigitalBoost Development Grant was via Business Gateway (60%). This was followed by 16% that indicated they found out about the grant through another business or colleague and 10% of respondents that had found out about the grant through an enterprise agency (SE / HIE / SOSE). Relatively small numbers of survey respondents had heard about the grant from sources such as intermediaries or IT suppliers (3% in each case).[3]

2.4 Survey respondents were asked to provide a rating of their experience of the grant application process in relation to a number of dimensions. Figure 2.1 over the page summarises the proportion of respondents giving a positive ("Good" or "Very Good") rating on a 5-point scale.[4]

[3] Multiple responses were allowed for this question.
[4] A full breakdown of results for all questions of this nature is included in the survey breakdowns that have been provided to LESL under separate cover.

**Figure 2.1: Rating of Grant Application Process**




2.5 Very high levels of satisfaction were apparent in relation to almost all of these service elements, including speed of payment, speed of processing application, clarity of information about eligibility, ease of application and ease of making a claim. These quantitative findings were very much supported by the open-ended comments made by participants within this part of the survey.

2.6 The aspect which stands apart somewhat relates to the amount of time available to make applications. Only 60% of respondents gave a positive answer to this and, although this was the majority view, 20% expressed an outright negative view, with the remainder giving either a neutral "neither / nor" answer or a "don't know" answer.

It was clear from the open-ended comments that the dissatisfaction here arose from the very short time window that firms had to prepare their submissions when the main phase of the grant opened, meaning that a number were unable to prepare and submit their application at that point. This was thus an unintended consequence of a significant level of over-subscription. Within the depth interviews, a number of participants commented positively on the clarity of eligibility, but others noted that a "first-come, first-served" approach had the potential to create such difficulties.

However, it was equally apparent (both from the survey open-ended comments and from a number of our depth interviews) that this situation was seen as been handled effectively by LESL including, for example, by effective communications as to timescale and process for the window for grant applications re-opening.

## 3.0 PROFILE OF SUPPORT

3.1 Survey respondents were asked to comment on the elements of expenditure that were directly supported through their DigitalBoost Development Grant. The results of this are set out in Table 3.1 below.

**Table 3.1: Elements of Expenditure Supported by Grant**

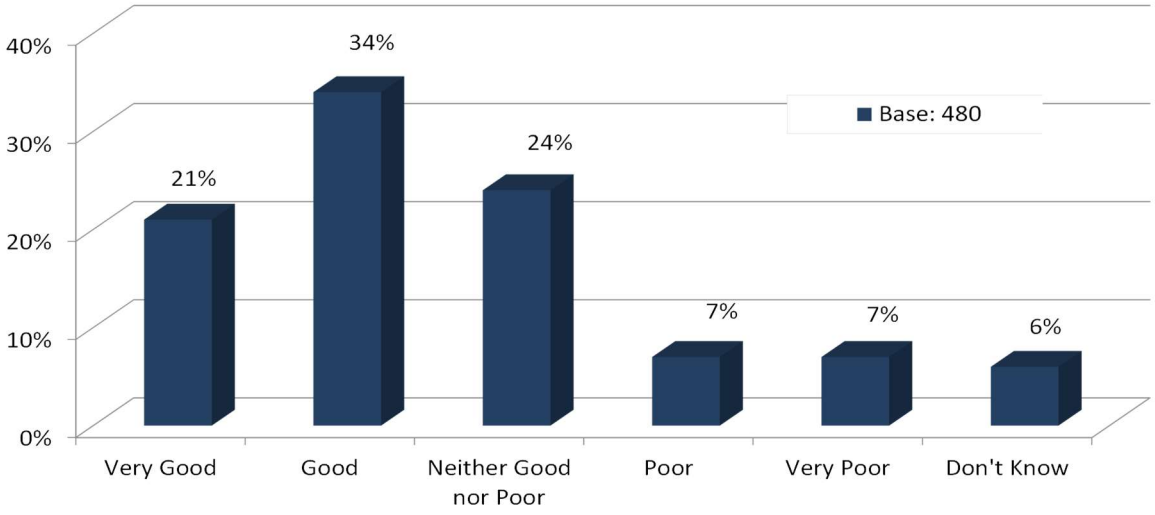
| Element of Expenditure | % answering "Yes" |
|---|---|
| Buying IT or digital communications hardware | 59% |
| Buying software | 36% |
| Building an ecommerce website | 26% |
| Building or maintaining a website as an online brochure / for information provision | 25% |
| Digital consulting costs | 21% |
| Digital skills training and development | 12% |
| Software or hardware rental (first year costs only) | 12% |
| Content management (first year costs only) charges for platforms, hosting or online | 12% |
| Building an online booking / ticketing system | 10% |
| Developing an app | 8% |
| Something else | 5% |

The most notable point here is the diversity of areas of expenditure. Whilst may beneficiaries spent the grant monies on hardware and software, it was apparent that a significant proportion spent at least part of the grant on enhancing their digital capabilities in areas such as ecommerce websites, development of booking systems / apps, and on advice and training elements.

3.2 34% of respondents indicated that that they had taken up the offer of a Cyber essentials Pre-Assessment through the Scottish Business Resilience Centre.

3.3 As shown in Figure 3.1 over the page, satisfaction with this was relatively lukewarm.

**Figure 3.1: Rating of Cyber Essentials Pre-Assessment**



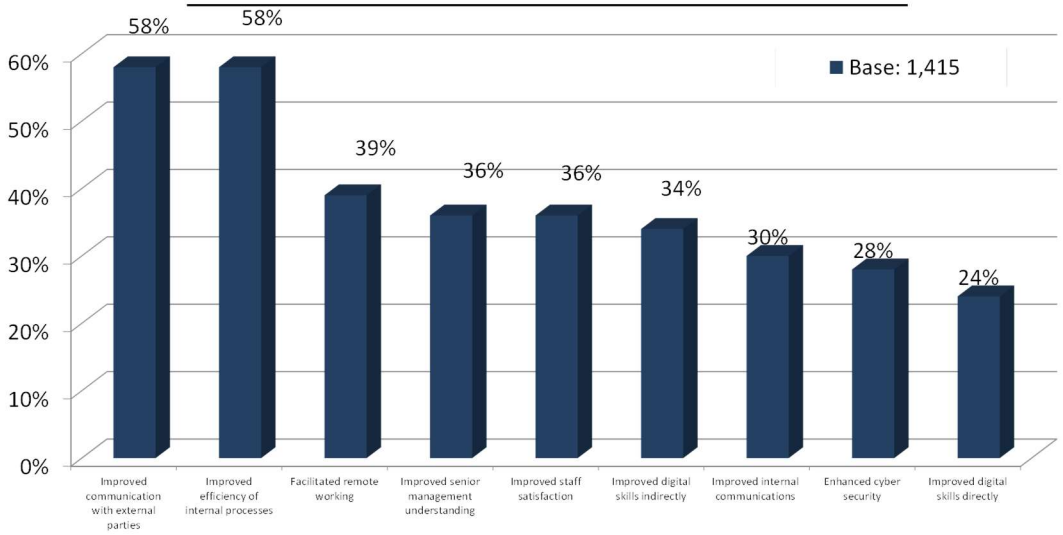

3.4 Whilst only 14% expressed an outright negative view, a substantial proportion (24%( gave a neutral response with, allowing for don't know responses, only a slight majority of 55% providing a positive rating. This was reflected in the open-ended comments, where a number of respondents felt that the process had added limited value to what they already knew. In particular, some commented on the reports made available being relatively standardised, suggesting that there was little tailoring to their specific circumstances or clear guidance on how they specifically should proceed.

## 4.0 BUSINESS IMPACTS

4.1 To gather an understanding of the impact that the grant had at a business level, separate questions were identified in relation to each of operational outcomes, business development outcomes, specific commercial outcomes, and environmental impacts. In each case, a set of prompted responses was prepared and respondents were asked which of these applied to them.

4.2 The results in relation to **operational outcomes** are illustrated in Figure 4.1 below.

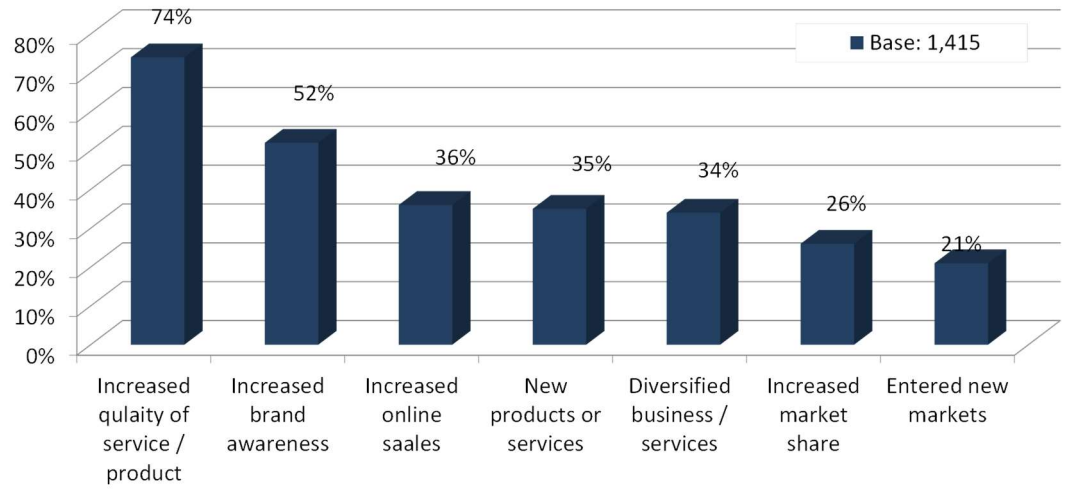
**Figure 4.1: Operational Outcomes (% recording outcome)**




Grant recipients identified a wide range of positive **operational outcomes** within their business as a result of the grant (relating to different aspects of digital capability, capacity and skills) with 94% of grant recipients identifying at least one operational outcome within their business / organisation as a result of the grant. The most common outcomes cited were: improved communication with external parties (58% of grant recipients), improved efficiency of internal processes (58%), facilitation of remote working (39%), improved senior management understanding of digital activities (36%), improved staff satisfaction (36%) and improved digital skills (36%).

4.3 The results in relation to **business development outcomes** are illustrated in Figure 4.2 below.

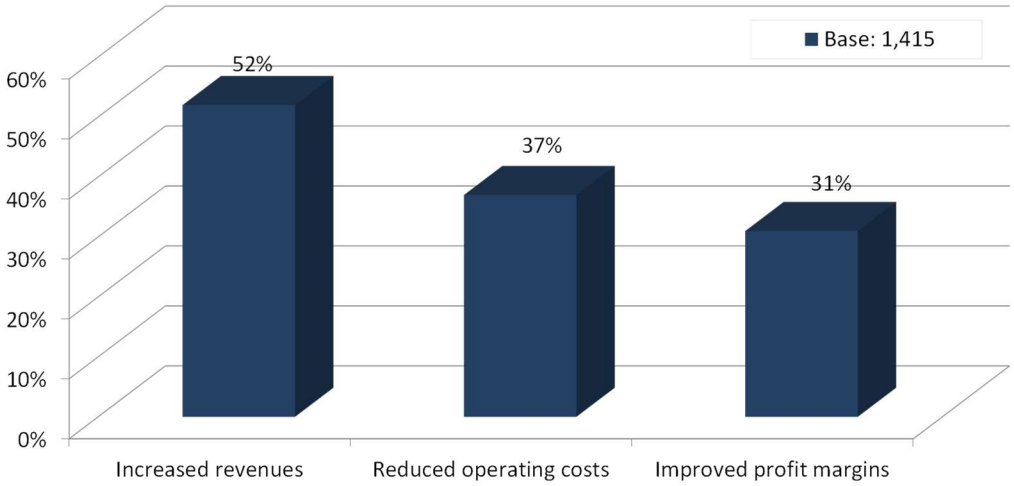
**Figure 4.2: Business Development Outcomes (% recording outcome)**




Grant recipients also identified a wide range of **business development outcomes** as a result of the grant with 93% of grant recipients identifying at least one business development outcome within their business / organisation as a result of the grant. The most common outcomes cited were: increased quality of service / product (74% of grant recipients), increased brand awareness and engagement (52%), increased online sales (36%),development of new products and services (35%) and diversification of the business (34%).

4.4 The results in relation to **specific commercial outcomes** are illustrated in Figure 4.3 over the page.

**Figure 4.3: Specific Commercial Outcomes (% recording outcome)**



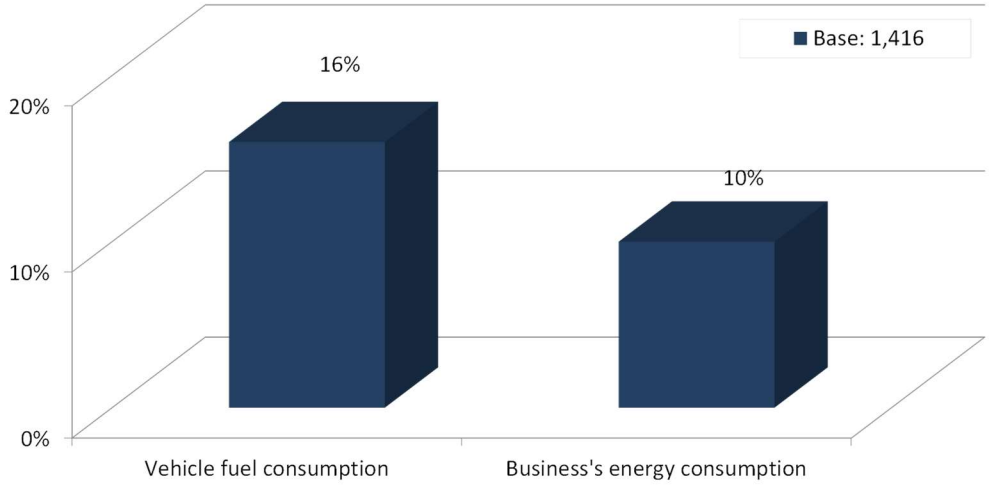

In relation to **specific commercial outcomes** that grant recipients indicated they had already received:

- 52% said they had increased revenues
- 37% said they had reduced operating costs
- 31% said they had improved profit margins.

80% of grant recipients indicated that their business had secured at least one of these outcomes. The survey comments suggest that amongst many of the remaining firms, such outcomes are anticipated in the future and the extent of this is reflected in the detailed Economic Impact Analysis that follows in Section 5.

4.5 The results in relation to **environmental impacts** are illustrated in Figure 4.4 over the page.

**Figure 4.4: Environmental Impacts (% recording outcome)**




16% of grant recipients indicated that their business / organisation's vehicle fuel consumption had reduced as a result of the grant (whilst not asked in the main survey itself it was clear from the depth interviews that this was typically due to the grant enabling home and remote working).

10% of businesses also indicated that their energy consumption had decreased (the additional evidence from the depth interviews suggests that this was a function of lower office costs due to home and remote working).

The extent of these decreases (especially when netted against the very small proportion that indicate an increase) is small in many cases – 42% indicate that the decrease in fuel consumption is 20% or less). However, in a significant minority of cases (especially in relation to fuel consumption) the extent is significantly greater – 29% indicate a vehicle fuel consumption decrease of greater than 50%.

4.6 In the following section we set out a detailed assessment of the economic impact of the DigitalBoost Development Grant and detail the assumptions made in setting out these calculations. Before doing so, we would note certain points that emerged from the depth interviews in particular, which are important in setting the context for this.

It was clear from many of the depth interviewees that the timing of the grant was crucial to them, and this enhanced greatly its benefits. May businesses were having to adapt to new ways of working and doing business in the context of the pandemic and were struggling to resource the necessary changes within their business, until this grant funding became available to them.

4.7 It was also clear from the depth interviews that, although investments through the grant had typically been made up a significant number of months before they provided their feedback, that they still considered that the business impacts of their investment had yet to come to fruition. This was particularly so amongst sectors which, at the time of fieldwork in late 2021 and early 2022, were still facing significant business restrictions due to Covid. A number of firms had a strong expectation of business benefits arising as the economy opened up for them, driven by the preparatory investments that they had made.

4.8 The extent to which the grant had driven an appreciable change in business behaviour was also apparent in the depth interviews. We have used quantitative data from the survey in the calculations that follow but would note the extent to which, at the very least, significant timing and quality additionality was evident in the depth interview discussions.

## 5.0 ECONOMIC IMPACT ASSESSMENT

### *INTRODUCTION*

5.1 This chapter reports the economic impacts associated with the DigitalBoost Development Grant. It is derived from information and data obtained from the company surveys.

The survey questionnaire asked questions aimed at establishing whether, as a result of the receiving support from DigitalBoost Development Grant, companies had achieved turnover or employment growth:

- as a result of accessing support from DigitalBoost Development Grant has your company **already** increased its turnover/employment; and
- what do you **forecast** the turnover/employment of your business activities in Scotland will be over the next 3 years, and what would they be had your company not accessed support from DigitalBoost Development Grant?

In addition, information was collected to provide insights into deadweight, displacement, leakage, and multiplier effects, the answers to which were used to calculate the economic impact – or additionality - of accessing support from the DigitalBoost Development Grant. The economic impact assessment has been calculated at the Scotland level.

### *METHOD*

5.2 The method adopted in estimating the economic impact – or additionality - from the DigitalBoost Development Grant is consistent with guidance issued by Scottish Enterprise[5]. The guidance recognises that most economic development interventions will have both positive and negative effects. In appraising or evaluating the effects of an intervention it is important that all of these are taken into account in order to assess the additional benefit or additionality of the intervention – in other words, the net changes that are brought about over and above what would take place anyway.

[5] http://www.evaluationsonline.org.uk/evaluations/help/guidance.htm. This guidance note is consistent with the high-level discussion of principles and best practice in project appraisal and evaluation as presented in HM Treasury - The Green Book, Appraisal and Evaluation in Central Government.

The additional benefit of an intervention is the difference between the reference case position (what would happen anyway) and the position if/when the intervention (intervention option) is implemented. An initial assessment of the reference case to deduct deadweight[6] from the intervention option leads to the identification of the **gross direct effects**. Following identification of the gross direct benefits, account is then taken of factors such as:

- displacement:
  - displacement is the proportion of intervention benefits accounted for by reduced benefits elsewhere in the target area. Displacement arises where the intervention takes market share (called product market displacement) or labour, land or capital (referred to as factor market displacement) from other existing local firms or organisations;
- substitution:
  - substitution arises where a firm substitutes one activity for a similar one to take advantage of public sector assistance;
- leakage:
  - leakage is the proportion of outputs that benefits those outside the programme or target area;
- optimism bias:
  - optimism bias is the tendency for those involved in projects, as funders, managers or beneficiaries, to be too optimistic in terms of forecasting project costs, scale, timing and benefits. Optimism bias adjustment often reduces the forecast benefits over the expected duration of the project; and
- multipliers:
  - economic benefits of an intervention are multiplied because of knock-on effects within the economy.

When these factors have been applied to the gross direct effects we are left with **net additional** economic impact.

[6] Deadweight refers to the proportion of total outputs/outcomes that would have been secured anyway (sometimes referred to as non-additionality) without support from the DigitalBoost Development Grant

## *Economic Impact Measures*

### Introduction

5.3 This section details the impacts in terms of:

- gross turnover and GVA since receiving the Grant;
- gross employment since receiving the Grant;
- deadweight;
- leakage;
- displacement;
- substitution;
- optimism bias;
- multiplier effects;
- net additional turnover;
- net additional GVA; and
- net additional jobs.

## *Gross Realised Impacts*

### Turnover and GVA

5.4 Details of the gross turnover impact already realised as a result of receiving the DigitalBoost Development Grant (DGDG), and estimates of GVA, are reported in Table 5.1[7].

Not every company who reported achieving a turnover impact from the DBDG provided useable data on the scale of the impact – 545 companies said that they had achieved a turnover impact but only 479 companies provided useable data.

[7] Gross GVA has been estimated using a turnover:GVA ratio from the latest (2019 – updated June 2021) Scottish Annual Business Statistics – available at https://www.gov.scot/publications/scottish-annual-business-statistics-2019/ . The ratios were calculated for individual sectors of the companies that responded to the survey – where there was no direct comparator sector, we allocated the GVA ratio of the nearest equivalent sector.

**Table 5.1: Turnover impact already realised as a result of receiving the DigitalBoost Development Grant and Estimates of GVA**

| Responses | Total | | Average Impact | |
|---|---|---|---|---|
| | Turnover | GVA | Turnover | GVA |
| 479 | £36.7m | £15.8m | £76,000 | £33,000 |

***EMPLOYMENT***

***GROSS TO NET***

5.6 In order to progress from gross impacts, it is necessary to take account of the factors discussed above that can detract from or enhance economic impact.

**Deadweight**

5.7 We have applied the following deadweight factors:

- Turnover and GVA:
  - **zero** – for the **479** businesses that had:
    - recorded a turnover impact attributed to support from the DigitalBoost Development Grant; and
    - provided data on the scale of that impact
  - **100%** - to all the other companies; any turnover impact that they have achieved was not attributed to support from the DigitalBoost Development Grant; and
- Employment:
  - **zero** - for the **310** businesses that had recorded an employment impact attributed to support the DigitalBoost Development Grant
  - **100%** - to all the other companies; any employment impact that they have achieved was not attributed to support from the DigitalBoost Development Grant

For brevity, the businesses that did not attribute turnover or employment impacts to the support provided by the DigitalBoost Development Grant have been excluded from subsequent analysis.

**Leakage**

5.8 Leakage is the proportion of outputs that benefits those outside the programme or target area. The survey questionnaire asked whether any of the jobs created as a result of accessing support from the DigitalBoost Development Grant have been taken by employees who live outside Scotland[8]. Only 33 companies reported that the new jobs created would be taken by individuals who were reported to live outside Scotland – across the sample this represents 6% of the employment created.

Leakage is therefore assessed at **6%**.

**Displacement**

5.9 Our investigation of displacement considered those factors that would dilute the gross impact of any increases in business activity as a result of accessing support from the DigitalBoost Development Grant. It included collecting information on the geographic location of major competitors. Table 5.3 presents the displacement factors for the 587 companies that have reported either an attributable turnover or employment impact and were able to estimate the geographic location of their competitors[9].

**Table 5.3: Displacement Factors**

| Percentage of Companies | Displacement Factor |
|---|---|
| 16% | Zero |
| 9% | 1% to 20% |
| 13% | Between 21% and 40% |
| 9% | Between 41% and 60% |
| 13% | Between 61% and 80% |
| 40% | Between 81% and 100% |

[8] Leakage can also occur when the operating profit created by the beneficiary goes to shareholders or others who live outwith Scotland. Given the difficulties in assessing this type of leakage we have made no attempt to calculate it.

[9] The displacement factors are based on guidance issued by Scottish Enterprise - http://www.evaluationsonline.org.uk/evaluations/help/guidance.htm;jsessionid=456774221303600E9CD204B682DD0038

**Substitution**

5.10 Substitution arises where a firm substitutes one activity for a similar one to take advantage of public sector assistance. There was no likelihood of a substitution effect as a result of accessing support from the DigitalBoost Development Grant and therefore for all businesses substitution has been assessed as **0%**.

**Optimism Bias**

5.11 This is not relevant as the impacts have already been realised - optimism bias focuses on forecast outputs and outcomes.

**Multipliers**

5.12 The increase in economic activity as a result of a company accessing support from the DigitalBoost Development Grant will have two types of wider impact on the economy:

- **supplier effect**: an increase in sales in a business will require it to purchase more supplies than it would have otherwise. A proportion of this 'knock-on' effect will benefit suppliers in the Scottish economy; and
- **income effect**: an increase in sales in a business will usually lead to either an increase in employment or an increase in incomes for those already employed. A proportion of these increased incomes will be re-spent in the in the Scottish economy.

We have applied Type II multipliers that are relevant to the main business activity of the supported companies - employment multipliers for the jobs impact and GVA multipliers for the estimated turnover/GVA impacts[10]. Table 5.4 and Table 5.5 presents the details.

[10] https://www.gov.scot/publications/input-output-latest/

**Table 5.4: Employment Type II Multiplier Values (latest year - 2018)**

| Sector | Multipliers | Sector | Multipliers |
|---|---|---|---|
| Agric Forestry & Fishing | 1.6 | Horticulture | 1.6 |
| Animal Services | 1.2 | Hospitality | 1.3 |
| Chemicals | 1.8 | Human Health & Social Care | 1.4 |
| Construction | 1.8 | Industrial Manufacturing | 1.6 |
| Creative Industries | 1.4 | Info & Comm Services | 1.3 |
| Domestic Services | 1.4 | Leisure & Sport | 1.3 |
| Education, Training & HR | 1.2 | Life Sciences | 1.8 |
| Energy & Environment | 1.9 | Retail & Wholesale | 1.5 |
| Financial & Bus Services | 2.1 | Technology & Engineering | 1.8 |
| Food & Drink | 1.2 | Tourism | 1.3 |
| Hair & Beauty Services | 1.2 | Transport & Storage | 1.7 |

**Table 5.5: GVA Type II Multiplier Values (latest year - 2018)**

| Sector | Multipliers | Sector | Multipliers |
|---|---|---|---|
| Agric Forestry & Fishing | 1.6 | Horticulture | 1.6 |
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| Education, Training & HR | 1.2 | Life Sciences | 1.8 |
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| Financial & Bus Services | 2.1 | Technology & Engineering | 1.8 |
| Food & Drink | 1.2 | Tourism | 1.3 |
| Hair & Beauty Services | 1.2 | Transport & Storage | 1.7 |

*NET ADDITIONALITY – REALISED IMPACTS*

**Turnover**

5.13 Applying deadweight, leakage, displacement, substitution and multiplier effects detailed above to the reported gross additional turnover by those companies reporting turnover impact, the estimates of net direct, indirect and induced additional turnover obtained are as follows:

| Impact | Value |
|---|---|
| Turnover | £29m |

**GVA**

5.14 Applying deadweight, leakage, displacement, substitution and multiplier effects detailed above to the estimated gross additional GVA impacts, the estimates of net direct, indirect and induced additional GVA obtained are as follows:

| Impact | Value |
|---|---|
| GVA | £12.3m |

**Employment**

5.15 Applying deadweight, leakage, displacement, substitution and multiplier effects to the gross additional employment impacts reported above, the estimates of net direct, indirect and induced additional employment obtained are as follows:

| Impact | Value |
|---|---|
| Employment | 403 FTEs |

*GROSS FORECAST IMPACTS 2021/2022 TO 2023/2024*

**Turnover and GVA**

5.16 Of the 1,415 who responded to the online survey two thirds of the companies (942) were able/willing to provided forecasts of their turnover for each year 2021/22, 2022/23 and 2023/24 as follows:

- forecast turnover having received the DigitalBoost Development Grant; and
- forecast turnover had you not received the DigitalBoost Development Grant.

The difference between the two values is an estimate of the impact of the DigitalBoost Development Grant.

Total forecast turnover and our estimates of GVA impacts in each year were as follows:

| | Turnover | GVA |
|---|---|---|
| 2021/2022 | £40.1m | £17.4m |
| 2022/2023 | £84.9m | £36.6m |
| 2023/24 | £212.2m | £98.5m |

In evaluations of this type the flow of monetary benefits over time associated with an intervention, needs to be discounted[11] and then expressed as net present values (PV). The monetary benefits associated with the DigitalBoost Development Grant relate to turnover forecasts and estimated GVA impacts. Table 5.6 presents the PV details.

**Table 5.6: Net Present Values of Forecast Turnover**

| Source | Value |
|---|---|
| Turnover | £310.1m |
| GVA | £139.8m |

***EMPLOYMENT***

5.17 Of the 1,415 who responded to the online survey 45% of the companies (632) were able/willing to provided forecasts of the changes in employment levels for each year 2021/22, 2022/23 and 2023/24 as follows:

- forecast employment having received the DigitalBoost Development Grant; and
- forecast employment had you not received the DigitalBoost Development Grant.

The difference between the two value is an estimate of the impact of the DigitalBoost Development Grant on employment levels.

[11] We have applied HM Treasury's recommended 3.5% discount rate – see https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent/the-green-book-2020 page 119

Employment forecast impacts in each year was as follows:

| | Employment |
|---|---|
| 2021/2022 | 581.4 FTEs |
| 2022/2023 | 487.9 FTEs |
| 2023/24 | 718.7 FTEs |

In evaluations of this type the flow of employment benefits over time associated with an intervention, needs to be discounted[12] and then expressed as net present values. The benefits associated with the DigitalBoost Development Grant relate to employment forecasts. Table 5.7 presents the PV details.

**Table 5.7: Net Present Values of Forecast Employment**

| Source | |
|---|---|
| Employment | 1672 FTEs. |

***NET ADDITIONALITY – FORECAST IMPACTS***

**Turnover**

5.18 Applying deadweight, leakage, displacement, substitution and multiplier effects detailed in Section 1.4.3 to the reported gross forecast turnover by those companies reporting a turnover impact, the PV estimates of net direct, indirect and induced forecast turnover obtained are as follows:

| Impact | Value |
|---|---|
| Turnover | £288.7m |

**GVA**

5.19 Applying deadweight, leakage, displacement, substitution and multiplier effects detailed in Section 1.4.3 to the reported gross forecast GVA by those companies reporting a turnover impact, the PV estimates of net direct, indirect and induced forecast GVA obtained are as follows:

| Impact | Value |
|---|---|
| GVA | £128.6m |

[12] We have applied HM Treasury's recommended 3.5% discount rate – see https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent/the-green-book-2020 page 119

### Employment

5.20 Applying deadweight, leakage, displacement, substitution and multiplier effects to the gross additional employment reported in Section 1.4.3, the PV estimates of net direct, indirect and induced forecast employment impacts are as follows:

| Impact | Value |
|---|---|
| Employment | 1,241 FTEs |

*SUMMARY*

5.21 In Table 5.8 we present a summary of the net additional impact of the business development support provided to Scottish businesses by Lanarkshire Enterprise Services Limited through the Scottish Government's DigitalBoost Development Grant.

**Table 5.8: Impact of the DigitalBoost Development Grant**

| Impact | Realised | Forecast |
|---|---|---|
| Turnover | £29m | £288.7m |
| GVA | £12.3m | £128.6m |
| Employment | 403 FTEs | 1,241 FTEs |

*OPTIMISM BIAS*

5.22 Optimism bias is the tendency for those involved in projects, as funders, managers or beneficiaries, to be too optimistic in terms of forecasting project costs, scale, timing and benefits.

### Turnover and GVA

5.23 To identify whether there is evidence of optimism bias in relation turnover and GVA we examine the forecast turnover after 3 years in relation to actual turnover – in this case we compare forecast turnover in 2023/24 with actual turnover in 2020/21. In addition, we also compare forecast turnover in year 2021/22 with forecast turnover in 2023/24.

These calculation show:

- an average increase in excess of 100% between actual turnover in 2020/2021 and forecast turnover in 2023/24; and

- an average increase in forecast turnover in excess of 200% between 2021/21 and 2023/24.

These calculations suggest significant optimism bias. SE guidance on optimism bias[13] suggest applying optimism bias assumptions of between 20% and 40%, to net impacts. Applying the mid-point (30%) gives the following net impacts for the DigitalBoost Development Grant intervention.

**Table 5.9: Net Impacts after allowing for optimism bias**

| Impact | Value |
|---|---|
| Turnover | £202.1mm |
| GVA | £90m |

We would introduce a caveat here, that might suggest that optimism bias is less of an issue than the data suggest.

Turnover in 2020/21, the base year from which we have measured the scale of forecast turnover growth, is unlikely to have been a normal year due to the lock down of the economy and likely negative impacts on turnover. The Scottish Government's report on the impact of covid[14] on Scotland, highlights that the Scottish economy contracted by 19.4% in the second quarter of 2020 and despite growth in output in the months May to September, Scotland's Gross Domestic Product remained 7.6% below its pre-COVID level.

It is therefore likely that forecasts of turnover growth (which feeds into GVA and employment growth forecasts) reflect a return to the "norm" for these businesses, and therefore the forecasts are less out of kilter than we report, and therefore some caution should be exercised when interpreting the impact of optimism bias relating to the impact of the DigitalBoost Development Grant intervention.

**Employment**

5.24 Forecast employment growth over the period to 2023/24 averages around 1.3 FTEs per supported business – we therefore conclude that there is no evidence of optimum bias in these forecasts.

[13] See https://www.evaluationsonline.org.uk/evaluations/help/guidance.htm%3bjsessionid=456774221303600E9CD204B682DD0038

[14] Scotland's Wellbeing: The Impact of COVID-19 – available at https://nationalperformance.gov.scot/scotlands-wellbeing-impact-covid-19

*GROSSING UP*

5.25 To estimate the full impact of the DigitalBoost Development Grant we need gross up the results above to the population of assisted businesses as a whole. Of the 2,239 businesses invited to participate in the research 1,415 businesses responded – a highly credible response rate of 63%. However, as with most if not all surveys not every responder answered every question. To gross up we need to calculate a standard error for each economic impact metrics. Given the relatively large sample sizes the ranges that we report are smaller than we would normally report on, as follows:

- realised turnover and GVA standard error - +/- 3.97%;
- realised employment standard error - +/-5.17%;
- forecast turnover and GVA standard error - +/-2.43%; and
- forecast employment standard error - +/-3.3%.

**Realised Impacts**

5.26 Table 5.10 presents the details when we gross up the net additional impacts that have already been realised.

**Table 5.10: Grossed Up Realised Impacts**

| Impact | Mid-Point | Range |
|---|---|---|
| Turnover | £49.9m | £44m - £47.7m |
| GVA | £19.5m | £18.6m - £20.2m |
| Employment | 672 FTEs | 637 FTEs – 710 FTEs |

**Forecast Impacts**

5.27 Table 5.11 presents the details when we gross up the forecast net additional impacts.

**Table 5.11: Grossed Up Forecast Impact**

| Impact | Mid-Point | Range |
|---|---|---|
| Turnover | £319.8m | £312.1m - £327.6m |
| GVA | £142.4m | £138.1m - £145.8m |
| Employment | 1,964 FTEs | 1,904 FTEs – 2,023 FTEs |

*RETURN ON INVESTMENT*

5.28 Return on Investment (ROI) is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment - in business development evaluations such as this study this is typically the number of jobs created relative to the business development funding, usually termed cost per job.

To calculate the cost per job relevant to the DigitalBoost Grant we simply divide the cost of the funding package - £20m – by the number of net jobs resulting from that investment.

For the purpose of this study, we offer two cost per jobs calculations:

- realised jobs:
  £29,762; and
- forecast jobs:
  £10,183.

We would caveat these cost per jobs figures as follows:

- It is likely that the cost per realised job will reduce over time as more jobs are created by businesses as the investment begins to fully impact on employment levels; and
- It is likely that the cost per forecast job could increase as not all of the forecast jobs will actually come to fruition.

Only when the DigitalBoost Grant investment has worked its way through the operation of a funded business will we be in a position to calculate the true cost per job created by the £20m investment.

## 6.0 FUTURE SUPPORT NEEDS

6.1 A significant proportion of firms (51%) anticipate they will need financial assistance to continue their organisation's digital development; only 10% indicated that this was not so, with 39% indicating that they were "not sure" whether such support would be needed. This view was also reflected generally in the depth interviews that we conducted. In this respect, there was a common recognition that the eligibility criteria for such support would be different, given the "emergency" nature of the funding offered. The key issue here was generally seen to be whether the project took firms to a "different level" – a new stage in their digital development - and genuinely enhanced their organisational capabilities, rather than being simply a "business as usual" replacement of equipment or software, which firms should take responsibility for themselves.

6.2 43% of firms expressed interest in the availability of an interest-free loan to support their organisation's digital development, with 30% indicating that they were not interested in this and 27% indicating that they were "not sure". The depth interviews suggested that those firms with such an interest were more likely to be those taking a significant developmental approach to their business and those that might be considered to be more directly operating within the "digital space".

6.3 A notable feature of the depth interviews was the extent to which interviewees felt that training and guidance as to how to develop digitally was important to them. Some were aware of such support (for example, through Business Gateways or enterprise agencies) but many were not and expressed the need for an "honest broker" role to help them chart their digital way ahead, this being independent of IT equipment or services suppliers.

6.4 Within the depth interviews in particular, it was clear that the experience of receiving support through the DigitalBoost Development grant had made them more aware of the benefits of ongoing digital investment generally and, at least for these firms, this will make it more likely that they budget for and invest in ongoing updates to their digital capacity. Wider awareness of the benefits highlighted in this impact assessment, along with effective communications, would be required to move more businesses towards this orientation within Scottish SMEs generally.