



Interim Evaluation: Scotland Food & Drink's Industry Leadership Activities

Final Report for Scottish Enterprise

April 2017

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1. Introduction

This report presents the findings of an [Interim Evaluation of Scotland Food & Drink's \(SF&D\) Industry Leadership Activities](#) undertaken on behalf of its three public sector funders, namely Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), and the Scottish Government.

The evaluation was undertaken by EKOS, in partnership with SmithKelvin.

1.1 Background

SF&D was established in 2007 as the Industry Leadership Group (ILG) for the food and drink sector in Scotland. The membership organisation is tasked with providing strategic leadership and advice, and driving industry growth.

Vision:

To make Scotland internationally known as 'A Land of Food and Drink' and grow our industry to £16.5 billion by 2017 through exploiting the growth markets of premium, health and provenance.

High Level Objective:

To drive sustainable industry growth, in line with strategy targets.

Source: Scotland Land of Food and Drink, Strategy Refresh

Note: A new Industry Strategy – Ambition 2030 has recently been launched on 23rd March 2017.

SF&D's current three-year funding contract, which started in April 2015, is supporting a new funding model for SF&D to:

1. Deliver enhanced industry leadership activity.
2. Develop its commercial arm and become more financially self-sustaining.

The focus for the funding is for SF&D to provide an enhanced strategic leadership and coordination role to the food and drink sector in Scotland, together with the provision of pan-industry intelligence. The enhanced partnership model seeks to be a catalyst to accelerate further industry growth, and give SF&D the flexibility and agility it needs to drive the delivery of the current industry strategy (including the ambitious stretch targets).

1.2 Context

It is important to set the Interim Evaluation in the context that the current contract represents the third round of funding to SF&D from public sector partners. The three-year funding to March 2015 had been on a reducing scale for SF&D's costs, while the non-aid grant funding between April 2015 and March 2018 is stabilised annually solely for SF&D's ILG activities.

SF&D's Board considered this model would allow SF&D to have a more financially sustainable model towards its ILG costs/undertaking. Within the current funding model there was always the intent from all sides (SF&D and public sector funders) however, that SF&D would seek to maximise commercial income in order to meet its objective of being self-sustaining by March 2018.

Within the current contract period, SF&D is responsible for delivering against five ILG functions:

1. [Providing enhanced and visible leadership](#) to drive sustainable industry growth in line with the industry strategy (Big 6) and associated KPI targets.
2. [Promoting effective partnership working and deeper collaboration](#) by coordinating activity across public and private sector partners.
3. [Co-ordinating production, ensuring delivery and reporting on the work of the Big 6 priority workstreams](#), through the development of clear, collaborative action plans.
4. [Providing pan-industry market and consumer intelligence and fore sighting activities](#) to inform and deliver the industry strategy.
5. [Delivering a plan for an enhanced partnership model demonstrating increased stakeholder and business involvement](#) to reduce reliance on public sector investment post 2017/18.

A total of up to £1.145 million (April 2015 to March 2018) has been approved for SF&D to deliver on its core mission of providing strategic leadership and enhanced participation through coordination, collaboration, and the exploitation of industry market intelligence.

SE is the majority funder (£845,000) and a further £300,000 has been provided by the Scottish Government. In addition, HIE continues to fund specific project activity, for example, Access to Markets (£176,000)¹.

1.3 Interim Evaluation Objectives

The scope of the Interim Evaluation related only to the funding used to secure SF&D's role as the sector's strategic leadership organisation. The timing of the Interim Evaluation marks a potential break-clause in the contract.

The aim of the Interim Evaluation is to assess the delivery and impact of SF&D's industry leadership activities. More specifically, the study objectives are to assess:

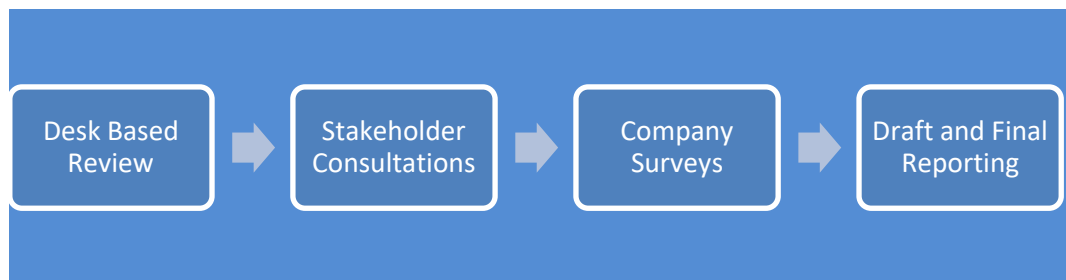
- the efficacy of public sector investment to SF&D over the duration of the funders' current contract with SF&D which commenced in April 2015;
- progress in industry leadership activity during this time period; and
- performance against targets, achievement of objectives, outputs achieved and those likely to be achieved.

Finally, the Interim Evaluation provides recommendations on maximising the return on public sector investment for the remainder of the funding period (to March 2018).

1.4 Study Method

The study was undertaken between October 2016 and March 2017 and involved the following elements.

Figure 1.1: Study Method



¹ Access to Markets funding is not covered by the Interim Evaluation.

A wide range of partners and stakeholders were consulted as part of the Interim Evaluation. This included the SF&D senior management team, and most members of the SF&D Board and Executive Group².

A total of **32 consultations** were undertaken, in some cases this included more than one representative from the same organisation. A list of organisations consulted is provided at **Appendix A**.

The company survey is worthy of further comment:

1. Telephone Survey – a target of 50 interviews was planned with members and non-members of SF&D. A total of **35 interviews** were completed.

Contact lists were provided by SF&D, SE and HIE, and the lists from SF&D and SE were then checked by SE's Survey Control Unit which reduced the total number of available contacts³.

The UK Market Development study company survey was underway as our survey started. In order to minimise burden on companies, the lists were reviewed and some duplicates were removed from the SF&D Interim Evaluation list.

Further, some companies on the list had been to an industry dinner and/or had recently attended an industry event as part of the development process for the new industry strategy.

As such, some companies were less inclined to take part.

2. Online Survey - an online survey was disseminated and promoted to other SF&D members and non-members via the SF&D members' newsletter, an email distribution list, and via SE to the Grampian Food Forum. A total of **19 responses** were received.

A total of **54 responses** were received through the telephone and online surveys.

² Attempts were made to consult with all Board and Executive Group members.

³ Those companies contacted in the last six months for survey work were removed from the list.

Given the extent of wider research and consultation that has recently taken place with food and drink companies, in particular to inform the new Food and Drink Industry Strategy (Ambition 2030)⁴, in our view this level of response is reasonable. This wider research and consultation, in part helps to explain being short of target for the telephone survey.

1.5 Report Structure

The remainder of the report is structured as follows:

- **Chapter 2** sets the scene by providing an overview of the current SF&D contract.
- **Chapter 3** provides an overview of contract management arrangements and progress against objectives and milestones.
- **Chapter 4** provides the detailed feedback from stakeholder consultations.
- **Chapter 5** presents the detailed feedback from the company surveys.
- **Chapter 6** presents our study conclusions and recommendations for consideration by SE and partners.

⁴ Ambition 2030 was launched on 23rd March 2017 - <http://www.foodanddrink.scot/about-us/our-publications.aspx#>

2. Setting the Scene

This Chapter sets the scene and provides an overview of SF&D's ILG's role. The information presented is largely based on a desk-based review of a wide range of information and data, including: Original and Addendum SE Project Development Papers (2015); SF&D Business Plan (2015/16 to 2017/18); SF&D Business Plan and Operating Plan (2016/17); SF&D Membership and Commercial Strategy (February 2016 and November 2016 Update), and further data provided by SF&D.

2.1 Mid Term Review

A mid-term review of the industry strategy (2013) highlighted key messages, including that a great deal had been achieved in the first five years of the organisation, that the SF&D partnership was still maturing, and that with the correct level of support, significantly more could be achieved. It also identified a number of ongoing challenges facing the food and drink sector in Scotland, including:

- low levels of productivity in most of the major food sub-sectors;
- low levels of profitability among primary producers; and
- the need to broaden the base of companies exporting and widen the range of products sold overseas.

This led to the identification of the “Big 6” strategic priority themes for the food and drink sector in Scotland to focus on in order to realise the strategy ambition by 2017:

1. Build Scotland's reputation as a Land of Food & Drink, both in the UK and international markets.
2. Build primary sector growth and profitability.
3. Build supply chains which can exploit growth market opportunities.
4. Improve food sector productivity.
5. Become more environmentally sustainable.
6. Accelerate market focussed innovation.

The success of SF&D's industry leadership activities is ultimately measured against the industry Key Performance Indicators (KPIs) that relate to Turnover, Exports, Gross Value Added, Productivity, and Research & Development. While SF&D plays a critical role in contributing to the achievement of the industry targets, it is recognised that by the very nature of its industry leadership role (coordination, encouraging collaboration, etc) it is inherently difficult to evidence causality to industry growth.

The background documentation recognises that SF&D's strong and coherent leadership for the industry will help ensure the successful coordination, facilitation, implementation, delivery and reporting of the Big 6 strategic priorities, and therefore contribute towards achievement of the industry growth targets. Indeed, this is what public sector funders provide grant support for the organisation to deliver upon.

2.2 A Changing Business Model

SF&D Business Model to 2015 (Previous Contract Period)

Over the life of SF&D, the three public sector funders have continued to provide funding to support SF&D's costs. The three-year funding to March 2015 had been on a reducing scale.

Despite exceeding its private sector income target in 2014/15, an over ambitious target was set by SF&D for its membership numbers - 700 members. The SF&D membership stood at 360 members (March 2015). A review of the background documentation (and feedback from stakeholders) identified that SF&D staff resources were being stretched in pursuit of delivering on both its core leadership and coordination objectives and that of increased income generation.

At the end of that contract period, there was a collective recognition that the SF&D model was no longer fit for purpose. Firstly, it was considered that the model no longer supported the delivery of SF&D's core mission. Secondly, it was at risk of undermining it given that the focus and staff time was becoming less on SF&D's strategic leadership and coordination role (and more on attempts to increase income).

SF&D Business Model to 2018 (Current Contract Period)

The SF&D Board proposed a new operating model for SF&D when it approached the public sector partners for continuation funding for the period April 2015 to March 2018. Only one option was presented by SF&D to the public sector partners as an alternative to the previous model.

The revised operating model therefore represented an “*enhanced ILG model*” to allow SF&D and industry to deliver on the new stretch targets for the food and drink sector, to address industry challenges and opportunities, and to focus on increasing its financial surplus. The revised model provided additional staff resources (new and existing staff) to fulfil SF&D’s enhanced partnership, collaboration, and connectivity function, and to undertake a new role of developing strategic market intelligence.

The focus of this Interim Evaluation is on the current funding model.

2.3 Funding

Original Budget Profile

The core grant funding from the public sector partners to SF&D for the current contract period (£1.145 million) represents circa 25% of the organisation’s original total projected income for the three-year period to March 2018 (**Table 2.1**). This element of total income is used by SF&D to drive industry growth via its core mission of an enhanced strategic leadership and coordination function. HIE grant funding for the Access to Markets project (circa £176,000) is included within the Project Income source.

Table 2.1: Original Projected Funding Sources

Funding Source	2015/16	2016/17	2017/18	Total
Public Sector Grants	£382,034	£381,002	£382,038	£1,145,074
Membership Income	£460,929	£483,975	£508,174	£1,453,078
Commercialisation Income	£195,500	£214,575	£232,879	£642,954
Project Income	£607,925	£400,000	£410,000	£1,417,925
Total	£1,646,388	£1,479,552	£1,533,090	£4,659,030

Source: SF&D New Funding Model 2015-18 Paper to SE, February 2015

Key points to note include that:

- public sector grants are on a stabilised basis over the lifetime of the contract – previous funding contracts were on a gradually reducing scale. The stabilised funding meant that any additional private sector income generated could be reinvested by SF&D in members’ services. Previously, a challenge was that SF&D was placing increased focus on generating the income needed to plug the gap created by the reducing public sector funding;
- there was a considerable projected decrease in SF&D project income (which is largely grant funding) over the period (-33% overall or -£197,925). This reflected the relative uncertainty of securing grant funding from other sources in what is a more competitive environment (e.g. from HIE, Scottish Government, etc), and the time-limited nature of grant funding; and
- there was a corresponding projected increase in private sector income to help offset the reduction in project income (and any future public sector grants). This was reflective of SF&D’s aspiration to strengthen its financial self-sufficiency, and to reinvest any surplus in its member services:
 - membership income – planned growth in membership income at 5% per annum (+10% overall or +£47,245)
 - commercial income – planned growth in commercial income of circa 10% per annum (+19% overall or +£37,379).

Expenditure Profile

Projected expenditure associated with SF&D’s ILG activity, funded by SE and the Scottish Government, can be categorised across five main cost centres (**Table 2.2**).

Table 2.2: Projected Expenditure

Cost Centre	2015/16	2016/17	2017/18	Total
Staff Costs	£290,918	£288,064	£286,659	£865,641
Market Intelligence Resources	£30,000	£30,600	£31,212	£91,812
Staff Travel and Subsistence	£23,731	£24,206	£25,272	£73,209
Property Costs	£14,517	£14,807	£15,104	£44,428
Office Overheads	£22,868	£23,325	£23,791	£69,984
Total	£382,034	£381,002	£382,038	£1,145,074

Source: SF&D New Funding Model 2015-18 Paper to SE Single Approval Group, February 2015

As to be expected, staff costs (seven posts which is equivalent to circa five Full Time Equivalents⁵) make up the majority of planned expenditure for SF&D’s enhanced leadership and coordination activity (76%)⁶, with staff input time devoted to this function detailed below.

Table 2.3: SF&D ILG Staff Time Inputs

Post	Time Input for ILG Activity
Chief Executive Officer	75%
Industry Development Director	75%
Industry Development Co-ordinator	100%
Strategic Market Intelligence Manager	100%
Industry Communications Officer	100% in Year 1, and reducing to 50% in Year 2 and 0% in Year 3
Chief Executive Officer PA Support	75%
Office Management Resource	33%

Note: SF&D has other members of staff that are not involved in ILG activity and are funded via other sources (e.g. private sector income).

A budget of circa £30,000 per annum was allocated for the new SF&D strategic market intelligence function (e.g. purchasing resources, databases, etc) – overall, this made up a small part of the total projected expenditure budget.

The core grant from SE and the Scottish Government does not cover all the costs associated with SF&D’s leadership and strategic market intelligence functions – the remaining costs are covered through private sector income (membership subscriptions and other commercial income).

SF&D Funding Post March 2018

At the time of contract approval (February 2015), there was no expectation of continued public sector funding support for SF&D at the same level. Indeed, it was also noted that how the public sector contributes to SF&D going forward could be different from the current contract.

⁵ An FTE is the hours worked by one employee on a full-time basis.

⁶ This proportion increases if, for example, Staff Travel and Subsistence, is included.

2.4 Governance Arrangements

SF&D is a limited company and a membership organisation. As a limited company, it requires to have a [Board of Directors](#) in place. SF&D Board members are drawn mainly from industry, plus there is representation from SE, and observers from the Scottish Government, and more recently from the SF&D Executive Group. Board Members are appointed on a three-year term which, subject to approval of the Board, may be extended.

The Board's specific and remit role is to provide strategic direction and has responsibility for corporate governance. The Board is managed by SF&D as part of its organisational responsibilities. There are a number of [Board Sub-Committees](#) to which governance activities continue to be delegated (and report back to the Board). This includes Finance & Commercialisation, Audit & Risk, and Nominations & Remuneration.

The Board therefore differs from the SF&D Executive Group and Working Groups which were established to help deliver against the industry strategy.

The [Executive Group](#), which currently has 21 members, has senior level representation from food and drink sector trade bodies/associations and from across the public sector (e.g. SE, HIE, Scottish Development International, Scottish Government, Skills Development Scotland) and the academic/research sector. The Executive Group is the key delivery vehicle, and is responsible for driving the development and delivery of the food and drink industry strategy.

There are a number of [Working Groups](#) which align with the Big 6 priorities for accelerated industry growth - Primary Sector, Supply Chains, Productivity, Skills, Environmentally Sustainability, Innovation, and Export. The Working Groups comprise members with specific expertise from across the trade bodies, public and academic/research sectors, and SF&D. It is anticipated that each Working Group has an Industry Champion and Public Sector Champion (although not all yet do, nor do all have Terms of Reference).

In addition, there is a [Communications Group](#) that involves members of staff with a Communications/PR remit across a number of partner organisations. This is with a view to supporting more consistent messaging, including around SF&D's industry leadership activity and progress.

Governance arrangements are currently being reviewed by SF&D.

A Draft ILG Governance Manual has been prepared and submitted by SF&D to funding partners in January 2017. It maps the current governance arrangements for the SF&D partnership and highlights gaps and inconsistencies in individual goal groups' governance mechanisms. It sets out revised roles and responsibilities and terms of reference for the different structures.

The Draft ILG Governance Manual will be revised further now that the industry strategy has been launched and new priorities identified. It will also be revised as the industry strategy is turned into an Operating Plan and as the Overton Deeper Collaboration Report is implemented.

The SF&D Executive Group is aware that the review of governance arrangements is underway, and the next version of the ILG Governance Manual will be shared with the SF&D Executive Group and Board for review and sign off.

Note: In April 2015, Richard Lochhead MSP, Cabinet Secretary for Rural Affairs, Food and the Environment, commissioned the SF&D Board to explore options for Deeper Collaboration within the Scottish Food and Drink Sector. The SF&D Board appointed Dennis Overton, Vice Chairman of SF&D, to lead this work with the support of an expert working group.

2.5 Management Structure

The day-to-day running of SF&D is the responsibility of the Chief Executive. Much of his time, funded through the current contract, has ensured an increased focus on industry leadership activities (75% of time). This includes senior level relationship management with partners/stakeholders to drive increased commitment and contributions towards industry leadership actions and objectives.

A new staffing structure for SF&D was put in place during the current contract period to bring greater focus to the inter-related areas of the organisation's industry leadership and membership and commercial activities. A new [Industry Leadership Team](#) was created to support ILG activity⁷. The Industry Development Director reports to the Chief Executive.

The Industry Development Team leads on deepening SF&D's industry leadership activity (Big 6, coordinating the development of the new industry strategy, etc). Four new posts were created to support this work - Industry Development Co-ordinator (x2), Industry Communications Officer, and a Market Analyst.

⁷ The Business Development Team leads on the membership and commercial functions of SF&D (not funded via the public sector partners).

The changes in the SF&D staffing structure that coincided with the current contract period were considered appropriate, and stakeholders reported that SF&D has a strong, professional, and credible senior team.

2.6 Industry Leadership Activities

SF&D, as the ILG for the food and drink sector in Scotland, has set out key industry leadership objectives.

Industry Leadership Objectives

- **Deliver clear strategic leadership to drive optimum industry growth**
- **Achieve deeper collaboration across industry partners, government and its agencies, maximising value of public sector and industry investment**

Source: SF&D Business Plan 2015/16 – 2017/18

Key activities under industry leadership include:

- development of the industry strategy and the facilitation of collaboration involving the public and private sector in the strategy development process;
- being a driver and key influencer of public sector strategy for industry investment;
- coordinating activity and the key industry bodies under strategic working groups; and
- being the voice for industry when appropriate.

Chapter 3 provides further detail of the contract milestones associated with SF&D's industry leadership activity – and progress to date.

2.7 Membership and Commercial Activities

SF&D had begun to explore increasing its commercial activities in previous years and achieved steady progress. The main contributor was the development of the Excellence Awards that today still attract high levels of sponsorship, and increasing attendance figures.

SF&D created a new post of Membership & Commercial Director to head up the Business Development function (who took up post November 2015 – some eight months into the current contract period). A key part of the Membership & Commercial Director’s role was to directly support the growth and development of member companies and develop new revenue streams. This was with a view to continuing to drive private sector income and seek greater leverage and increased participation from partners (both cash and in-kind contributions).

SF&D has identified key membership and commercial objectives, as follows:

Membership and Commercial Objectives

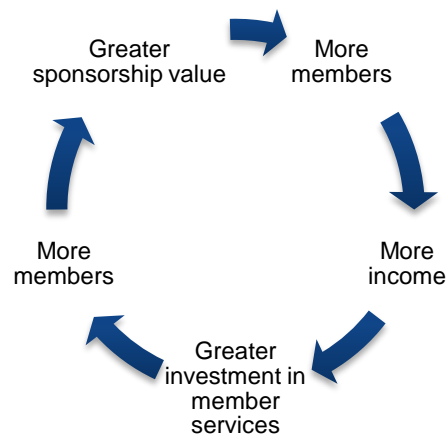
- **Provide streamlined support (direct or signposting) for food and drink companies, to allow for their individual growth**
- **Operate within a business model which is financially secure and resilient**

Source: SF&D Business Plan 2015/16 – 2017/18

Chapter 3 provides further detail of the contract milestones associated with SF&D’s membership and commercial activity – and progress to date.

The SF&D Board agreed the main principles of a Membership and Commercial Strategy (February 2015). In reducing SF&D’s reliance on public sector funding, the organisation has adopted an approach that seeks to increase both membership and other commercial income sources, whereby any net profit can then be reinvested back into the organisation to support delivery of its industry leadership work and services for members/industry.

Figure 2.1: Value in Growing the Membership Base of SF&D



Source: SF&D Membership and Commercial Strategy, 2016.

2.8 SF&D Membership Profile and Changes

There are some 17,000 food and drink companies in the sector which SF&D could potentially target for membership.

SF&D began recruiting members in October 2007, and at the end of the first financial year, the organisation had 85 members⁸. Since this time, SF&D has continued to develop its membership – it is critical to the success and credibility of the organisation, it helps support financial sustainability, and importantly it helps ensure that SF&D is viewed as the single voice for the sector.

SF&D had 360 members (March 2015)⁹, and the organisation's Business Plan referred to ongoing challenges (and opportunities) in increasing membership:

- the need to work closely with partners to avoid duplication of services and offerings – continues to be an area of sensitivity with fellow membership organisations (e.g. Scottish Bakers, Scotch Whisky Association, Food and Drink Federation Scotland, etc);
- while membership is broadly spread across the main sub-sectors there are weaknesses (whisky) and areas of opportunity (premium grocery, craft brewing and distilling);
- proactive efforts to drive membership uptake in previous years presented challenges in servicing that growing membership; and
- continuing balance to be struck in attracting small and large companies:
 - the majority of food and drink companies in Scotland employ less than 10 employees (many are lifestyle businesses, are not of the scale to have the growth ambition that fits with the SF&D ambition). Small companies require a lot of SF&D staff resources but generate less income for the organisation
 - large company members of SF&D generate circa 40% of income so are hugely important.

⁸ EKOS Report to Scottish Enterprise, Interim Evaluation of SF&D, August 2010.

⁹ SF&D Business Plan 2015/16 – 2017-18

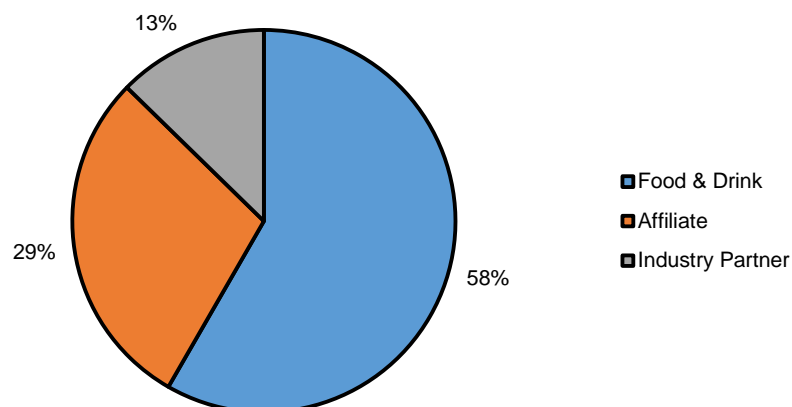
Current SF&D Membership

The latest data shows that SF&D has 355 members (November 2016) - in absolute number terms there has not been any significant change since the start of the current contract period (membership was 360 in March 2015). The reality is, however, that some members have left while others have joined over the period to November 2016 (64 members have left SF&D over the current contract period to date). The SF&D Business Plan reports that annual membership retention continues to be high at 90%+.

Over half of the SF&D membership are food and drink companies (208, 58%). A further 29% (96) are affiliates that support or provide services to food and drink companies (e.g. marketing, legal, packaging, local authorities, recruitment, banks).

The remainder are industry partners (e.g. a large proportion are industry trade bodies, others are, for example, coded as universities, supermarkets, food service) (45, 13%), **Figure 2.2**.

Figure 2.2: SF&D Membership Type

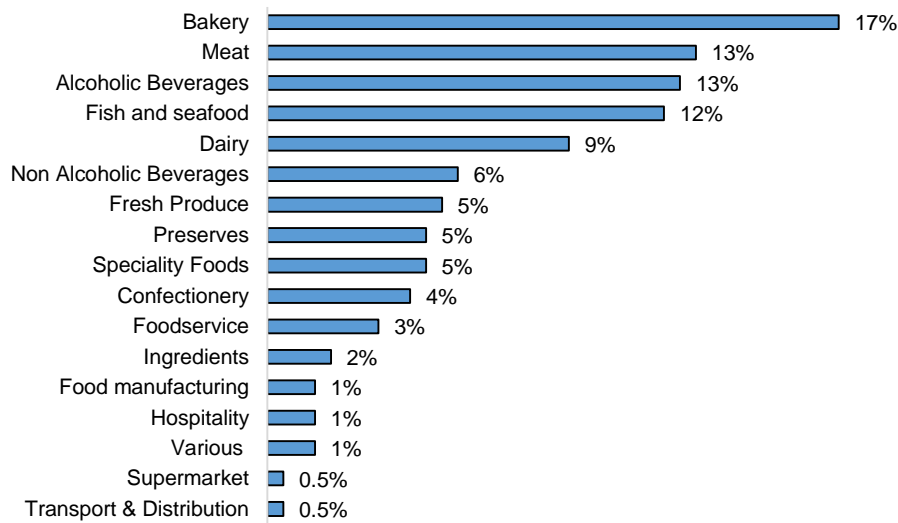


Source: SF&D Membership Data, N=349 (data missing)

The following analysis is based on food and drink company membership only (i.e. not affiliates or industry partners).

SF&D's food and drink company membership largely reflects the major sub-sectors in Scotland's food and drink sector – over half operate in the Bakery, Meat, Alcoholic Beverages or Fish and Seafood sub-sectors, **Figure 2.3**.

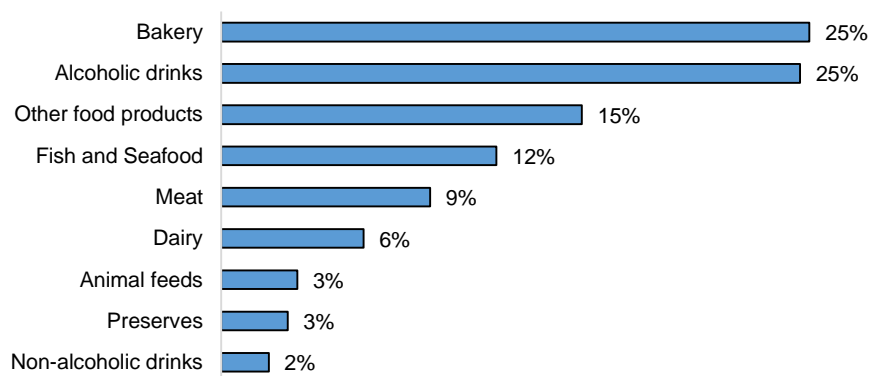
Figure 2.3: Food & Drink Company Membership by Sector



Source: SF&D Membership Data, N=208

Figure 2.4 outlines the distribution of the various food and drink manufacturing sub-sectors in Scotland. Comparing **Figures 2.3 and 2.4**, we can see that alcoholic drinks companies are under-represented, accounting for 13% of SF&D membership and 25% of the Scottish food & drink manufacturing base. This is likely due to the strength of other membership organisations e.g. Scotch Whisky Association.

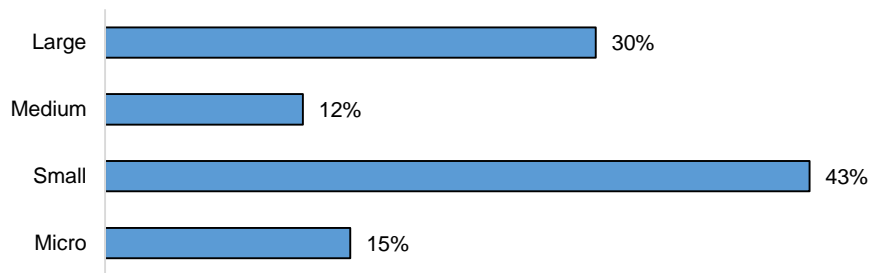
Figure 2.4: Scottish Food & Drink Manufacturing Business Base by Sub-sector



Source: Inter-Departmental Business Register (IDBR)

Over two-thirds of food and drink company members are SMEs (145, 70%) and the remainder are large companies (62, 30%). There is therefore a particularly strong representation of large companies compared to the food and drink business base in Scotland which is almost entirely made up of SMEs.

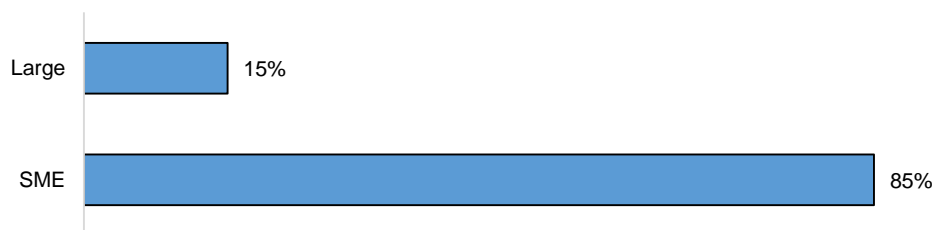
Figure 2.5: Food and Drink Company Membership - Company Size



Source: SF&D Membership Data, N=207

Large company membership is hugely important – data shows that there are 136 food and drink companies in Scotland (15% of total) that turn over more than £5 million per annum, of which 62 (46%) are members of SF&D¹⁰. Getting the big players involved in SF&D is therefore crucial – and as reported later, membership retention is high for large companies.

Figure 2.6: Scottish Food Manufacturing Business Base by Company Size



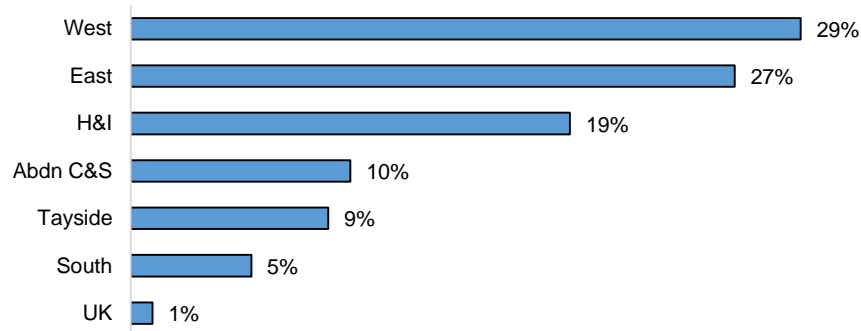
Source: SF&D Industry Strategy 2030 Research, Workstream 2 – Industry Mapping, October 2016. Company Base (not including primary agriculture).

Over half of SF&D food and drink company members are located in the west and east regions – this is where the main population and business base centres are located. Almost one-fifth of food and drink company members are located in the Highlands & Islands.

¹⁰ SF&D Industry Strategy 2030 Research, Workstream 2 – Industry Mapping, October 2016. Company Base (not including primary agriculture).

This is a relatively fair distribution, as data shows that, for example 23% of agriculture and 18% of all food and drink manufacturing businesses are in Highlands & Islands¹¹.

Figure 2.7: Food and Drink Company Membership - Region

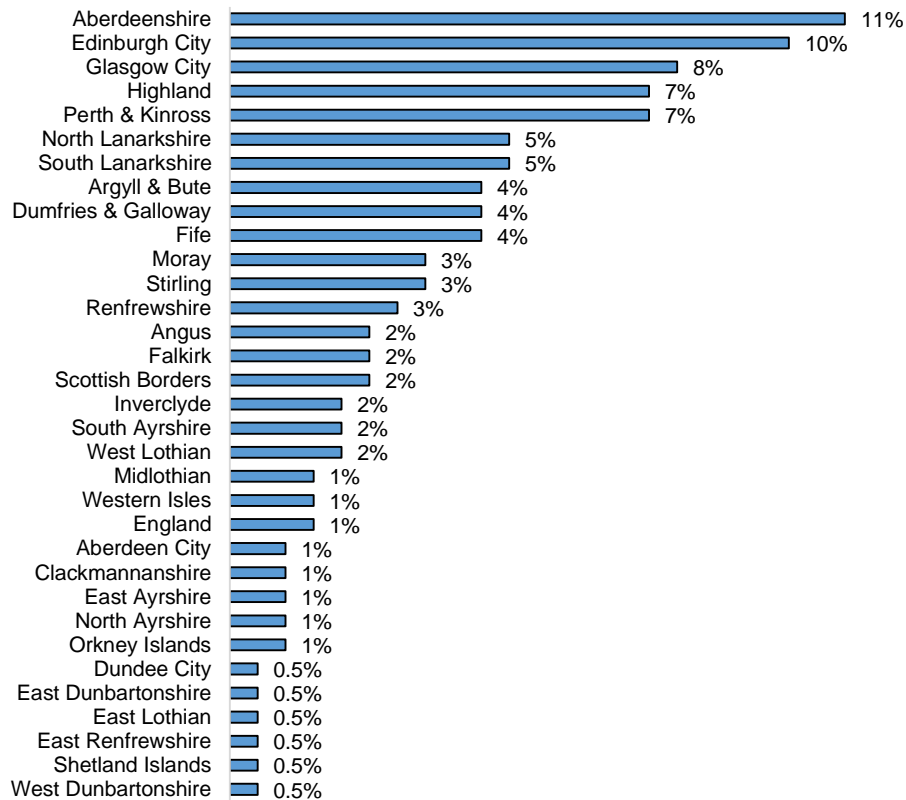


Source: SF&D Membership Data, N=207

There is representation of food and drink company membership in all 32 Scottish local authority areas, albeit to varying degrees. The top five areas are Aberdeenshire, Edinburgh City, Glasgow City, Highlands, and Perth and Kinross – taken together this represents 43% of company membership.

¹¹ UK Business Count – Local Units, 2016.

Figure 2.8: Food and Drink Company Membership - Local Authority

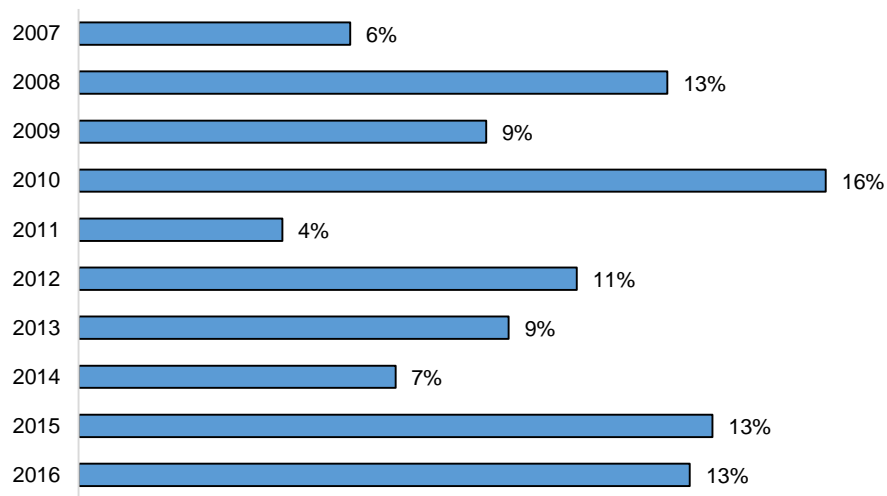


Source: SF&D Membership Data, N=207

The data shows that there was a peak in food and drink company membership three years after SF&D first started – 16% of members paid their first fees in 2010. From a review of the data, some 20% of members joined SF&D since the new current funding contract started in April 2015 (41 members), **Figure 2.9**.

Many food and drink companies have stayed members for the long-term as new companies have joined.

Figure 2.9: Food and Drink Company Membership – Year Paid First Fee



Source: SF&D Membership Data, N=208

Cancelled SF&D Memberships

While there continues to be new members joining SF&D, there has also been a number of memberships cancelled since April 2015. This equates to around 64 cancellations, of which:

- the vast majority were **micro or small companies** (70%);
- the majority were **food and drink businesses** rather than affiliates or industry partners (70%); and
- the most common reasons for cancelling SF&D membership were largely down to **external pressures**¹²:
 - there was a slowdown in business (14);
 - company is no longer trading (13);
 - membership not considered value for money (eight);
 - can no longer afford membership (five);
 - found it difficult to engage with other members (five); and
 - main contact has left the company (two).

¹² Reason for cancellation unavailable for some companies.

2.9 Wider Reach

Data for wider reach and engagement through SF&D channels includes¹³:

- SF&D Twitter - 34,600 followers;
- SF&D LinkedIn page - 1,200 followers; and
- SF&D news pages - 1,000 unique visitors a month.

2.10 Key Messages

The rationale for the change in SF&D's business model to that which has been in place for the current contract was a sound one. Importantly, the change and stabilised annual funding from public sector partners has enabled SF&D to refocus efforts on its core mission of industry leadership and coordination, and at the same time move the organisation on a journey towards becoming more financially sustainable.

While SF&D is heading in the right direction in relation to becoming self-sustaining, the current projections from SF&D are that the organisation will not be fully self-sustaining by the end of the current contract period (March 2018). There is still 12 months remaining of the current contract, and new tender opportunities might, however, arise over the coming months that would generate further income for SF&D to help close this gap.

As highlighted later, the question arising is whether SF&D's ILG activities should be free altogether of public sector funding post March 2018. The best model will depend on the ambition for the sector, and the role of SF&D in coordinating that for the SF&D partnership.

Later in the report a range of governance related issues are identified, and SF&D is in the process of reviewing, strengthening, and clarifying its governance arrangements. Good governance is important for a number of reasons – among other things, it ensures accountability, responsibility, and transparency for both SF&D as a limited company and for the SF&D as a partnership. The SF&D Board should seek to undertake periodic reviews of governance arrangements, and it is generally considered good practice to do so. This will help SF&D to tailor its business model to best support its ILG activity.

¹³ SF&D Milestone Report, Milestone 4.1 - Research and Insight Programme, Oct 2016 for Q3 2016 Milestones.

3. SF&D Objectives and Milestones

This Chapter provides an overview of the contract management arrangements that have been put in place for the public sector funding of SF&D's leadership and coordination role, and progress against objectives, milestones, and targets. The information presented is largely based on a desk-based review of monitoring information, and is supplemented with feedback from stakeholders.

3.1 Contract Management Arrangements

SE's Sector Delivery Team leads on contract management arrangements with SF&D on behalf of the three public sector funding partners. The current contract period marked a change in project management arrangements from previous funding rounds (SE's Food and Drink Sector Team previously managed the award).

The Sector Delivery Team liaises closely with SE's Food and Drink Sector Team which is SE's strategic delivery partner in the SF&D partnership (membership of SF&D Board, Executive Group, Working Groups), and has regular dialogue with other public sector funding partners through quarterly partners' meetings.

The separation of roles between SE's Sector Delivery and Food and Drink Sector Teams was to ensure strong project governance, delivery of contract milestones and objectives, and clarity of roles as SE acts as a key partner and as the contract manager.

SE's standard project management processes are used to manage the project.

The contract with SF&D is monitored and reviewed quarterly by the SE Project Manager and Senior Responsible Officer (SRO). Quarterly progress reports and achievement of contract milestones triggers grant payment. Previously SF&D attended the second part of the quarterly partners' meetings to discuss progress in the previous quarter. However, SF&D no longer attends these meetings, and the SE Project Manager and SRO meet with SF&D separately to provide feedback following the partners' meeting. According to those involved, this was a change for the better and has allowed for more open and honest conversations.

There were some initial challenges in tracking and reporting against contract milestones, but public sector funding partners and SF&D have worked hard to resolve issues, and good progress has been made. The following narrative should be read within this context.

The SE Sector Delivery Team was aware of the burden placed on SF&D, and has spent a considerable amount of time providing support and guidance to SF&D to try and make the transition to the new funding model as easy as possible, including streamlining the reports and evidence required to be submitted on a quarterly basis.

An early challenge that arose was, however, around the ownership of the original contract milestones. This was, in part, due to changes in staffing within SF&D. The person involved in the design of contract milestones within SF&D left post soon after the new contract started. Feedback from the SE Project Manager and SRO (plus others in SE) was that there were issues initially with SF&D's quarterly progress reports:

- Quantity (too much) versus quality of information (too little) submitted;
- That the evidence needed to “*tell the story*” of what difference SF&D's role had made across the ILG objectives (i.e. added value);
- That progress reports were not being shared with internal SF&D governance structures. This was considered a critical point by SE as the expectation from the start was that the milestones should be used to “*mobilise the partners to do things*”, and that updates should be provided to the SF&D Board/Executive Group as part of good governance arrangements; and
- There was considered to be a lack of oversight of progress against the contract milestones at the SF&D Executive Group/Board – this has, however, recently become a standing item on the Executive Group agenda.

SE and SF&D have since reassessed “*what success looks like*” for each of the ILG objectives, and a revised set of more appropriate milestones have recently been agreed.

Both SE and SF&D, however, now agree that SF&D has complete ownership of the revised milestones. Feedback is that issues have been resolved, progress has been made in the quality (increased) and volume of paperwork (reduced), and that progress has been made to streamline the process. That being said, other stakeholders (not limited to industry members) did raise some wider issues about contract management arrangements – this primarily centred on what was felt to be a disproportionate amount of effort and bureaucracy.

While all recognised that there needed to be accountability and transparency for public sector funding, it was reported that the due diligence process is disproportionate to the level of funding received, and in particular given that SF&D has a small senior team. The question for some stakeholders, is therefore whether the right balance has been struck between ensuring an appropriate level of oversight on one hand, and enabling SF&D to have the flexibility and agility it needs to support the sector on the other. It should be noted that SF&D is treated the same way as any other SE grant recipient.

3.2 Monitoring and Evaluation Framework

At the funding application stage, SE worked closely with SF&D to help them develop a Monitoring and Evaluation Framework (M&EF) to enable the organisation, SE and partners to track progress. A logic model approach was adopted, covering inputs, activities, outputs, outcomes, and impacts. The success of SF&D (and the sector) as set out in the M&EF is measured via industry performance against the industry KPIs, albeit, as noted in **Section 2.1**, SF&D is not wholly accountable for delivering on the industry targets, its role is to create the right conditions for industry ambitions to be achieved.

3.3 Contract Milestones

Subsequently a series of milestones were developed which are aligned to each of the ILG tasks, including key deliverables. SF&D mapped the linkages of each milestone against the industry KPIs (and the Big 6 themes), **Table 3.1**.

Milestones have, however, since been revised (**Appendix B**).

Table 3.1: SF&D Original Milestones and Contribution to Industry KPIs

ILG Task	Milestones	Contribution to KPIs
<p>1. Providing enhanced and visible leadership to drive sustainable industry growth in line with the industry strategy (Big 6) and associated KPI targets.</p>	<ul style="list-style-type: none"> • Deliver Annual Review of Industry Strategy Action Plan (including a review of company engagement and input to industry plan activities) • Deliver a monitoring and evaluation framework for the Industry Strategy Action Plan and review progress annually • Deliver update on the progress of each of the Big 6 actions (or relevant industry themes post 2017) in the action plan 'Where are we now' against baseline • Deliver a Review of 'Fresh Thinking', industry KPI's with an updated strategy and action plan in place by 2017, using information and insight sourced via Market Intelligence and Industry Analyst (impact on milestones to be reviewed thereafter) • Produce and deliver an annual marketing and communications plan identifying role of all partners to maximise industry messaging and reputational branding 	<p>Each milestone contributes to all five industry KPIs: Turnover, GVA, R&D Spend, Productivity, Exports.</p>
<p>2. Promoting effective partnership working and deeper collaboration by coordinating activity across public and private sector partners.</p>	<ul style="list-style-type: none"> • Deliver an annual update on the development of the SF&D partnership (Executive Group - its role, impact, delivery mechanisms, champions etc) • Undertake Annual review with public sector partners to maximise funding support for delivery of industry strategy (including EU) • Undertake SF&D Executive Group meetings 	<p>Each milestone contributes to all five industry KPIs: Turnover, GVA, R&D Spend, Productivity, Exports.</p>
<p>3. Co-ordinating production, ensuring delivery and reporting on the work of the BIG 6 priority workstreams, through the development of clear, collaborative action plans.</p>	<ul style="list-style-type: none"> • Deliver an Innovation Action Plan and review progress annually • Deliver strategies and associated action plans to support Reputation theme, and review progress annually (Export and UK Market Development Plans) • Deliver a Primary Agriculture action plan and review progress annually • Deliver the next phase of the Sustainability strategy and review progress annually • Review and deliver the Market Driven Supply Chain Big 6 Action and review progress annually • Deliver a Food Sector Productivity Action plan and review progress annually • Identify the cross-cutting themes from the Big 6 and publish joint activity priorities including plans to maximise these opportunities 	<p>The individual milestones contribute to different KPIs – but taken together, all five KPIs are touched upon.</p>

Source: SF&D New Funding Model 2015-18 Paper to SE (Appendix 5 - Scotland Food & Drink- Milestones, The Big 6 & Industry KPIs), February 2015

Table 3.1: SF&D Original Milestones and Contribution to Industry KPIs (Cont'd)

ILG Task	Milestones	Contribution to KPIs
<p>4. Providing pan-industry market and consumer intelligence and fore sighting activities to inform and deliver the industry strategy.</p>	<ul style="list-style-type: none"> • Articulate and deliver an annual market insight programme of research to support the market opportunities identified in the industry strategy including quarterly market reports • Deliver an annual report on the performance of the Scottish food and drink industry, reflecting on performance against KPIs, sector issues and opportunities and market trends • Agree and deliver a programme of information shares • Deliver an annual plan for industry engagement on latest consumer and market trends with agreed milestones • Develop and deliver a plan and protocols for sharing of data and insight across the SF&D partnership with subsequent annual reviews • Undertake and publish findings of an annual company survey to assess business sentiment and planning on key issues 	<p>Each milestone contributes to all five industry KPIs: Turnover, GVA, R&D Spend, Productivity, Exports.</p>
<p>5. Delivering a plan for an enhanced partnership model demonstrating increased stakeholder and business involvement to reduce reliance on public sector investment post 2017.</p>	<ul style="list-style-type: none"> • Provide annual updates demonstrating partner contribution (from 2014 baseline position) - partner engagement (time & monetary investment), and evidence of their support for the industry vision • Produce Annual Plan relating to SF&D commercial activities • Undertake quarterly meetings (including inception meeting) with Public Sector Partnership to review progress against all milestones and ensure food and drink industry priorities (Big 6) are integrated into PSP activities and plans and update on the activities of the SF&D core business (commercial & membership) and projects. 	<p>Does not contribute towards industry KPIs. Supports SF&D's financial sustainability in the long-term.</p>

Source: SF&D New Funding Model 2015-18 Paper to SE (Appendix 5 - Scotland Food & Drink- Milestones, The Big 6 & Industry KPIs), February 2015

Table 3.4 (Page 43) provides an overview of the extent to which milestones have been achieved to date (against original milestones).

Overall, progress is strong and many of the key deliverables/milestones have been met. SF&D is part way through the three-year contract period (21 months), and progress should also be viewed in the context that it took time for all new staff posts associated with the new staffing structure to be recruited. This would have resulted in some slippage. Further progress will be achieved over the coming 15 months.

As highlighted, the milestones have been revised, and SF&D has only recently started reporting against these. The latest RAG progress report has all milestones coded Green or Amber, suggesting that all activity is completed or on track. We, however, also draw on aspects of progress associated with the revised milestones in the narrative below.

The sections below provide an overview of the key activities and progress made against each ILG objective.

Provide Visible Leadership to Drive Sustainable Growth

There is evidence that SF&D has performed strongly against this ILG objective – based on a review of progress against milestones, and importantly from the feedback received from stakeholders and from companies.

Of critical importance to the *visible industry leadership objective* is that the SF&D partnership is recognised by partners, stakeholders, academia and industry as an authoritative and responsive industry leadership group to support the long term strategic development of the food and drink sector.

The key deliverables for this area of work included, among other things, the recruitment of the new Industry Leadership team during 2015 to help drive forward a number of areas of activity (within this ILG objective area and others) and development of an action plan overview and updates.

Wider activities have included:

- ongoing work to refine the monitoring and evaluation framework for its industry leadership work - this progressed over a number of months, and led to the revised set of milestones used;

- indeed, a new monitoring and evaluation framework is being prepared to measure the success of the new industry strategy – a draft set of KPIs have been prepared and shared with the Executive Group, and will be refined further with SE;
- progress updates on each of the Big 6 actions, including input from the Private Sector and Public Sector Champions;
- an annual marketing and communications plan was developed that identifies the role of partners in maximising industry messaging and reputation branding. In particular this seeks to help support the delivery of the strategy and the Big 6 priorities, identifies key messages for different SF&D audiences, and is being delivered via a mix of campaign methods (e.g. stakeholder relations, media relations, digital, newsletters, and events);
- wider activity has involved an Industry Communications Strategy; Innovation Response Communications Plan; press releases for the Productivity Call to Action launch; quarterly Communications Group meetings; SF&D recruitment of a Communications and Marketing Director (who took up post early 2017); and
- development of an Industry Calendar to highlight opportunities for joint working and collaboration. This provides details of food and drink related events, exhibitions and conferences (as well as SF&D Board and Executive Group meetings, etc) to help the SF&D partnership with planning.

A great deal of time and effort has been spent over all of 2016/17 on the various strands of activity involved in the development of the new industry strategy (which will be launched at the SF&D Annual Conference 2017). This took up a substantial portion of the SF&D partnership's time (i.e. staff team, Board, Executive Group), and involved the following activities:

- regular involvement in both Project Strategy and Project Team meetings;
- Review of Current Industry Vision and Strategy;
- Scottish Industry Mapping Exercise - extensive secondary data analysis and engagement with trade bodies and associations;
- Global Trends, Markets, Key Drivers and Future Scenarios;
- Competitor Analysis and Exemplar Practice;

- Data Synthesis, including development of Refreshed Vision and Priorities;
- testing thinking for the new strategy at seven industry workshops held across SE and HIE regions; and
- work is currently ongoing to develop the new industry strategy, following which new action plans will be developed.

There has been strong strategic leadership coming from the SF&D team, Board and Executive Group, in particular through their involvement in the new industry strategy (and from Executive Group members' involvement in the Working Groups).

Promote Effective Partnership Working and Collaboration

There is evidence that SF&D has performed strongly against this ILG objective - as above, based on the monitoring data and feedback from stakeholders and companies.

A key goal of the *promoting effective partnership working and collaboration* ILG objective is that it fundamentally helps SF&D to deliver on the long-term strategic vision for the food and drink sector.

There is evidence of partnership working and collaboration at the overall sector level, and specific activity to promote better collaboration at a sub-sector level. For example, working with the craft beer, aquaculture, and dairy to promote the benefits of Scottish collaborative sub-groups in this area. Key deliverables that help evidence progress in this area over the current contract includes:

- quarterly Executive Group meetings - the Executive Group continues to be the key delivery vehicle for SF&D. There has been good attendance at meetings (large membership). Further, feedback from stakeholders, including trade bodies, during the consultation process was that future engagement in the SF&D partnership is high (all members reported that their SF&D membership would be continued);
- the annual update provided by the SF&D team on the development of the SF&D partnership in April 2016 (i.e. consultations with the Executive Group undertaken by the SF&D staff team) highlighted a number of important (and supportive) points that provide further evidence of collaboration, as detailed on the next page;

Almost all Executive Group members reported that their own organisation's strategy had been either slightly or significantly influenced by participation in the Executive Group.

87% reported that their level of collaboration with the public sector had deepened through engagement with SF&D and/or the Executive Group.

80% reported that their level of collaboration with the private sector had deepened.

80% reported that their organisation had invested more time in ILG activity as a result of engagement with SF&D, with the vast majority reporting significantly more time.

64% reported that their organisation's time commitment to ILG in the coming year would increase (for the remainder it would stay the same).

Source: SF&D Milestone Report, Milestone 2.2. Return Date – April 2016 for Q4 2015/16

- publication of the Scottish Food and Drink Export Collaboration Charter – this sets out commitment of agreed ten commitments to encourage the sharing of best export practice, knowledge, and networks across the Scottish food and drink sector, building on the lessons learned by the Scotch Whisky industry;
- work is ongoing regarding the development of Conflict of Interest Protocols and a revised Governance Manual for SF&D structures; and
- co-location discussions with industry partners and the Scottish Government have been held; and
- overall, most milestones in this ILG objective area have been completed - although the annual review of how to maximise funding streams was slightly delayed. This was to avoid duplicating a mapping study being undertaken with Scotland Europa on EU funding opportunities.

Coordinate and Report on the Work of the Big 6 Priority Workstreams

The 'Big 6' Priority workstreams are at the core of SF&D's ILG activity, and a number of Working Groups were established to progress activity in each goal area. The Working Groups are the main vehicle for achieving the strategic objectives outlined in the current industry strategy. The role of SF&D has been to coordinate and provide the secretariat for the Working Groups, including working closely with the nominated Champions to help steer activity and progress, and encourage key organisations/individuals to become involved.

A fair assessment would be that there has been mixed progress against this ILG objective. Some Working Groups show strong progress, some have got off to a good start, and for other Working Groups there is more to do. The current review of governance arrangements is timely, and will ensure that there is stronger communication and connections between Working Groups and other SF&D governance structures. It will also ensure a more proactive approach to informing the Working Groups via the pan-industry market/consumer intelligence area of work.

The annual update provided by the SF&D team on the development of the SF&D partnership (April 2016) also sought Executive Group members' views on the Big 6 action plans and impact. **Table 3.2** presents the average impact ratings in response to the question "*what are your views on the impact each of the Big 6 are making on your sector/area of work*".

Table 3.2: Executive Group Members – Average Impact Rating (April 2016)

Goal Area	Rating (1 to a high of 5)
Export	4.1
Supply Chains	4.0
Skills	3.9
UK Market Development	3.6
Productivity	3.5
The Branding	3.4
Innovation	3.4
Sustainability	3.1
Agri/Primary	Not started

Source: SF&D Milestone Report, Milestone 2.2. Return Date – April 2016 for Q4 2015/16
Feedback was from 15 of the 18 Executive Group members at this time.

At that time, the report also found that:

- there was limited in-depth knowledge across the Executive Group of the activities of each of the goal groups (Working Groups) and the progress being made;
- the majority of Executive Group members did not offer an impact score rating for the various goal groups;
- goal groups helped to contextualise work for various support agencies (e.g. prioritising investment for Exports); and

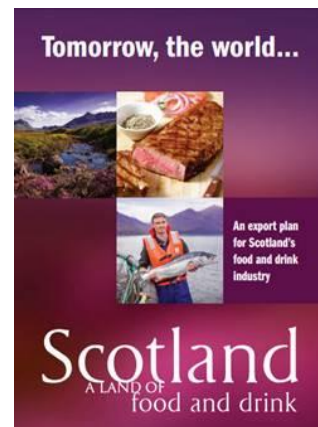
- positive examples were provided where outputs from goal groups or participants have been used to feed into board and strategy development sessions in partner organisations.

These findings from April 2016 are in the main reflected in the feedback from stakeholders as part of the Interim Evaluation. SF&D Executive Group members typically have more knowledge of those Working Groups that they are directly involved in or are close to.

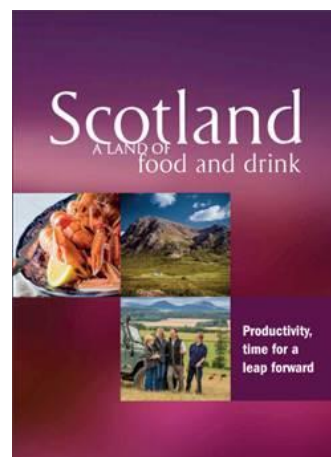
The review of governance arrangements for SF&D, which is currently ongoing, will help address the afore-mentioned issues. Clearer governance structures will ensure greater oversight and understanding of progress. Plans include implementing a RAG operating/action plan reporting templates for all Working Groups.

While recognising that the Working Groups are at various stages, key deliverables to date have included (those finalised are published on the SF&D website):

- the [Export Plan](#) for Scotland's food and drink sector;
- the [Export Collaboration Charter](#);
- development of the new [Innovation Response – Making Innovation Happen](#) (to be launched in April 2017);
- refreshed [Skills Investment Plan \(SIP\)](#) for the sector (not yet launched, but imminent);
- [Productivity Call to Action](#) – the action plan to boost productivity in the food and drink sector in Scotland;



Wider activity is also progressing, albeit at an earlier stage. This includes, for example, activity to develop an action plan around the new Scottish Government's "The Future of Scottish Agriculture", and work is ongoing around the development of a new Sustainability Strategy.



This has faced a number of challenges, including difficulties identifying common metrics and establishing commitment from stakeholders.

Pan-Industry Market/Consumer Intelligence and Foresighting Activities

The current contract (i.e. the funding from public sector partners to SF&D for ILG activity to March 2018) provided an opportunity for SF&D to develop a new service around the provision of pan-industry market and consumer intelligence and foresighting activities specifically in support of ILG activities.

A new staff post was created to facilitate this function - the Strategic Market Intelligence Manager supports ILG activities (i.e. for the benefit of the sector as a whole). The Strategic Market Intelligence Manager came into post May/June 2015. This post is fully funded by the public sector partners, and the information/research and support in relation to ILG activities is provided for free. No income can be generated for SF&D through this post due to state aid.

The ultimate goal is that that the market intelligence provided by SF&D's ILG function is considered a key information resource:

- by industry with updates valued and informing business decisions; and
- to assist Working Groups with their function - that there is a clear link between market intelligence and strategic decisions being made in the Working Groups in order to drive future growth. This has not happened to the extent originally envisaged, and the review of governance arrangements should address this. However, some examples where this has happened include:
 - Sustainability Working Group – shared the McKinsey Circular Economy Report with the Group, and fed into a presentation on the Circular Economy in Scotland at the Milan Expo (The Circular Economy: Delivering Sustainability for the Food and Drink Industry)
 - Export Group – Scandinavia Country Background reports produced to assist with the analysis and desirability of placing a new in-country specialist in the Nordic region.

Good progress is being made and the service is beginning to bed in. Almost all milestones have been met (one is in hand).

71% of Executive Group members had some knowledge of the market insight support provided by SF&D. The remainder did not know about this area of work.

Source: SF&D Milestone Report, Milestone 2.2. Return Date – April 2016 for Q4 2015/16

The research and intelligence was used to good effect in [informing the development of the new industry strategy](#). A major piece of work undertaken by the Strategic Market Intelligence Manager to inform the new strategy was [Workstream 2 – Industry Mapping](#)¹⁴. This research included a wide ranging desk-review of secondary datasets and considerable engagement with trade bodies/associations and companies. The report included:

- a review of performance against the industry KPIs;
- detailed analysis of the food and drink company base in Scotland; and
- detailed sub-sector summaries.

This intelligence was routinely shared with the Project Team that oversaw the various pieces of research to inform the new industry strategy, and was presented to the Executive Group and at industry events.

An [Industry Performance Review](#) is published annually which contains insights from partner organisations and an assessment of the industry's performance. The first Industry Performance Review was launched at the SF&D Annual General Meeting and Conference on 17th March 2016¹⁵.



Some 320 copies were distributed via the delegate packs, and the document is available to download on the SF&D website, and was further promoted in SF&D newsletters and social media. The Industry Performance Review (2016) charted progress since the inception of the industry strategy that commenced in 2007, and included forecasting analysis to gauge the likely state of the sector in the coming 18 months.

¹⁴ SF&D Industry Strategy 2030 Research: Workstream 2 – Industry Mapping FINAL, 12 October 2016.

¹⁵ <http://www.scotlandfoodanddrink.org/media/76559/ipr-2016.pdf?Action=download>

To inform the Industry Performance Review, a new annual [Business Barometer Survey](#) was created by SF&D with support from SE. The online survey is designed to provide a snapshot of how industry is progressing and a look into the near-future to gauge business confidence levels and investment forecasts. It was emailed to the SF&D mailing list (3,000+ contacts) and promoted in SF&D's newsletter and social media channels. A total of 115 companies responded to the survey.

Data collection, including from SF&D partners and the Business Barometer Survey has recently been undertaken to inform the development of the next Industry Performance Review (to be published Spring 2017).

In developing a [Research & Insight Programme Plan 2016-2018](#), a vast range of possible research areas were identified by SF&D (over 10,000). It was decided to hone in on a much smaller number of cross-cutting themes that connect strongly with the Big 6 goal areas – four broad themes encompassing around 24 sub-topics:

- retail futures: provenance, new product development, convenience, cuisine trends, technology, sustainability, shopper, lifestyles;
- reputation: why reputation matters and how it can be measured, sustainability, nutrition, security, integrity, innovation, capability, business vs. product, and primary vs. processed;
- food service futures: focusing on provenance, new product development, convenience, cuisine trends, technology, sustainability, and media;
- global food futures: innovation, nutrition, convenience, cuisine trends, technology, and marketing.

The research involves gathering data from open sources, paid-for reports, subscription sources, insights from conference/seminar attendance, etc.

This approach was agreed by the Executive Group in September 2016, and a timeframe established for each area of research activity.

Key publications to date include:

- [Trends, Innovation and New Product Development in Food & Drink – A Global Perspective](#) (August 2015)¹⁶;

¹⁶ <http://www.foodanddrink.scot/uk-market-intelligence/publications/industry-intelligence.aspx>

- [Future of Food](#) (September 2015);
- [UK Retail & Foodservice Overview: Beyond Food and Drink](#) (November 2015);
- [Towards 2030: Trends that will shape the future of Scottish Food and Drink](#) (March 2016).

Additional research reports will be produced over the next 12 months e.g. [Authenticity and Country of Origin in Building a Reputation in Food and Drink](#).

A Communications and Engagement Plan was then created and which outlines opportunities for publicising and sharing research findings (online, at industry events and conferences, and through trader body partners to their own members and stakeholders). Wider events and seminars have also been undertaken – including Network Events in Lauder and Inverness, and a session with SE Account Managed companies, **Table 3.3**. Further insights were shared at the SF&D Annual Conference held in March 2017.

Table 3.3: ILG Market Intelligence Dissemination / Events (excl. Strategy Engagement)

Event / Content	Venue	Date	Number Attending
SF&D Conference 2015: Hype or Reality?	Crowne Plaza, Glasgow	03.03.15	340
RBS / Campbell Dallas Industry Insights 2015	Albert Bartlett, Lanarkshire	14.05.15	30
SE Food & Drink Network: Future of Food	The Bothy, Perth	25.05.15	40
SF&D Executive Group: UK Retail/Foodservice Landscape	Rural Centre, Newbridge	01.09.15	25
SF&D Board: UK Retail/Foodservice Landscape	Huntingtower, Perth	11.09.15	20
Lanarkshire Business Show: The 21 st Century Food and Drink Shopper	Motherwell, Lanarkshire	03.03.16	150
Food and Drink Network: Trends for 2016	Stravaigan, Glasgow	25.01.16	30
SF&D Conference 2016: Towards 2030	EICC, Edinburgh	17.03.16	360
SF&D Board: UK Retail/Foodservice Landscape	Clydesdale Bank, Edinburgh	18.03.16	20
SE Community of Practice: Global Trends, Future Opportunities	Scottish Enterprise, Dundee	17.05.16	30
SF&D Foodservice Conference: Trends in Out-of-Home	EICC, Edinburgh	02.06.16	100
Opportunity North East: Global Trends, Future Opportunities	Chester Hotel, Aberdeen	16.06.16	45
Borders Food & Drink Network: Food & Drink Trends, 2017 and Beyond	Carfraemill, Lauder	15.11.16	35
SF&D Conference 2017: Perceptions and Misconceptions	Double Tree Hilton, Glasgow	23.03.17	380

Progress around the development of a [Data Sharing Protocol](#) for SF&D partners was slower than anticipated (and is ongoing). Initially it was felt that the legal arrangements would be too complicated and outweigh the potential benefits – as such, a simplified process was developed in December 2016. The purpose of this is to establish a set of rules and protocols to enable organisations to share specific datasets across the SF&D partnership to help monitor and optimise project delivery (e.g. high level data on companies supported – company size, sector, geographic location, economic impacts generated, etc).

A Data Sources Sharing Protocol was developed for the Pan Industry Market Intelligence strand. While partners round the table all have access to their own market and consumer data (to varying degrees), the development of a protocol was seen as a way to promote greater collaboration and sharing of data so that the sector as a whole might benefit from greater insights.

There is recognition that there are some challenges (commercial, technical and practical), and the (draft) protocol suggests areas where the industry may pool the data it holds to generate greater insights for the sector. It also suggests the identification of a nominated Market Intelligence Champion for each partner whose role it will be to proactively collate and communicate the latest data from their sector.

At this stage, there is not an agreed timescale for implementation, although an update paper will be prepared in May 2017.

[Deliver an Enhanced Partnership Model](#)

Milestones within the *Deliver an Enhanced Partnership Model objective* relate to the ongoing development of the SF&D partnership.

The overall purpose of this objective is to lever in partners' support of the ILG activities delivered and coordinated by SF&D. It is also to help SF&D become more financially self-sustaining – not only by seeking more income from its partners and stakeholders but also further in-kind contributions to help with the delivery of ILG activities.

SF&D has a big job to do and need the support of its partners to deliver it. As such, there needs to be shared ownership and understanding of the task required to be delivered.

Our assessment is that some progress has been made to deliver on this ILG objective – there is, however, more to do. Feedback from SF&D is that priority will be placed on this particular ILG objective following the launch of the new industry strategy (launched 23rd March 2017).

Aspects of progress to date include:

- development of annual SF&D business plans;
- regular update reports on membership and commercial income;
- export partners (including Quality Meat Scotland, Scottish Salmon Producers' Organisation, Seafood Scotland, Scottish Bakers, SF&D) have all committed to a further three years funding of the in-market export specialists;
- work is ongoing between SF&D, Scotland Food and Drink Federation, and Scottish Bakers to discuss a joint membership proposition; and
- operational merger and joint membership agreement is now in place with the Brewers Association of Scotland (TBAS).

Some wider examples of collaboration with financial elements are as follows:

- co-location discussions - a core group of partners have agreed to progress this with agreed remit for initial scoping exercise to be jointly funded by industry partners, with Government/SE support. This will include not only requirements of a new, shared HQ, but will explore scope for shared services and cost/efficiency savings;
- collective project delivery - new joint bidding for project delivery has been developed over the last 18 months. Successful results include delivery of Connect Local project with SAOS, SRUC, SFS, SF&D, and new Innovation Insights project with SAOS. This approach is driving great closer operational working and securing new income streams for SF&D and partners involved. An emerging sector development programme – created by SAOS & SF&D – has secured funding and will begin on 1st April 2017;

- Ambition 2030 delivery - new delivery approach agrees with SAOS, Seafood Scotland, FDF Scotland, SF&D and Scottish Government. For first time, a single delivery programme encompassing UK market work, seafood sector development, regional food development, food education, co-op development work has been brought together, led by SF&D;
- UK market delivery agreement now in place to progress a collective UK market development plan. Previously this was reserved to export activity. Potential for industry funding for activity but requires further discussion on delivery; and
- broader contributions secured, delivering greater financial resilience:
 - increasing contributions from beyond Executive Group partners such as foodservice company contributions to two interns' posts embedded within their buying teams
 - joint funding for new post in Aberdeen with Opportunity North East (private sector funds)
 - joint funding for new post in Inverness with HIE and Scottish Government funding (public sector funds)
 - Seafood Scotland interim Head position being delivered by SF&D for the SFS Board. Service delivery but ensures closer operational partnership between the two organisations
 - Chief Executive of QMS has agreed to chair a meeting of SF&D, Scottish Bakers and SFDF to explore options
 - Chief Executive of SF&D has met with the Scottish Bakers Board to discuss joint membership proposition.

Some examples of non-financial commitments include the following:

- Scottish Bakers and FDFS presented and led debate in the Cross Party Working Group on Productivity (with support from SF&D);
- FDFS chaired industry launch of productivity action plan event in Fife on behalf of the partnership;
- QMS agreed to chair discussion on future membership model;
- SF&D has written sections of SAOS and Scottish Bakers Annual Reports;

- contributions by sector Chairmen/CEO's to SF&D Annual Performance Review;
- SF&D Board support at Leadership Forum events in Glasgow, Aberdeen and Edinburgh;
- FDFS meeting with Scottish Government and Food Standards Scotland on behalf of SF&D partnership to develop of cross-industry response to the health & dietary issues and links to new 2030 strategy;
- SF&D Board support at Leadership Forum dinners and events in Inverness, Oban, Edinburgh and Perth;
- trade sector partners all hosted elements of inward mission from French foodservice sector and for buyers at Showcasing Scotland;
- SF&D Vice Chair co-chaired working group which has now published new Aquaculture Strategy sector. Summit subsequently held with Cabinet Secretary;
- sector bodies supported the Global Gathering of In Market Specialists at Airth Castle in 2016 – same planned for 2017;
- Channel Tunnel emergency discussions chaired by SF&D with support from trade sector partners;
- in-kind support to Strategy Engagement Events shown by industry trade bodies through attendance and facilitation of discussions; and
- in-kind support through feedback for the development of the final industry strategy document - e.g. communications meeting in January 2017 and continued feedback from partnership through drafting stages of document.

Table 3.4: Progress against SF&D Milestones, April 2015 – December 2016

ILG Milestone		2015/16				2016/17		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Provide Visible Leadership to Drive Sustainable Growth								
1.1	Deliver Annual Review of Industry Strategy Action Plan				Green			Green
1.1a	Deliver a monitoring and evaluation framework for the Industry Strategy Action Plan and review progress annually		Yellow				Green	
1.1b	Deliver update on the progress of each of the Big 6 actions (or relevant industry themes post 2017) in the action plan 'Where are we now' against baseline				Green			
1.2	Deliver a Review of 'Fresh Thinking', industry KPIs with an updated strategy and action plan in place by 2017*							
1.3	Deliver an annual marketing and communications plan		Green				Green	
2. Promote Effective Partnership Working and Collaboration								
2.1	Co-ordinate development of - and report to Ministers on - options to accelerate public and private sector collaboration			Green				
2.2	Annual update on the development of the SF&D partnership (Executive Group role etc)		Green		Green			
2.3	Annual review with public sector partners to maximise funding support for delivery of industry strategy (inc. EU)	In progress				In progress		
2.4	Undertake SF&D Executive Group meetings	Green	Green	Green	Green	Green	Green	Green
2.5	Develop an Export Collaboration Charter with the whisky industry and generate plan for a range of joint activities.			Green				

Key: Green = complete or in progress; Yellow = partially complete; Red = not complete; Blue = to be determined

* The new Industry Strategy (Ambition 2030) was published 23rd March 2017 (achievement of milestone will be reflected in 2016/17 Q4 reporting).

ILG Milestone		2015/16				2016/17		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
3. Coordinate and Report on the Work of the Big 6 Priority Workstreams								
3.1	Undertake recruitment of industry development team to drive the industry strategy action plan and Big 6 priorities							
3.2	Deliver an Innovation Action Plan and annual progress reviews							
3.3	Produce three year UK market development plan, (inc. retail and foodservice sectors)							
3.3a	Produce UK annual operational schedule for UK retail, foodservice, exhibition, learning journey activity							
3.4	Produce annual operating plan under SF&D export strategy, incorporating all major export activity of SF&D partners,							
3.5	Agree joint implementation plans for each key export market							
3.6	Support Scot Gov to produce an Action Plan arising from The Future of Scottish Agriculture Document							
3.7	Deliver the next phase of the sustainability strategy and review progress annually							
3.8	Utilise output from Dennis Overton process to review supply chain development activity. Produce revised action plan and specific recommendations for follow on to MDSC Review progress annually							
3.9	Deliver a Food Sector Productivity Action plan and review progress annually							
3.10	Identify the cross-cutting themes from the Big 6 and publish joint activity priorities including plans to maximise these opportunities							
3.11	Support the development of Skills Investment Plan, gaining approval for plan through Exec group and SF&D board + possible reconstitution of skills group and update annually							

ILG Milestone		2015/16				2016/17		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
4. Provision of Pan-Industry Market & Consumer Intelligence & Foresighting Activities								
4.1	Articulate and deliver an annual market insight plan of research to support the market opportunities identified in the industry strategy including regular market reports		Green				Green	
4.2	Deliver an annual report on the performance of the Scottish food and drink industry, reflecting on performance against KPI's and sector issues and opportunities				Green			
4.3	Develop and deliver a plan and protocols for sharing of data and insight across the SF&D partnership with subsequent annual reviews	Yellow				Yellow	Yellow	Green
5. Deliver an Enhanced Partnership Model								
5.1	Provide annual updates demonstrating partner contribution (from 2014 baseline position), partner engagement (time & monetary investment), and evidence of their support for the industry vision.		Green					
5.2	Produce Annual Plan relating to SF&D commercial activities	Green				Green		
5.3	Quarterly meetings (inc. inception meeting) with Public Sector Partnership to review progress against all milestones and ensure F&D industry priorities (Big 6) are integrated into PSP activities and plans and update on the activities of the SF&D core business (commercial & membership) and projects.	Green	Green	Green	Green	Green	Green	Green
5.4	Provide update on SF&D Business Plan (contractual requirement)				Green			

Key: Green = complete or in progress; Yellow = partially complete; Red = not complete; Blue = to be determined

3.4 Progress against Membership/Commercial Targets

In the SF&D Business Plan (2015/16), SF&D set targets to grow its:

- membership income over the current contract period (i.e. April 2015 to March 2018) – the aspiration was to increase income by 5% per annum over the lifetime of the contract; and
- commercialisation income - the aspiration was to increase SF&D’s commercialisation income by 10% per annum to March 2018.

At that time, both targets were considered to be “cautious”, and SF&D had ambitions for growth in income to be much stronger.

A [Membership and Commercial Strategy](#) was developed in early 2016 that outlined updated targets for membership and commercial activity to 2018, **Table 3.5**. The Strategy also set out a range of actions to be taken forward to achieve the targets.

Table 3.5: Key Strands of Membership and Commercial Operating Plan

Strategic Aim	Target
Membership	<ul style="list-style-type: none"> • To increase numbers and reach of membership in order to increase income by £140,000 to £605,000 by 2018
Member Services	<ul style="list-style-type: none"> • To provide relevant, tangible and meaningful services for our members (which support retention and recruitment), and increase market intelligence turnover by £75,000 to £120,000 by 2018
Sponsorship	<ul style="list-style-type: none"> • To increase income through commercial sponsorship by £126,000 to £275,000 by 2018 to provide greater financial freedom to deliver more services for members
Other	<ul style="list-style-type: none"> • To deliver new income through other channels, including consultancy services, up to £35,000 by 2018.

Source: SF&D Membership & Commercial Strategy, 2016

The [Membership & Commercial Operational Plan 2016-2018](#) (that was updated in November 2016) highlighted the following changes to targets:

- the membership income target was overly-ambitious and has been decreased by £80,000 to £525,000 by 2018; and
- on the flip side, the commercial income target was conservative, and has been adjusted accordingly, increased by £80,000 to £115,000.

The net result is no change to the overall targets – rather the difference is in how that income is generated.

The Membership & Commercial Operational Plan 2016-2018 (updated in November 2016) shows that all actions are coded either Green or Amber, with no aspect of the Plan with a Red status.

Table 3.6 outlines progress against the income targets for the period April 2015 to March 2016 based upon original business plan targets.

Targets were exceeded on both membership fees and commercialisation income, with commercialisation income performing particularly well, exceeding target by 10% due to good performance in market intelligence and Annual General Meeting (AGM) income. This offset lower than expected sponsorship income.

Table 3.6: Progress against Income Targets, April 2015 to March 2016

Income Source	Target	Actual	Variance	% Variance
Membership	£460,928	£474,699	£13,771	3%
Commercialisation	£195,500	£214,732	£19,232	10%
Excellence Awards	£140,000	£144,223	£4,223	3%
AGM Income	£0	£11,176	£11,176	-
Sponsorship	£18,500	£9,250	-£9,250	-50%
Business Stream *	£2,000	£0	-£2,000	-100%
Misc Income	£5,000	£1,174	-£3,826	-77%
Market Intelligence	£30,000	£48,909	£18,909	63%
Total Income	£656,428	£689,431	£33,003	105%

Source: SF&D Finance Report, March 2016

* Business Stream is other income sources such as consultancy, government tendering and paid speaking opportunities.

The Membership & Commercial Strategy outlined targets from April 2016, however, it was originally written and signed off by the SF&D Board separately to the 2016/17 budget due to the Membership & Commercial director only coming into post in November 2015. Therefore there is no monitoring based upon the Membership & Commercial Strategy or the Membership & Commercial Operational Plan with monitoring continuing to be based on original business plan targets. The 2017/18 budget will account for the updated targets.

Table 3.7 outlines progress against the original income targets, updated for the 2016/17 budget, for the period April 2016 to January 2017 as set out in the SF&D Management Accounts. Overall income targets have been exceeded – and there has been strong performance against sponsorship and project consultancy targets in particular

Table 3.7: Progress against Income Targets, April 2016 to January 2017

Income Source	Full Year Target	10 Month Target	Actual to Jan 2017	Variance against 10 Month Target	% Variance
Membership	£500,000	£412,666	£386,706	£-25,960	-6%
Commercialisation	£256,000	£242,500	£311,983	£69,483	29%
Excellence Awards	£146,000	£146,000	£159,900	£13,900	10%
Sponsorship	£9,000	£9,000	£42,500	£33,500	372%
Event Income	£11,000	£11,000	£17,140	£6,140	56%
Misc income	£5,000	£4,167	£6,771	£2,604	63%
Market Intelligence	£60,000	£51,500	£27,692	£-23,808	-46%
Project Consultancy	£25,000	£20,833	£57,979	£37,146	178%
Total	£756,000	£655,166	£698,689	£43,523	107%

Source: SF&D Management Accounts 2016/17. N.B Commercialisation sub-categories not directly comparable with 2015/16 due to changes in income reporting.

Feedback from SF&D is that the organisation is heading in the right direction regarding being self-financing by the end of the current contract period. Present projections suggest that SF&D will, however, not have completely closed the funding gap by March 2018. Other tender opportunities might, however, become available between now and the end of the current contract.

Table 3.8 provides details of the range of activities and actions identified in the Membership and Commercial Strategy that would help SF&D achieve its income targets, and an update on what activity has been undertaken.

Table 3.8: Actions Planned and Progress to Date

Strategic Aim	Action Planned	Progress to Nov 2016
Membership	Grow membership by understanding and communicating why companies should join SF&D	Created separate 'Non' Food & Drink members Created an 'Industry Partner' membership level Made pricing transparent and review payment model for other member organisations Work ongoing to create a clear proposition for each membership tier
	Increase members in the Large and Medium categories	Large and Medium businesses targeted through Leadership dinners. Plans in place for several companies, but more to be done. BDM targets set, but tighter measurement needed in monthly reports
	Increase members in the Industry Partner category	Retail and food service membership has grown Individual plans for retailers in place
	Protect retention levels	Significant work still to be done. Recognised there was a gap in experience; new senior post recruited (Jan 17 start) Funding in place for website relaunch
	Engage with small, and developing, sector associations	TBAS services to be delivered by SF&D from Jan 17. Craft Distillers conversation begun
Member Services	Create exclusive benefits for members	Minimum Price Differentials created for members Invite-only leadership dinners in place
	Provide excellent Access to Markets service	Headcount added to A2M Services
	Engage ambitious and Large companies	Six Leadership dinners taken place with excellent feedback. Plans to be on-going (six a year) in future
	Ensure members understand the benefits of available services	No clear central marketing plan in place, but good word of mouth and 1:1 recruitment. Recognised there was a gap in marketing experience; new senior post recruited (Jan 17 start)
	Plan to take ownership of SF&D Network	Unlikely SF&D Network will continue post May 17
Sponsorship	Maximise Excellence Awards income	Ticket price and sponsorship packages increased Significant number of sponsors still to recruit for 2017 event, but remain positive
	Maximise potential opportunities	Sponsorship packages on-going Leadership Dinners achieved £22,500
	Sponsorship central to BDM role	Included in job description Pay incentive agreed Lifted restrictions on partners

Strategic Aim	Action Planned	Progress to Nov 2016
Other	Govt /SE tendering opportunities	Ongoing Successful multi-partner tender (Connect Local) Scottish F&D Fortnight New relationships established with several council Business Gateways N.B. this income stream potentially much more significant than in original plan
	Revisit subcontracting staff	IT support staff built into Connect local, and proposals for councils Becoming better at limiting staff time to events that have clear SF&D benefit
	eCommerce opportunities	Has not been prioritised

Source: Membership & Commercial Plan 2015/16. November 2016 Update

3.5 Key Messages

The current funding period for SF&D saw a change in contract management arrangements between SE and SF&D. As to be expected, this resulted in initial teething troubles. While improvements have been made, this does emphasise the importance of ongoing dialogue and communication between SE/partners and SF&D, including outwith the scheduled progress reporting periods to ensure that any issues/concerns are addressed. Further, conversations should continue between public sector partners and SF&D to ensure that monitoring processes are as streamlined as they possibly can be.

Most of the contract milestones to be delivered to date have either been met in full or are in hand by SF&D. In particular there is considerable evidence (from the progress reports and feedback from stakeholders and companies) that SF&D has performed strongly against the ILG objectives - *Provide Visible Leadership to Drive Sustainable Growth* and *Promote Effective Partnership Working and Collaboration*. There does, however, require to be continuing focus on the following ILG objectives: *Coordinate and Report on the Work of the Big 6 Priority Workstreams* and *Pan-Industry Market/Consumer Intelligence and Foresighting Activities* over the coming months, and in light of changes brought about by the new industry strategy.

Work that is ongoing to review and refresh SF&D governance structures should help to address issues identified by stakeholders (i.e. mixed progress across Working Groups, communication between Working Groups and other SF&D structures, extent to which market/consumer intelligence is routinely fed into Working Groups). Of particular importance over the remaining 12 months of the contract will be for SF&D to prioritise effort on the ILG objective *Deliver an Enhanced Partnership Model*. In particular, as SF&D's current projections are that SF&D will not be self-sustaining at the end of March 2018. This should include ongoing dialogue with partners to lever in support aligned to industry leadership work through in-kind or cash contributions.

4. Stakeholders Perspectives

This Chapter presents the common themes arising from the face-to-face and telephone consultations undertaken with stakeholders as part of the interim evaluation. A wide range of stakeholders were consulted, including: SF&D senior management team; SF&D Board members; and SF&D Executive Group members (and Working Group members).

4.1 A Common and Clear Understanding

The stakeholders consulted have been involved with SF&D for varying lengths of time. This ranges from those that have been involved from the very outset, to those with more recent involvement.

There is a clear, shared and common understanding of SF&D's ILG role across its stakeholders. This was typically articulated as follows:

- **being the voice of industry** - a leadership body and figurehead that is recognised as the single voice of the food and drink sector in Scotland (by industry, by policy makers, by Government, etc);
- **providing leadership** - communicating the strategic direction (setting out a clear ambition and direction of travel), leading collective and collaborative efforts to ensure delivery of the industry strategy and continued growth of the sector, and engaging key companies and stakeholders around a common and clear set of ambitions and actions;
- **identifying core issues affecting the growth of the sector** - forming a shared view on the main strategic issues and challenges, and identifying collective actions to influence investment;
- **coordination, facilitation and influencing role** - some stakeholders described SF&D as having a “*totally unique role*” in bringing everyone round the same table (public and private sectors, red meat next to bakery next to whisky, etc), coordinating the combined efforts of public sector and private sector partners in line with the industry strategy and priorities, and a focus on doing things that “*partners cannot do on their own*” (aligning resources, influencing investment, challenging partners to step up to the plate e.g. investment, time, etc);

- [enhancing the reputation and profile of the sector](#) - including a coordinated approach to promoting the food and drink sector at home and internationally (and exploiting premium and provenance markets); and
- [widening engagement and deepening collaboration](#) - continuing efforts to secure a wider range of involvement and buy-in (across the public and private sector, bringing different sub-sectors together, reaching beyond the SF&D membership, etc), and driving the industry forward collaboratively around a common agenda and collective actions.

When asked to consider what success looks like for SF&D, most stakeholders emphasised the contribution that SF&D's ILG activity makes towards industry KPIs (e.g. Turnover, Exports). That being said, some reported that the success of SF&D's ILG activity should be considered in the context of performance against both "hard" measures (industry KPIs) and "soft" measures - in particular, as much of SF&D's role centres on coordination, collaboration, and facilitation. SF&D is considered to be the only body that can bring parties together to collectively address some of the common issues.

The question of attribution is considered crucial for some stakeholders – although there is recognition that this is not easy to ascertain. It was generally acknowledged that by the nature of SF&D's role, it is inherently more difficult to articulate what success looks like, and therefore difficult to measure. The development of the contract milestones was identified by SE as an approach to address this issue.

4.2 Strong Leadership

A common view provided by SF&D Board and Executive Group members is that SF&D has shown strong leadership for the industry, and the Chief Executive in particular is a very good ambassador.

This strong leadership for the industry was exhibited through a strong shared vision and sense of direction, which drove the combined agenda.

Demands on the Chief Executive's time are said to be high, and a question raised by a handful of stakeholders was around the impact on the organisation should the Chief Executive, for example, leave SF&D.

The importance of continuing to show strong leadership and direction for the industry into what will be a period of significant uncertainty for the food and drink sector in Scotland was emphasised (i.e. Brexit). It was reported that SF&D is in a good position and ideally placed to provide the strong leadership that will undoubtedly be required over the coming years.

The changes in the SF&D staffing structure that coincided with the current contract period were considered appropriate, and stakeholders reported that SF&D has a strong, professional, and credible senior team. SF&D was described by some as a “*best in class*” model for a single industry body (in Scotland UK).

Some stakeholders, however, considered SF&D’s senior team to be small, under-resourced and “*stretched*” - in particular when factors such as partners’ ambition for the sector and what the SF&D partnership is trying to achieve are taken into account (“*it is a big ask*”). Comparison was made by a few stakeholders to Bord Bia in Ireland – a similar role to SF&D but with a far greater budget and staffing complement (“*a competitor of Scotland....much further ahead in exports*”).

Specific feedback from a few stakeholders is that SF&D should focus its efforts and resources on its core ILG mission, and less on things that are on the periphery of its core ILG remit (see **Section 4.9** for more detail). Some stakeholders identified that demands on the Chief Executive’s time are high, and coupled with a small senior team, there are likely to be constraints on available staff resources.

4.3 Partnership Longevity

Many stakeholders consulted have been involved, and have engaged with, the SF&D partnership over a number of years, including some from the outset. These stakeholders often commented positively on the longevity of the SF&D partnership, and that it is approaching its ten year anniversary.

Many stakeholders reflected that SF&D has evolved as an organisation over the years, and value is placed on its endurance within the wider landscape in which it currently operates.

The SF&D partnership is held in high regard and viewed as a credible organisation by its stakeholders – the partnership has improved, and there is considered to have been shift to better partnership working and collaboration.

4.4 Effectiveness of SF&D's ILG Role

In considering the overall effectiveness of SF&D's ILG role, a common view was provided by stakeholders, and this is considered in more detail below.

Leadership

Generally speaking, good progress is considered to have been made on the industry leadership objective. In particular, stakeholders commented on the importance and benefits of having a single, shared strategy and vision for growing one of Scotland's "priority" sectors. In this regard, there is considered to be strong buy in from partners and industry, and support for having a collective ambition and common goals, and a clear sense of direction for the sector as a whole.

Other stakeholders commented positively on SF&D's role in leading an inclusive approach to the development of the new industry strategy to 2030. This is considered to be an appropriate approach, and that strong industry involvement would ultimately help secure wider ownership of the strategy.

That being said, a few stakeholders felt that the focus and balance of efforts placed on the development of the new strategy (while recognising that this is a key priority) had to a certain extent distracted the team's efforts from other aspects of their day-to-day ILG work. In addition, these stakeholders considered that this was also a factor in explaining why progress in some Working Groups had been slow. Other stakeholders, however, reported that the new strategy was the highest priority.

Within the leadership objective, links into, and visibility of SF&D, within Scottish Government is also considered important by stakeholders. The fact that food and drink was visible to Government as an important industry for Scotland was seen as a key output and success of SF&D's leadership role.

Food and drink is a priority sector for the Scottish economy, and from a Ministerial perspective it was reported that it is helpful to have an industry body that can speak knowledgeably on behalf of the sector as a whole. SF&D is seen as best placed to fulfil this function, and is considered credible and reliable by its various stakeholders.

Partnership Working and Deeper Collaboration

Collaboration is considered to be at the heart of everything the SF&D partnership does, and that working collaboratively is fundamental. Here, many stakeholders commented that the partnership is in a “*much different/better place now*”, and that “*more open, transparent, and honest conversations are happening*”.

Of critical importance is considered to have been the role of SF&D in bringing together all relevant stakeholders/partners (i.e. public sector, including Government, all parts of industry, trade bodies/associations). This has created more opportunities for greater communication, getting people round the same table, sharing ideas, sharing experiences, and developing new ways of working.

A common view is that a strong and powerful network and model has been created through SF&D, that levels of trust have deepened over time, and as a result there has been improved collaboration and joint working at all levels. This was felt to have improved the perceived importance of food and drink - “*we now speak as one body and are better able to influence as a result*”.

Those stakeholders that have been involved with SF&D for many years commented that the partnership has come a long way, and that significant progress and transformational change has been achieved within the sector since 2007 (e.g. working more collaboratively, strong performance against industry KPIs, etc). Feedback centred on SF&D being a partnership of equals (between the public and private sectors), that relationships have improved, and that individual organisations’ “*agendas are left at the door*”. This has been achieved through more openness and honesty helping to develop new ways of working collectively.

Some stakeholders reported that there are inherent challenges in identifying areas of common interest and collective action – in particular that SF&D is trying to represent a wide range of interests, and it is important to recognise that there might not always be common ground on how to respond.

That being said, feedback from others (including some industry and industry bodies) was that although a certain topic might not be their highest priority, they respected that others may see it as important and so it was a priority for SF&D.

Big 6 Working Groups

It should be noted that mixed views were provided by stakeholders regarding the functioning and progress of the Big 6 Working Groups – with those most closely involved in a Working Group(s) typically able to provide insights and more aware of activity/progress/issues.

This is possibly a communications issue across (and between) the SF&D governance structures regarding what is happening within the Working Groups, reporting on progress, and importantly what action is being taken if falling behind. Further, another issue raised by stakeholders is that there is a lack of interplay between the priorities and the Working Groups - tend to operate in silos, and stakeholders suggest that this is a missed opportunity for joining activity up and for achieving potential synergies.

Overall stakeholders reported that:

- Exports have shown the strongest progress;
- that Skills has got off to a good start and good outputs (e.g. Draft Skills Investment Plan) – but that the Plan will need to be implemented;
- that there was considered more to do in some areas:
 - Primary – needs to be a priority in the new strategy
 - Environmental Sustainability – this is considered an area of real opportunity, but is just at the beginning of being developed
 - Productivity – needs a stronger focus, including links to Skills; and
- mixed and variable reports on progress for the remainder (Innovation, Supply Chains). Although some stakeholders reported that there have been some good steps forward (e.g. Innovation Response), others felt progress has been slower and that there was still more to do.

The general consensus among stakeholders is that the six priorities were the right areas to be targeted by the SF&D partnership. However, progress is generally reported to have been variable, with some Working Groups said to be functioning and progressing better than others. Across the board, Exports was frequently highlighted as a real success (i.e. Export Plan).

Progress has been slower in some priority areas for a number of reasons, including, for example, the capability of champions – for some it is not their day job, and more recently considerable time and effort has been devoted to developing the new industry strategy (and the fact that Working Groups would need reviewed following its launch).

Further, there is a perception among a few stakeholders that SF&D is at times hesitant/reluctant to ask partners to do things on their behalf. That being said, wider feedback from industry and trade bodies was that they realised that industry needs to step up and take some of the action areas forward.

We return to this in **Section 4.5 and 4.6**.

Pan Industry Market and Consumer Intelligence and Foresighting

The market and consumer intelligence activity that provides insights and research across a range of areas (e.g. global trends, consumer buying behaviour, etc) is generally considered by stakeholders (who were aware of the detail) to be a positive and worthwhile addition to the SF&D portfolio, that it was beginning to bed in, and that it is proving popular with SF&D members. In particular, it was highlighted that this was important for SMEs (larger organisations had less of a need for this service)

Value and importance is placed on having access to trusted intelligence, as is having a credible and trusted organisation to turn to provide timely responses to issues as they arise and of any potential implications for the food and drink sector in Scotland. SF&D responses to Brexit, and to the closure of the Channel Tunnel in 2015 were often mentioned by stakeholders as being particularly insightful.

A couple of wider points were, however, raised, including that:

- the UK Market Analyst post (not funded by public sector grants) should be used more as a vehicle to reach out beyond the SF&D membership (chargeable service for non-members);
- it is important that information and data is used on an ongoing basis to help inform and shape the strategic direction of the Working Groups – as highlighted, this has not happened to the extent envisaged. SF&D is aware that this is the case, and it will be addressed via the review of the governance arrangements; and

- foresighting activities will become even more important post Brexit, in particular given the level of uncertainty that this will cause for the sector.

4.5 Views on Progress and Performance

The general consensus is that SF&D's ILG role is “*a big job*”, and while most consider SF&D to be on the right track and that good progress has been made, the general sense is that there is “*still much more to do*” (e.g. in terms of addressing sector issues and challenges) and that “*there is no quick fix*”. In this regard, the “*enhanced partnership*” ILG objective is of crucial importance, as while SF&D is central to coordinating and leading on this, it does not necessarily need to be doing everything (partners and stakeholders also need to recognise the role that they need to play). Progress, it is said, needs to be seen within the context that the sector will continue to face challenges and uncertainty (but also opportunities) post Brexit.

Most stakeholders commented positively on the strong collective performance against the industry KPIs. The previous strategy had set ambitious targets, and they were being achieved. All indicators are said to be showing positive growth against the “stretch” targets (albeit to varying degrees – and that growth in some areas is slowing), that the sector outperforms the rest of the UK, and that export growth has been significant. Stakeholders reported that SF&D plays a critical role in the achievement of the industry targets. However, while macro level KPIs are showing strong growth and that is to some extent due to SF&D's industry leadership role, it is difficult to evidence causality to that industry growth. This is the very reason why the contract milestones were developed.

As highlighted above, progress across the six Working Groups is generally reported to have been variable, with some of the Working Groups said to be functioning and progressing better than others (e.g. capability of champions, the fact that for some champions it is not their day job, and more recently considerable time and effort has been devoted to developing the new industry strategy/changing priorities).

Factors considered to underpin the progress achieved to date include the following:

[A firm focus on collaboration and networks](#) – broad collaboration is reported to have been key, and that SF&D has played an important role in bringing industry together and in improving/extending collaboration and joint working/initiatives (from design through to delivery).

There is considered to be continuing strong buy in to the notion of partnership working and far more networking, interaction, sharing and communication happening across the sector.

The industry is working towards a single strategy with common goals/plans – and importantly, that these are relevant to the needs of industry (there is said to be a growing realisation that there are common challenges and issues), are largely owned and shared by both the public and private sector, that this ensures a coherent approach, and ensures complementarity with others' actions - *“having both public bodies and industry involved helps ground policy in business needs”*.

A stable/growing membership – SF&D is said to have been successful at retaining its large company members, and in bringing collaboration to new sectors (e.g. Craft Brewers, aquaculture, dairy). Further, SF&D is reported to have retained strong trade body/association membership (*“represents 98% of the sector”*). This is considered to be a sign of increasing buy in to collaboration, including among the few stakeholders that found it difficult to articulate or provide hard evidence on its impact. Indeed, all members said that they would continue to be involved/be SF&D members.

An ambitious and confident sector, including strong collective promotion of the industry – it is reported that that this has led to a much enhanced global reputation and increased profile of the food and drink sector in Scotland from where the industry was positioned ten years ago. Scotland's strong reputation for quality products and key strengths around premium, provenance and health were emphasised. Scotland has a good story to tell in these areas.

Continuing strong support from the Scottish Government - food and drink is a priority sector for the Scottish Government, and SF&D is seen as the single (credible) voice of the industry. Further progress reported is that stakeholders feel that the Scottish Government is now much closer to industry – *“now feel that the Scottish Government listens to SF&D and has a much better understanding of the sector and what it is all about”*.

On the flip side, some common themes emerging from the consultations regarding areas where progress is considered to have been less strong, include:

Primary sector is not as connected or integrated as it could be, and in part is said to be reflective of the fragmented nature of the farming and fishing community. There is, however, considered to be a continuing need to increase SF&D's profile with the primary production sector and increase awareness of the benefits/value of engagement.

Extent to which SF&D is truly representative of the entire industry – some stakeholders raised questions regarding the balance between small, large and non food and drink company members, the extent to which membership is meeting the specific needs of smaller businesses, the extent of rural representation, and variable levels of engagement across the supply chain. Although, there has been some real progress made in moving into sectors less represented (e.g. dairy).

Slower progress and speed of reaction in some Working Groups - and a disconnect between Working Groups and priorities (tend to operate in silos). The review of SF&D governance arrangements will help to resolve this issue.

While some activity is happening to better understand and **create connections and linkages between the food and drink sector and other sectors** (e.g. SF&D Chief Executive is represented on the Scottish Tourism Alliance) – it was reported that there has not been significant progress made in this area (e.g. health, tourism, hospitality, etc), and that this should be looked as a future opportunity.

4.6 Achievements and Success

Key achievements and successes of SF&D's ILG activities identified by stakeholders over the current contact period are outlined below:

- **SF&D is considered best placed to be the single voice of the industry** - it is well regarded, has a good reputation, and is seen as credible/trustworthy. Collectively the sector is important to government and is better for having a coherent voice – not lots of separate ones;
- **developing the new industry strategy** – it is considered appropriate that SF&D is leading on the development of the new industry strategy.

This has included leading on some of the research workstreams, having oversight of the other workstreams, and hosting industry engagement dinners (different approach to the current strategy development process);

- [collaborative work on exports](#) - the Working Group on exports is considered by stakeholders to be the strongest example and showcase for partnership and collaborative working (led to the development of the Export Plan). In particular, the approach taken by SDI to discuss with Working Group members where the priorities for the budget should be best targeted was highlighted.

Wider feedback is that members' views and advice were listened to, and the Working Group is identified as a good model for how the public sector should interact with industry;

- [collaborative work on reputation and unified branding](#) – the “Scotland Land of Food & Drink” banner that is used for trade shows/visits, etc is universally well regarded and valued, and is reported to enhance the sector’s global reputation and profile (e.g. whisky, salmon, beef). Further, it is reported that this sends a strong message of a cohesive sector. However, stakeholders also reported equally strong support for flexibility and building a distinctive identity at a sub-sector level, and that the strong reputation of some sub-sectors (e.g. whisky) has the added benefit of helping to enhance the reputation of all the sub-sectors;
- some good progress and successes in [Skills](#) (Skills Investment Plan) [Innovation](#) (Making Innovation Happen), and [UK Market Development](#) (not led by SF&D but they were involved);
- [Excellence Awards](#) – are generally seen as a real success, both in terms of generating income for SF&D but that the awards are considered credible and valued by partners and industry – *“unmissable for those serious about developing relationships and in collaboration/partnership”*;
- [Showcasing Scotland initiatives](#) - events that celebrate and promote Scotland's natural larder and quality produce are considered valuable, and were identified as a good example of joint working;

- [consumer and market intelligence information and data](#) – here, specific reference was made by stakeholders to the quality of the annual Industry Performance Review and the ability of SF&D to respond quickly to specific issues (e.g. responses to Brexit and to closure of the Channel Tunnel); and
- some stakeholders considered the [SF&D partnership model itself](#) to be a leading example of what an ILG should be and what can be achieved collectively (other countries are looking to what Scotland is doing and to learn from SF&D e.g. Australia).

Wider examples of success identified by some stakeholders include:

- Meet the Buyer events - SF&D has raised the ambition, aspiration, and awareness among companies to participate, resulting in tangible benefits and impacts for companies (note: not funded via ILG activity);
- representation at Trade Shows – helps to build the brand and profile of the sector further afield;
- publication of the Productivity Plan (Productivity Call to Action);
- supporting collaborative approaches in new sectors (e.g. craft beer, rapeseed, aquaculture);
- work leading to the Innovation Response (Making Innovation Happen); and
- Scottish Dairy Hub which acts as a signposting service connecting the dairy sector throughout Scotland.

4.7 Benefits

The main benefits arising to SF&D Board and Executive Group members are those that flow from having a strong and well performing industry that is pursuing a common purpose, and which has clarity of direction.

Most stakeholders reported added benefits arising from having easy access to an expanded (and supportive) network of contacts to tap into, and that there is a wealth of experience around the SF&D table.

Value is placed on the opportunities created by SF&D for greater engagement with others, sharing experiences, and learning from others (including from other progressive parts of the sector).

The industry-led nature of the SF&D partnership is considered crucial, and in particular that it is seen by many as the “*go to place*” for industry and others that support the sector, including the public sector (e.g. access to services, advice and support, events, market/consumer intelligence, etc). This links to earlier points around SF&D being seen as knowledgeable, reputable and credible – and having scale and reach into the sector (albeit to varying degrees).

4.8 In the Absence of SF&D

All stakeholders are supportive of SF&D, its partnership approach, and its ILG activity. SF&D is considered a critical part of the landscape, and as one stakeholder put it “*part of the DNA*”. The ambition has been set for the sector, and SF&D has been crucial in developing a coordinated response and galvanising action.

Stakeholders raised a number of points when asked to consider what would have happened in the absence of SF&D:

- while individual relationships and some joint activity would continue, there would be no forum/network for bringing the public and private sector together. More people/organisations would be doing their own thing, and less pulling in the same direction;
- while some business development and joint activity would still continue, the sense from stakeholders is that it would have been less effective, much less influential, and progress/impact would have been much slower;
- there would be much less collaboration – SF&D has created opportunities for bringing people together, networking and joint working. Little progress would have been achieved in building and maintaining partnerships in their absence;
- prior to SF&D the sector was disparate and fragmented, and without SF&D there would be no cohesiveness or unity, and industry growth would have suffered. SF&D has been the main catalyst for the many good things happening in the sector. Effort and progress would be significantly diluted;
- it has made it far easier for public sector agencies to engage directly with industry;
- there would have been much less focus and attention on strategic challenges and issues facing the sector;

- it would be much more difficult to highlight industry issues/challenges to Government – SF&D is an important interface;
- there would have been no attempts at developing and implementing common, unified branding – global reputation would not be as high; and
- the Export Plan would not have happened.

4.9 Main Issues and Challenges

The main issues and challenges faced over the current contract period have been grouped thematically, and are considered in turn below.

Contract Management Arrangements

Chapter 3.1 presents the main thrust of the feedback provided by stakeholders on contract management arrangements.

In summary, there were challenges at the outset, it took time for the changes in contract management to bed in, but, a corner has since been turned, and issues were reported to have been resolved. The SE Sector Delivery Team was aware of the burden placed on SF&D, and has spent a considerable amount of time providing support and guidance to try and make the transition to the new funding model as easy as possible, including streamlining the quarterly reports and evidence.

That being said, wider stakeholders raised some issues about contract management arrangements:

- this primarily centred on what was felt to be a disproportionate amount of effort and bureaucracy - it should, however, be noted that SF&D is treated the same way as any other SE grant recipient; and
- whether the right balance has been struck between ensuring an appropriate level of oversight on one hand, and enabling SF&D to have the flexibility and agility it needs to support the sector on the other.

Governance Arrangements

There were mixed views on the appropriateness and effective of the current governance and management arrangements.

In general, feedback from a few stakeholders is that governance arrangements are not clear at all levels (e.g. how do they link together, approval route, etc). In this regard, it was reported that processes, decision-making, and approval processes need to be reviewed, and that there needs to be much greater clarity and structure, and less reliance placed on ad hoc processes and procedures (greater clarity on SF&D ILG roles, responsibilities and remits, and visibility of decision making processes).

SF&D has already begun to review governance arrangements which will continue as the new strategy is finalised – SF&D submitted a Draft ILG Governance Manual to SE and funding partners in January 2017, and this seeks to address the concerns raised.

Some wider points raised are outlined below – and these should be taken into consideration before the ILG Governance Manual is finalised.

Stakeholders Thoughts on Governance Structures

Board	<ul style="list-style-type: none"> • A strong industry-led Board – sets the direction, looks at finances. • Taking forward actions delegated to Executive Group. • All members are volunteers – has resulted in some churn recently. Previously the Chair was a paid role (current Chair decided not to take payment). • Succession planning - some members have been involved from outset, and are likely to step down in the future (there has also been some recent churn). The challenge will be identifying capable people willing to devote the necessary time and effort, and there is the potential for this to exclude smaller companies (limited management resource). This is actively being pursued by the Chair and Vice Chair (Board driven). • Greater transparency needed on how Board members are appointed. • Gender balance could be improved.
Executive Group	<ul style="list-style-type: none"> • Mixed views - some report that it is too big but works well, others feel it is becoming “unworkable” because of its size. • Supportive network - discussions are open and honest. • Mixed views on interaction between Executive Group and Board– some report that interaction between with the Board has improved recently, in particular as a result of having a rotating Executive Group member represented at Board meetings (not all, however, were aware of this, and not all were able to comment on how effective the Board is). • Some questioned whether the balance is right between private and public sector representation. • Initial lack of oversight of ILG milestones – now having more visibility through update reports to the Board. • How composition is decided – “<i>can almost buy your seat at the table</i>”. • Members’ expertise is not been used sufficiently – should be mobilising partners’ to do more. • Need for improved reporting of progress of all Working Groups – to ensure all are delivering • A need for induction training for new members.
Working Groups	<ul style="list-style-type: none"> • Need for standardised terms of reference, consistent approach to action planning and measuring progress/success. • Clarity on the role of champions. • Mechanism for refreshing/rotating champions. • Scope to be time limited. • Limited connection/interplay between Working Groups and priorities. • Limited contact/connection with Executive Group.

SF&D ILG Focus within Wider Landscape

The main feedback from stakeholders is that there is a wide range of support available for the food and drink sector in Scotland, and that there are a number of key players that operate in this space.

With this in mind, specific feedback from a few stakeholders is that there is always a risk of mission creep, and that SF&D needs to focus its efforts and resources on its core ILG mission, and that this should not be lost sight of. It was reported that SF&D do not always need to take the lead on implementing solutions – a key part of its remit is to recognise the role of partners' efforts within the sector, and to mobilise partners to take the lead, where this is appropriate.

Wider points raised that align to this include that some stakeholders reported that there needs to be greater clarity on SF&D's core role and that of partners (e.g. SE, HIE, SDI, etc) – to make sure stakeholders, in collaboration, are maximising the use of resources available to the sector (note: this has been picked up in the new industry strategy where a key behaviour is Streamlined).

Big 6 Working Groups

The general consensus among stakeholders is that there has been variable progress across the Big 6 Working Groups.

Stakeholders reported that: Exports has shown the strongest progress; Skills has got off to a good start, has had some good outputs, but needs to be taken forward; that there was more to do in some areas (Primary, Environmental Sustainability, Productivity); and mixed and variable reports on progress for the remainder (Innovation, Supply Chains).

Some Working Groups have been slow, and feedback is that there is a need to move to action in all areas, and that some will need a new focus as part of the new strategy. A number of factors were identified by stakeholders as being of critical importance to the effective functioning and progress of the Working Groups. The factors identified below should be taken into account by SF&D as its governance arrangements are reviewed:

- clear governance, roles and responsibilities;
- having a clear terms of reference (standardised across all Working Groups);
- Working Group composition – and getting the right partners/people involved;
- having a clear and measureable action plan – what will success look like, clear priorities, and how partners will know when success has been achieved, etc;

- strong champions and leadership – and clarity on roles and expectations;
- that partners are tasked with taking forward specific actions (and held accountable); and
- creating equal partnerships between public and private sector (no one partner/sector dominating).

In looking to the new industry strategy, stakeholders reported that:

- the Working Groups will need refreshed in line with new priorities – and that this provides an opportunity for standardised guidance to be provided on what is expected and to clarify roles and responsibilities, etc;
- there needs to be greater connections made across the Working Groups;
- there needs to be stronger connections, and reporting of progress and issues to the Executive Group; and
- consumer and market intelligence needs to be more routinely fed into the Working Groups to shape and inform priorities and actions.

Lobbying Role and Building Networks

Universally, stakeholders reported that SF&D has developed a good and supportive relationship with the Scottish Government. For some stakeholders it was, however, reported that while connections with the Food & Drink Division are strong, there was scope for more interaction and a greater influencing role with other departments (e.g. Skills and Education).

A challenge, however, raised by some stakeholders centred around inherent tensions between the SF&D partnership and the Scottish Government as a critical public sector funder of SF&D, and that this made SF&D reluctant to challenge or disagree with government even in areas where policy conflicts with members' interests.

A few stakeholders considered that it is timely for SF&D to now also build relationships beyond Holyrood (i.e. Westminster and beyond). The sense from these stakeholders is that given Brexit there is a need to also look outwards and more widely, including time and effort spent to build linkages outwith Scotland (including tapping into research networks across the UK and internationally).

SF&D Membership and Representativeness of Sector

SF&D engagement with industry is generally considered to be working well, albeit with variable success (e.g. the primary sector was still not well represented in the membership), and a sense from stakeholders that there is still more to do and areas for improvement.

It is considered important that continued effort is placed by SF&D on being representative of the industry as a whole (businesses of all sizes, across all sub-sectors, urban and rural, beyond the Central Belt, etc).

As highlighted in **Chapter 2**, SF&D membership largely reflects the major sub-sectors in Scotland's food and drink sector (there is some under-representation e.g. alcohol drinks). It is reported that SF&D is continuing to explore ways to expand membership (including collective membership opportunities), and reaches beyond members in a number of ways (e.g. through its mailing list of 3,000+ contacts, and non-members can attend events and conferences, promotion and distribution of consumer/market intelligence research/reports, etc).

A specific challenge identified is the ongoing need to increase members when there are a number of other membership organisations doing the same thing (e.g. Scottish Bakers, Scotch Whisky Association to name a few).

For some stakeholders, there was also a perception that SF&D is more comfortable working with larger companies, and encouraging non-food and drink companies to become members as they provide valuable sponsorship opportunities. It was acknowledged that there had been real progress in bringing in some sub-sectors previously not so engaged (e.g. Dairy).

Stakeholders considered it important that continuing efforts are placed on:

- increasing representation among smaller companies;
- understanding why smaller companies are more likely not to renew membership – do they perceive there to be not enough value in membership, are services not meeting their needs, do they have capacity constraints/funding challenge, etc?; and
- increasing representation outwith the Central Belt, and in rural areas in particular.

A common message from stakeholders is that the primary sector is not as fully connected or engaged as it could be, and that more effort is required to address this in moving to the new strategy. It was, however, reported that the involvement of the National Farmers Union (NFU) and SF&D Chief Executive's previous role with NFU has helped to some extent. As highlighted earlier, there has also been some targeted efforts at some sub-sectors (dairy, craft brewers, aquaculture).

Communications

Feedback from a few stakeholders is that there have been occasions where the communication of successes have not been linked to the collaborative efforts of SF&D partners. Outcomes, it is felt, should be equally shared across the partnership. In this regard, it was felt by some that there needs to be clarity on the difference between communications for SF&D (the organisation) and SF&D (the partnership).

A Communications & Marketing Group has existed for a number of years (managed by SF&D). More recently, a joint Communications and Marketing Plan for ILG activities was prepared by the partners involved in this Group that includes members of staff with a Communications/PR remit across a number of partner organisations. This is with a view to supporting more consistent messaging around ILG activities.

Sustainability and Business Model

While some stakeholders reported that it is a "*big ask*" for SF&D to become fully self-sustaining, and questioned whether this was possible/realistic, others (including some Board members) reported that it could. The question raised by stakeholders is, however, whether or not SF&D should be self-sustaining.

Few stakeholders supported a future for SF&D's ILG activities that are free altogether of public funding requirements and being truly independent of Government.

That being said, while the challenge of generating more income should not be underestimated, there is recognition and agreement among stakeholders that SF&D needs to achieve a better balance, and a more diversified income structure is envisaged. Most stakeholders reported that real progress is being made to generate external income.

The best model will therefore depend on the ambition for the sector and the role of SF&D in coordinating that for the SF&D partnership. In this scenario, a continued hybrid model is envisaged that involves both public and private sector contributions (including continued income from membership).

The majority of stakeholders were of the view that there is potential for have a mixed funding model, and within this there are both strengths and weaknesses:

- strengths:
 - public sector see value in SF&D's ILG activities, it supports partners' core objectives and outcomes
 - it is in the public sector's interests that SF&D ILG activities are supported – overall coordination role, single industry voice
 - demonstrates visibly the public sector support for the industry and a collective industry approach; and
- weaknesses:
 - ongoing pressures on public sector funding means that there are no guarantees of funding beyond the current contract period
 - expectations of return on investment to specific public sector priorities
 - potentially cannot lobby as strongly, and compromises SF&D's ability to work freely and be seen as truly independent.

There were reported to be real benefits to the public sector to have a leadership body such as SF&D (single point of interaction, strong voice, coordination and collective approach, etc). If SF&D is to become self-sufficient this might result in “*dropping*” ILG activities that promote this capability and activities most valued (e.g. networks, collaboration, engagement).

A few stakeholders also reported that in balancing the need to generate income and achieve impact for the food and drink sector in Scotland, that there is always a risk of mission creep. In looking to the future, if there are reductions in funding stakeholders' emphasised that some hard decisions would require to be made in terms of what activity is continued and what is not (i.e. strong support for a continued focus on SF&D's core ILG mission).

4.10 Journey to Becoming More Commercial

The general view of stakeholders was that SF&D has been taking steps and exploring opportunities to generate more income, and is making real progress in this area. However, as highlighted in **Section 4.9** this is not without its challenges.

Most stakeholders made reference to the appointment of SF&D's Membership & Commercial Director whose role is to take this activity forward, and Board members provided positive feedback on the progress reports (including RAG status) and financial reports that are routinely provided at SF&D Board meetings.

Public sector partners in particular want to see that SF&D is making inroads and are on a trajectory to maximising income, as future funding is unlikely to be at the same level as it is now.

Stakeholders made reference to the following actions as evidence that progress is being made to generate more income:

- a focus on growing membership and development of new member services;
- sponsorship activities (e.g. Excellence Awards);
- charging for consumer and market intelligence – scope to be doing more; and
- developing partnerships to tender for contracts (e.g. public sector contracts) – an example mentioned by some stakeholders is the Connect Local partnership project which includes SAOS, SAC Consulting, SF&D, and Seafood Scotland (<http://connectlocal.scot/>).

Some points raised included that to all extents and purposes SF&D is “*fishing in the same pond*” as some other trade/bodies and associations for new members (e.g. Scottish Bakers, Scotch Whisky Association to name a few), and that in other commercial areas will be entering spaces in which others are already operating (e.g. tendering for public sector contracts). SF&D has already started to explore how new models (e.g. joint membership) could help overcome this challenge.

Other issues raised were around the intertwined nature of SF&D's ILG and commercial activity, and the inherent difficulties around non-aid grant funding which have rules and strict state aid limitations (i.e. some of the SF&D posts are 100% public sector funded and therefore need to be focussed solely on ILG activities that would benefit the sector).

For some stakeholders, there are considered to be inherent difficulties in SF&D commercialising what it does, and that it is a "*big ask*" for the organisation to be self-sufficient – in particular as the sector is entering a period of significant challenge and uncertainty due to Brexit.

As described above, there therefore was seen to be an argument for having some element of mixed financing in the future model.

4.11 Future Focus

Some suggestions from stakeholders regarding future focus are detailed below, and as might be expected these align strongly with the themes emerging for the new industry strategy:

- UK market development is considered to be a real opportunity – and given Brexit, non-EU markets are likely to become more important for Scotland, including selling more Scottish food and drink products into existing/new UK domestic markets;
- ensuring connections with the primary sector;
- ensuring connections with the academic sector;
- continuing focus on increasing sector productivity;
- continuing focus on implementing the skills agenda;
- a greater focus on the food and drink health and wellbeing market;
- simplifying the food and drink sector support landscape – making it easier for companies to navigate;
- better representation of smaller and rural businesses in SF&D membership;
- more efforts to ensure, facilitate and deepen collaboration at all levels, in particular sub-sectors, proposal for co-location of SF&D partners;
- greater linkages and connections with other sectors e.g. health, tourism; and

- need to improve knowledge of, and take action, regarding online channels to sell goods.

4.12 Key Messages

Overall, stakeholders were largely positive about the ILG activity undertaken over the last 18 months or so and the progress made to date.

SF&D is performing strongly overall, albeit it is recognised by stakeholders that progress and performance is not consistent across the individual ILG objective areas. This feedback supports our findings from the desk-based review of monitoring/progress reports.

Stakeholders recognise and place value on SF&D's strong leadership role for the food and drink sector, the SF&D partnership is held up as being the single and coherent voice for industry, and importance (and benefit) is placed on having a single, shared strategy and vision for the sector. Further, a universal view is that there has been a shift to better partnership working and collaboration. It is clear that SF&D has provided strong industry leadership and should continue to build on its strong performance in facilitating and encouraging partnership working and collaboration as the new industry strategy is put into action.

There are of course some areas for improvement. These in the main relate to governance related issues, and in particular ensuring that SF&D governance arrangements are accountable and transparent for both SF&D as a limited company and for the SF&D as a partnership. A review of governance arrangements is progressing and will be refined further now that the new industry strategy has been launched.

A key area that will require further attention, focus, and discussion is around the funding model for SF&D's ILG activities post March 2018. Current projections are that there will be a funding gap and that the organisation will not be fully self-sustaining by the end of the contract period. Continuing efforts should be made over the remainder of the contract period (and beyond) to secure a more diversified income structure, and to lever in more support (cash and in-kind contributions from partners).

Of critical importance is that the SF&D Board, among others, will require to think through in detail what the best funding model for SF&D is beyond March 2018.

5. Feedback from Companies

This Chapter presents the findings of the surveys undertaken with SF&D members and non-members to gather feedback on SF&D's industry leadership activities.

Chapter 1 provides further details of the primary research approach and issues encountered.

A total of 35 telephone interviews were completed, and is short of the target set (50 interviews). **Table 5.1** provides further details.

Table 5.1: Telephone Sample

Contacts	Number
Number of Contacts Provided	162
Less: Duplicate contacts	5
Email undelivered	13
No longer trading	2
Telephone number not working	1
Number of Contacts Available for Sample	141
Telephone interviews complete	35
Unable to make contact (3+ call rounds)	67
Declined to take part	23
Requested online survey but did not respond	6
Arranged but did not show for interview	6
Unavailable till after study period	4

An online survey was distributed through various sources, and a total of 19 additional responses were received.

The total number of responses is therefore 54. Given the range of wider research and consultation that has recently taken place with food and drink companies, in particular to inform the new Food and Drink Industry Strategy, it is our view that this level of response is reasonable. The wider research and consultation, in part helps to explain being short of target for the telephone survey.

The response is not wholly representative of the sector (sub-sector, geography, etc), however, it does provide a useful snapshot of food and drink companies' views.

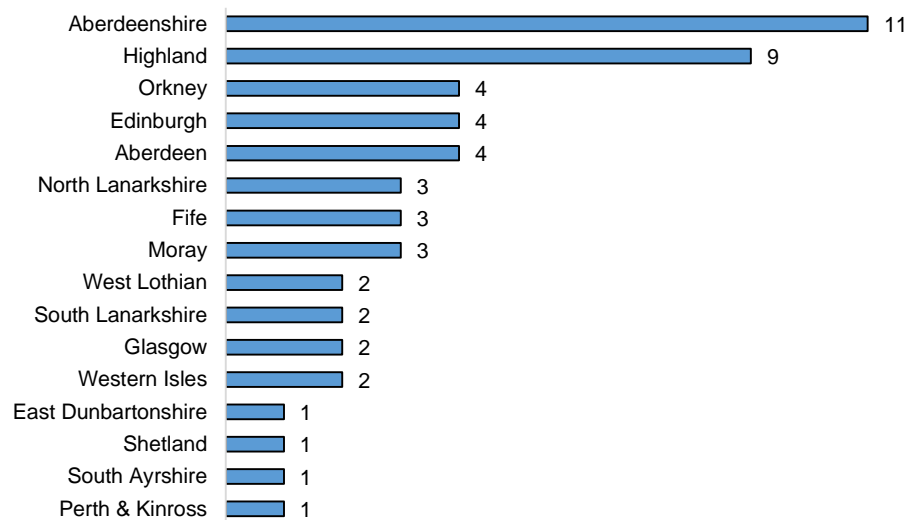
Where appropriate, we provide further analysis by SF&D members and non-members.

5.1 Background Details

Around one-third (34%) of companies were based in the Grampian area (Aberdeen, Aberdeenshire and Moray) and a further fifth (21%) in the Highlands and Islands. There were fewer responses from companies located in the central belt which is the main centre for the population and business base, **Figure 5.1**.

This is, in part, due to a number of factors. Firstly, responses from the Grampian area were primarily received through the online survey which was promoted, including via SE to the North East Food & Drink Network. Secondly, the telephone survey sample had a high number of businesses from the Highlands and Islands.

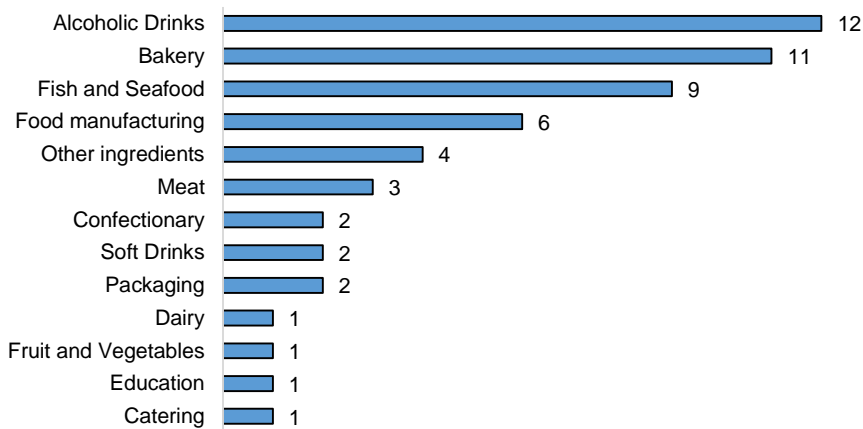
Figure 5.1: Company Location by Local Authority



N=53

The most common sub-sectors that took part in the survey were alcoholic drinks (23%), bakery (21%) and fish and seafood (17%), **Figure 5.2**. These sub-sectors represent 61% of total companies responding to the survey. These sub-sectors are well represented in the SF&D food and drink company membership (as presented earlier in **Chapter 2**).

Figure 5.2: Company Sector

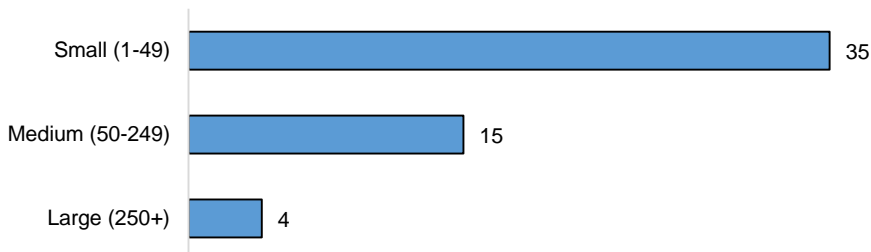


N=53, Multiple responses possible

Small companies made up the majority of respondents to the survey (35, 65%), with medium companies (28%) and large companies (7%) making up the rest.

SF&D non-members were more likely to be small businesses (70%) than members (57%).

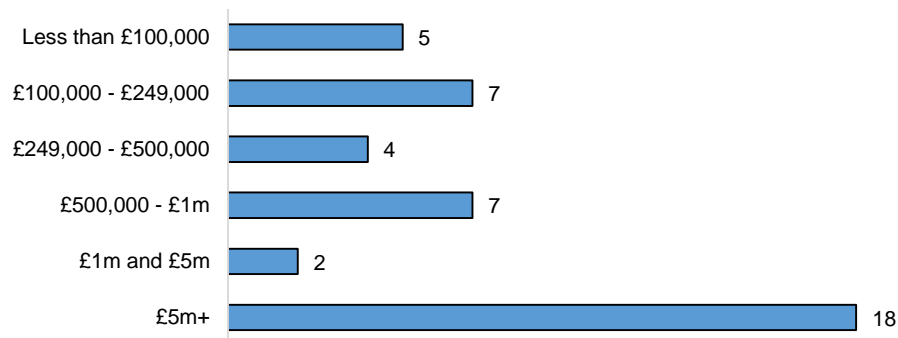
Figure 5.3: Number of Employees



N=54

The most common turnover band was £5+ million (18, 42%), and is reflective of the turnover of the medium and large size companies in the sample, **Figure 5.4**.

Figure 5.4: Turnover



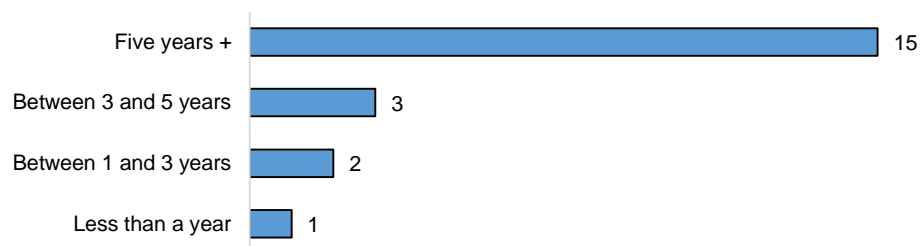
N=43

5.2 Membership of SF&D and Other Bodies

Just over three-fifths (61%) of companies were not members of SF&D, and is perhaps reflective of the fact that the overall telephone survey was skewed towards non-members (70% non-members and 30% members)¹⁷. Responses to the online survey also largely came from non-members.

Of the 39% (21) who were members of SF&D, most had been members for more than five years (71%, 15). This supports the data presented in **Chapter 2** that found that many food and drink companies have stayed members for the long-term as new companies have joined SF&D as members.

Figure 5.5: Length of Membership of SF&D



N=21

¹⁷ The SF&D membership list was passed to SE's Survey Control Unit, which subsequently reduced the contact list, and therefore reduced the number of SF&D members in the sample. In addition, the study team was not provided with a comprehensive breakdown of SF&D members and non-members.

Of note is that 28 companies (52%) were members of other trade bodies and/or associations, with the most common being the Guild of Fine Foods (five), Scottish Bakers (three), Orkney Food & Drink (three) and the Scotch Whiskey Association (three)¹⁸.

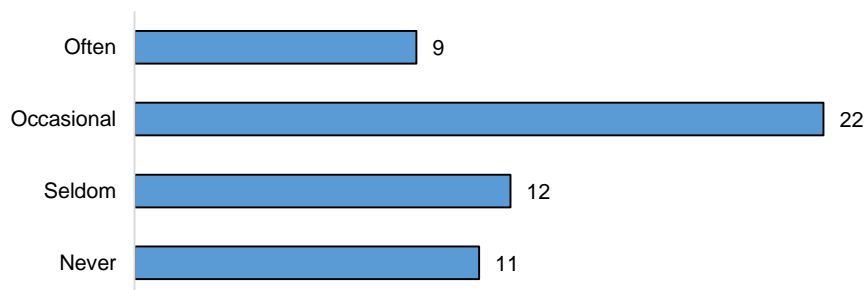
SF&D members (15, 71%) were notably more likely to be members of other trade bodies and/or associations than non-members (13, 41%), indicative of their wider industry engagement beyond SF&D.

5.3 Engagement with Scotland Food & Drink

Over half of companies have engaged with SF&D on at least an occasional basis over the last 18 months (31, 57%), with one-fifth never having engaged with SF&D, **Figure 5.6**.

As to be expected, SF&D members were more likely to have engaged with SF&D than non-members (67% at least occasionally compared to 51%).

Figure 5.6: Frequency of Engagement with SF&D Over the Last 18 Months



N=54

The most common types of engagement with SF&D were the provision of general information and advice (21, 50%), attendance at events (19, 45%), and market development support (17, 40%), **Figure 5.7**.

¹⁸ Others included for: Brewers Association of Scotland, Scottish Craft Distillers, Scotland's Food Trail, Shellfish Association of GB, Food and Drink Federation, Scottish Quality Wild Venison, Salsa Accreditation, Society of Independent Brewers, Chamber of Commerce, Scottish Grocers Federation, British Frozen Food Federation, Scotland Food and Drink Federation, Grampian Food Forum, Food & Drink Federation, British Oats and Barley Millers Association, Organic Food Federation and The Ice Cream Alliance.

Figure 5.7: Types of Engagement with SF&D



N=42, Multiples responses allowed

Of those companies that had engaged with SF&D over the last 18 months, over half were either satisfied/very satisfied with their engagement (24, 57%), **Figure 5.8**.

The main feedback was that companies were satisfied with the level and nature of interaction with SF&D, including that:

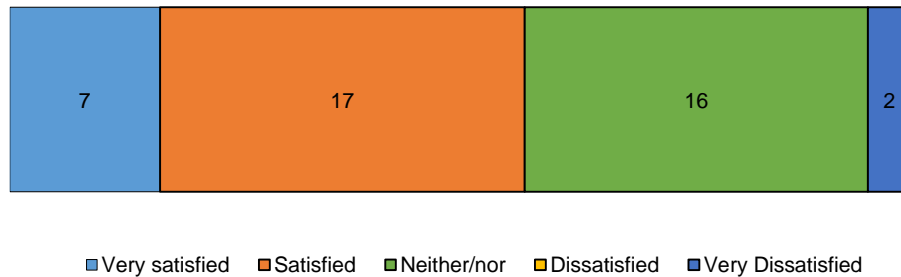
- the support met company needs;
- SF&D is the first port of call - if they cannot answer queries SF&D will find someone who can;
- they always had a timely response;
- they were impressed at the level of information shared; and
- they were impressed with SF&D staff.

However, some 38% had a neutral response regarding satisfaction – and in the main this was because the companies had not had sufficient engagement with SF&D to form a view or, for example, that they did not make as much use of SF&D as they perhaps should. Wider feedback from these companies was that (absolute numbers small):

- they had yet to see the benefits from membership;
- they feel “*charged double*”, for both membership and attending events;
- information/support is useful but not considered value for money; and

- they had a poor first impression of SF&D.

Figure 5.8: Satisfaction with SF&D Engagement



N=42

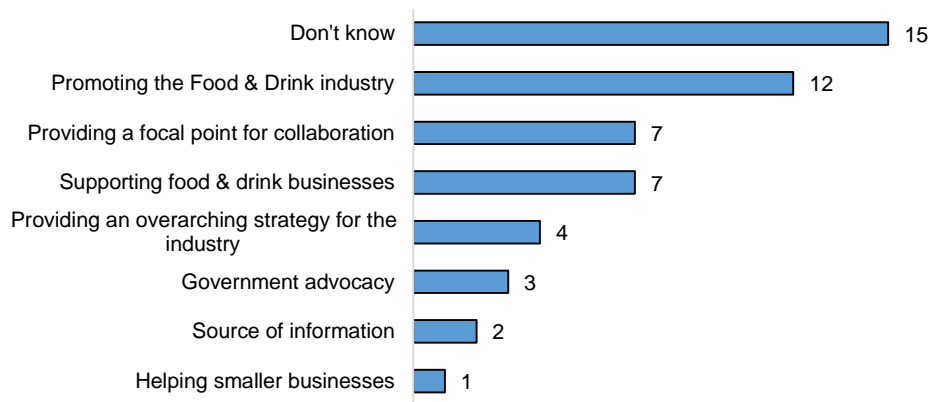
There was a clear difference in satisfaction levels between SF&D members and non-members, with 68% (13) of members satisfied/very satisfied compared to 48% (11) of non-members. The lower satisfaction among non-members is possibly related to lack of overall engagement with SF&D compared to members.

5.4 SF&D's Leadership and Coordination Role

When asked an open question regarding what companies understood of SF&D's leadership and co-ordination role, over two-thirds of companies (members and non-members) had a good level of understanding (69%). This is a positive finding, and the most common responses were that SF&D promotes the food and drink industry, provides a focal point for collaboration, and provides support to food and drink companies, **Figure 5.9**.

A relatively high proportion, however, responded "don't know" (15, 31%). It is notable that this response was not restricted to just non-members of SF&D, with an equal share of members reporting the same.

Figure 5.9: SF&D Industry Leadership Role



N=51, Multiple responses possible

Feedback from companies shows that there is strong recognition of progress and success across almost all of the industry leadership elements.

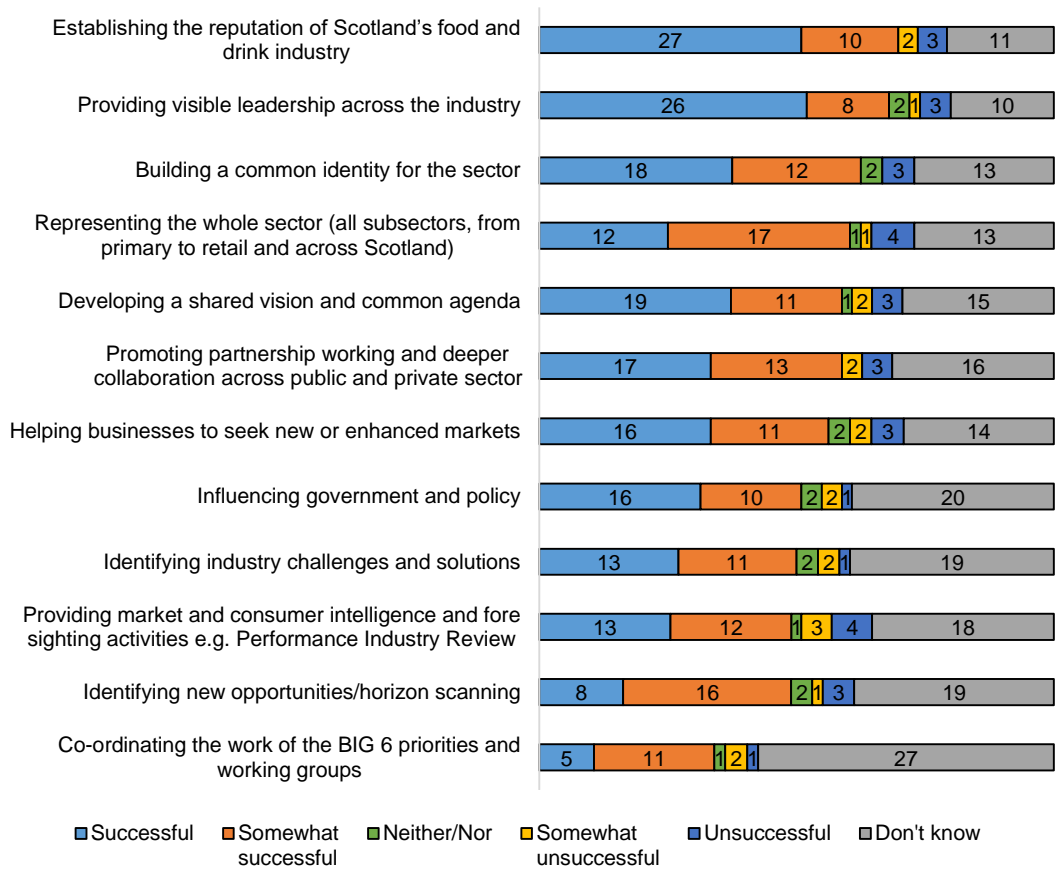
As shown in **Figure 5.10**, the most successful aspects of SF&D's industry leadership activities were identified by companies as (i.e. reporting successful/somewhat successful):

- [establishing the reputation of the sector](#) (37, 70%);
- [providing visible leadership for industry](#) (34, 68%),
- [building a common identify for the sector](#) (30, 63%);
- [developing a shared vision and common agenda](#) (30%, 63%);
- [promoting partnership working and deeper collaboration across the public and private sector](#) (30, 63%); and
- [representing the whole sector](#) (29, 60%).

Companies then provided further positive comments that centred on a number of aspects, including that: SF&D has high quality staff, that SF&D is good at promoting the industry, and that they are good at supporting companies.

Wider feedback was that SF&D is good at representing the sector, that they try to get people to work together, are good advocates for the industry, and SF&D has helped the industry to grow.

Figure 5.10: Extent of Success of SF&D Industry Leadership Role



N=53

It is, however, important to note that there were some companies reporting “don’t know” across many of the aspects (but positive overall), particularly with regards to the BIG 6 priorities and working groups.

This perhaps suggests that among some companies there is less awareness, visibility, and communication of what actions have been taken forward.

Companies provided some examples of work which SF&D has progressed over the last 18 months (however, while few were able to provide concrete examples, it should be noted that the focus of the survey was on leadership activities which is perhaps more difficult to extract from companies as they were not asked about project and programme activities). Examples provided, however, were:

- Meet the Buyer events (six);
- development of the industry strategy to 2030 (six);
- Showcasing Scotland events (four);
- building relationships with other trade organisations (two); and
- organising industry engagement dinners.

5.5 Benefits and Value of SF&D Engagement

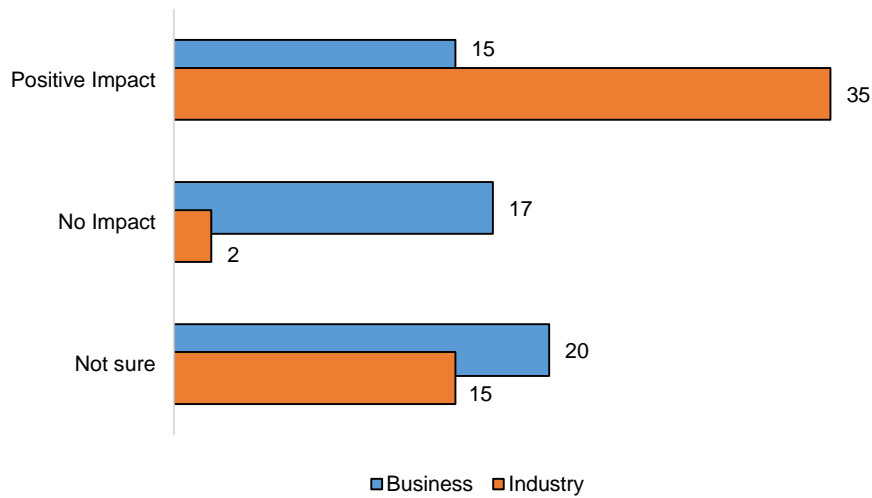
Over two-thirds of companies reported that SF&D's industry leadership role has had a positive impact on the food and drink industry (67%), **Figure 5.11**. This is a strong endorsement of SF&D's industry leadership role, and is supported by the earlier finding that a high proportion of companies reported success across almost all of SF&D's industry leadership elements.

Members (17, 81%) were much more likely to report a positive impact on the food and drink industry than non-members (18, 35%). Again, this is a positive finding for ongoing SF&D membership.

In the main, there was a broad consensus among these companies regarding why they considered there to be benefits and value from engagement with SF&D:

- SF&D has raised the profile of the industry (17);
- the industry now works better together (four);
- there has been improved provision of information/intelligence (two); and
- it provides a platform to represent the industry.

Figure 5.11: SF&D Impact



N=52

Far fewer companies reported that SF&D's industry leadership role has had a positive impact on their own company (15, 29%). As to be expected, it would be more difficult to directly correlate the SF&D industry leadership role to individual company growth.

The most common feedback among interviewees who identified impacts on their company, were:

- there has been improved provision of information/intelligence (four);
- Meet the Buyer events have been useful (three);
- support with exporting has been useful (three); and
- SF&D is visible in the industry and at events (two).

As to be expected, SF&D members (11, 52%) were more likely to identify positive impacts at a company level than non-members (4, 13%).

Of those companies that reported no impact, the most common reason was a lack of engagement with SF&D (seven). Two companies who were members of SF&D that reported that there had been no impact because:

- whisky industry is already very well developed and there is little opportunity for SF&D to add value; and

- did not anticipate an impact but regarded involvement with SF&D as important as it helps to support the sector.

5.6 In the Absence of SF&D

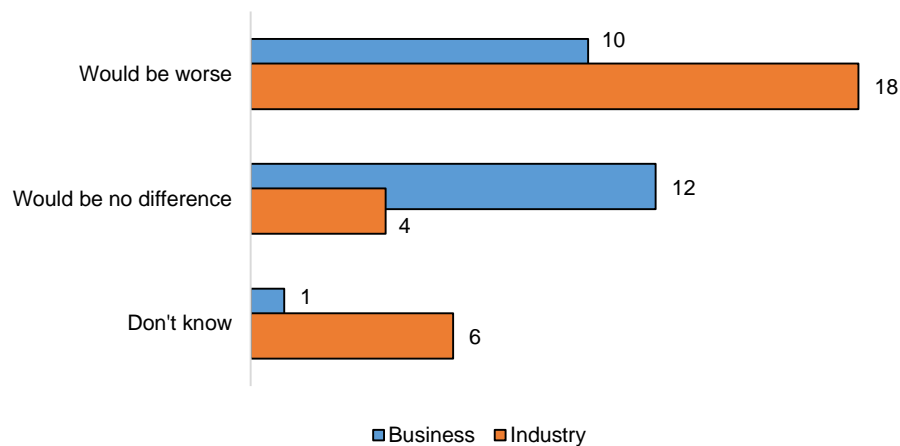
Of the companies that reported industry benefits from SF&D's industry leadership role, almost two-thirds reported that the benefits would not have happened in the absence of SF&D (18, 64%).

Members (11, 73%) were more likely to report this than non-members (6, 50%),

Figure 5.12. Wider feedback was that:

- collaboration would have been more difficult (seven);
- the food and drink sector would not have as strong a reputation (e.g. quality, provenance, etc) (three);
- there would be less help for smaller companies (two); and
- there would have been less export growth for the sector.

Figure 5.12: Impacts in the Absence of SF&D ILG Activity



Company N=23, Industry N=28

Less than half (10, 43%) of companies that reported impacts to their company believed that these would not have happened in the absence of SF&D, with members (6, 50%) more likely to report this than non-members (4, 36%). Reasons provided were that:

- collaboration would have been more difficult (five);

- company growth would have been slower (three); and
- extent of company diversification would not have been the same.

5.7 Partnership Working and Collaboration

Companies were asked a few questions to gather their views on the role of SF&D in encouraging partnership working and collaboration, and their perceived value of this.

The first question assessed companies' perceptions of social capital/shared vision and value of collective action (i.e. perceived value of collaborative strength).

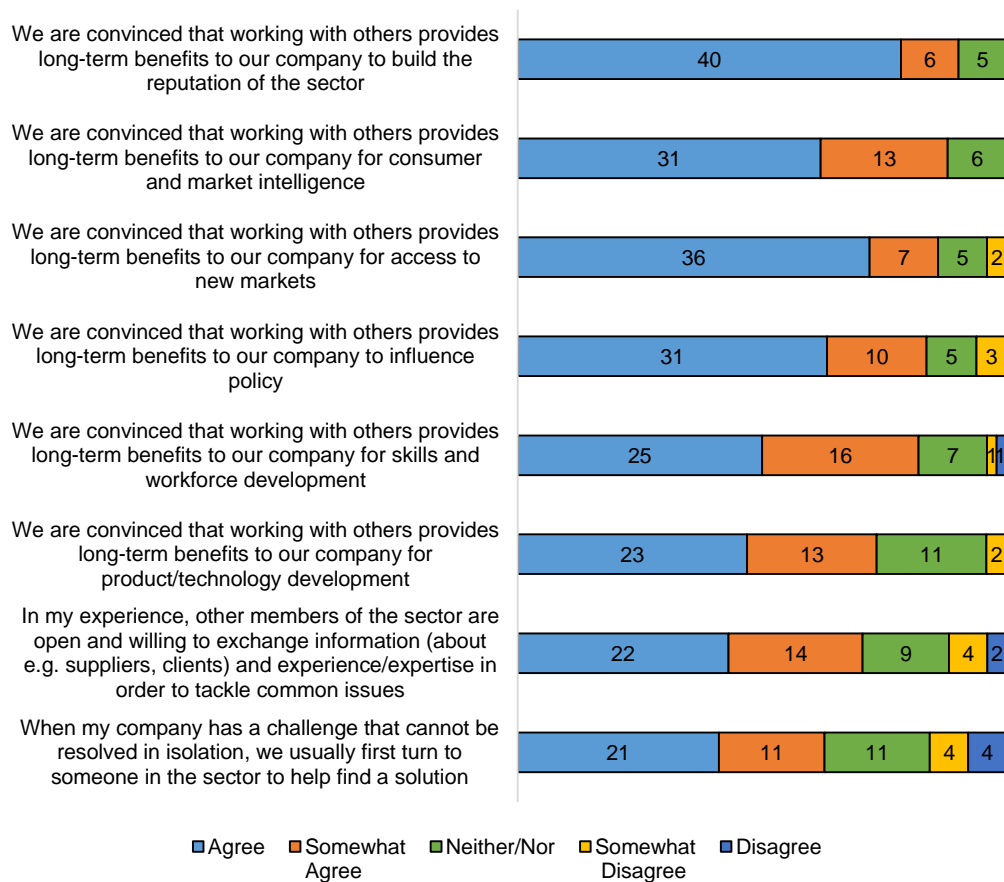
Overall, companies were very positive, and in particular placed value on the long term benefits that working with others has on (**Figure 5.13**):

- the reputation of the sector (90% agree or somewhat agree);
- for consumer and market intelligence (88%);
- for accessing new markets (86%);
- for influencing policy (84%); and
- for skills and workforce development (82%).

Although rated positively by the majority of companies – aspects rated slightly lower were “other members of the sector were open to collaboration” and “the first person they would turn to would be someone else in the sector for collaboration”.

Overall, this suggests that companies perceive there to be value from collaborative activity.

Figure 5.13: Perceptions of Collaboration



SF&D members were more likely to agree/strongly agree with the following:

- building the reputation of the sector (95% members, 87% non-members);
- for consumers and market intelligence (95% members, 87% non-members);
- members of the sector were open to collaboration (76% members, 67% non-members); and
- that the first person they would turn to would be someone else in the sector for collaboration (76% members, 53% non-members).

On the other hand, non-members were more likely to agree/strongly agree with:

- product and technology development (67% members, 79% non-members); and
- influencing policy (81% members, 86% non-members).

The second question assessed the type of engagement and level of commitment of companies to collaborative activities.

Almost three-quarters of companies had taken part in some form of collaborative activity over the last 18 months (74%). The most common activities were developing knowledge/research (26, 48%), accessing new domestic markets (18, 33%) and improving market intelligence, **Figure 5.14**. Further details provided on the nature of the collaborative activities were as follows:

- innovation project with university (three):
 - two of which were by non-SF&D members with non-SF&D member universities
 - one involved SF&D members, and the collaboration was facilitated by SF&D;
- creation of an industry group (two):
 - for rapeseed producers - this was overseen by SF&D who brought the main partners together
 - for fine cheeses – this had no involvement from SF&D;
- collaboration with an artist's estate for use of art on packaging as a unique selling point. Involves payment of royalties to estate and the promotion of the arts through sponsorship of local arts organisation and events;
- creation of a cooperative;
- export development activity;
- new market identification;
- capital equipment grant from SDI, however, this did not involve any involvement from SF&D;
- product development; and
- merged with another company.

Figure 5.14: Collaborative Activity in the Last 18 Months



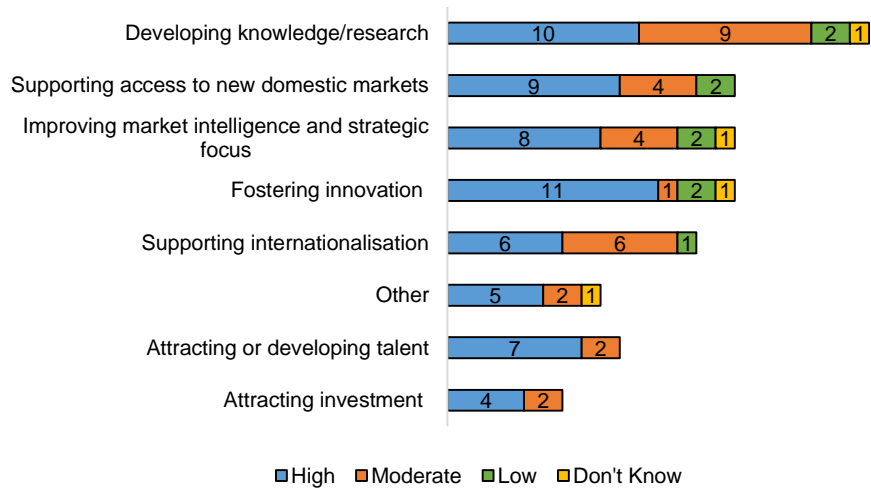
N=54

Broadly similar numbers of members (16, 76%) and non-members (23, 72%) had taken part in at least one collaborative activity.

The next question assessed companies' perceived return on investment of collaborative activities (for those that had undertaken collaborative activity in the last 18 months).

Almost all of the collaborations undertaken by companies (90, 87%) were valued as high or moderate in terms of return on investment, with attracting talent (100%), attracting investment (100%) and supporting internationalisation (92%) valued highest, **Figure 5.15**.

Figure 5.15: Value of Collaborations



Note: Asked only of those that identified collaborative activities in previous question

Although the majority of companies valued collaborative activities undertaken highly, members placed a higher value on this compared to non-members.

Overall, this suggests that companies value collaboration, and perceive a high return on investment from that collaboration.

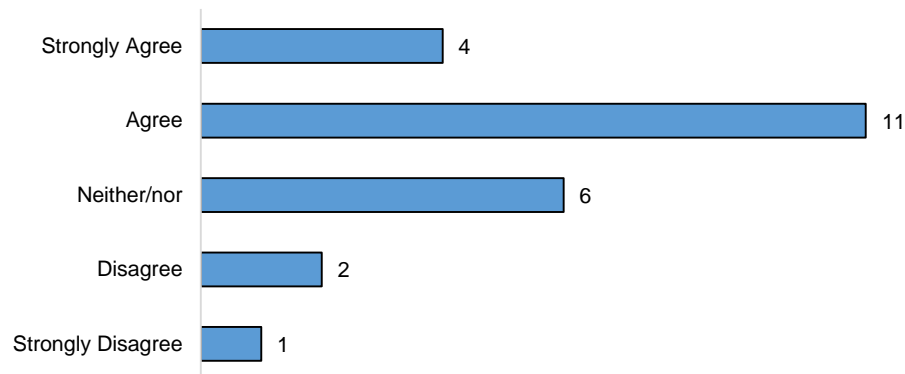
5.8 Membership Value

Almost two-thirds of SF&D members agreed or strongly agreed that membership was value for money (15, 63%)¹⁹, **Figure 5.16**.

Further feedback was that events were of a good quality and that companies valued being kept up-to-date with what is happening in the food and drink sector.

¹⁹ More information about fees can be found here, <http://www.foodanddrink.scot/membership/fees-and-joining.aspx>

Figure 5.16: Value for Money of SF&D Membership



N=24

A few issues were raised (albeit by a handful of companies) around:

- poor geographic reach with activities focussed in the central belt (two);
- micro membership fee not sufficiently advertised; and
- not great value for money - but feel obligated to be involved as supportive of the broad aims and objectives of SF&D.

5.9 Future Industry Leadership Focus

The most common responses regarding SF&D's future industry leadership activity were:

- a greater focus on smaller companies (six);
- more help with exporting (five);
- a greater range and number of workshops/seminars (three), however, no specific themes were identified. Specific comments included;
 - seminars on certain topics that have a resonance to lots of companies
 - more interactive workshops that are easily accessible
 - focused seminars led by experts on topical problems/issues;
- a greater geographic reach of services/support (three); and
- continued promotion of the industry (two).

Companies were asked if they had any other comments and the most common was general praise for SF&D (seven responses). Other responses included:

- newsletters have too much information - should be shorter and punchier with links to articles;
- better to get involved in smaller, niche industries instead of established industries with existing leadership bodies e.g. whisky;
- should be more engagement with non-members; and
- should be a greater focus on promoting/using local products.

5.10 Key Messages

The company survey provides a useful snapshot of SF&D members and non-members views on SF&D's ILG role and activities. Overall, the feedback from companies is positive, and this is a strong endorsement for SF&D's industry leadership role.

Key points to note include that a large proportion of companies had a good level understanding of SF&D's ILG role, and there is strong recognition of progress and success across almost all of SF&D's industry leadership work.

There were, however, some companies reporting "don't know" across many of the aspects (but positive overall), particularly with regards to the BIG 6 priorities and Working Groups. This perhaps suggests that among some companies there is less awareness, visibility, and communication of what actions have been taken forward.

A high proportion of companies reported that SF&D's ILG activity has had a positive impact on the sector. A positive finding is that many of these companies felt that the impacts/benefits would not have happened in the absence of SF&D – this suggests a high level of additionality.

Collaboration has been a recurring theme throughout this evaluation. Of note is that most companies perceive there to be value from undertaking collaborative activity, and also perceive a high return on investment from that collaboration.

6. Conclusions and Recommendations

This final Chapter brings together all of the evidence from the preceding Chapters and presents our conclusions and recommendations.

6.1 Interim Evaluation Conclusions

The aim of the study was to assess the delivery and impact of SF&D's industry leadership activities, and the conclusions are presented in line with the study objectives.

6.1.1 Efficacy of Public Sector Investment to SF&D

At the time of reporting, SF&D is more than half-way through its current three-year funding contract with its three public sector funding partners (21 months or so). In looking at the efficacy of the public sector investment to SF&D over this period, it is important to set this in the context that the contract represents a new way of working between the funders and SF&D.

The current three-year investment is somewhat larger (and stabilised annually) than previous awards, and was in recognition that the previous model was no longer fit for purpose. In particular, SF&D staff resources were being continually stretched in its attempts to deliver on its core leadership and coordination objectives while aiming to improve its financial sustainability at the same time.

The public sector investment has undoubtedly helped SF&D to overcome this challenge. The investment, along with changes in the SF&D staffing structure, has enabled SF&D - the ILG for the food and drink sector in Scotland - to refocus efforts on its core mission of industry leadership and coordination, and at the same time move the organisation along a pathway to diversifying its income sources.

The investment has sought to ensure a clearer remit for SF&D's ILG function, and importantly has supported increased capacity and capability within SF&D to fulfil this function (e.g. new staff posts), and progress activity across the five ILG objective areas. It has also allowed SF&D to focus strongly on the leadership role at a critical stage, leading to the development of the new industry strategy to 2030.

The SE Sector Delivery Team has spent a considerable amount of time providing support and guidance to SF&D to try and make the transition to the new funding model as easy as possible.

Feedback from both stakeholders and companies provides further evidence that the public sector investment for SF&D's ILG role has been effective to date. Key points to note are that:

Stakeholders:

- have a clear, shared, and common understanding of SF&D's ILG role which is: providing strong leadership, identifying core issues affecting the growth of the sector, coordination, facilitation and influencing role, enhancing the reputation and profile of the sector, and widening engagement and deepening collaboration;
- emphasised the important role that SF&D plays in being the single, knowledgeable, and coherent voice for industry – in this regard SF&D is well regarded by stakeholders and industry, and has a good reputation as it is considered credible across its public and private sector partners (including the Scottish Government);
- emphasised the importance of having a clear ambition for the sector, and acknowledgement of SF&D's ILG role in developing and shaping the ambition and galvanising action across strategic challenges and issues;
- the SF&D partnership has been the catalyst for many of the good things happening in the sector – bringing the public and private sector together, ensuring unity and a sense of pulling in the same direction, and a greater focus on building and maintaining partnerships and encouraging collaboration; and
- all stakeholders said that they (their organisations) would continue to be involved/be SF&D members.

Companies:

- a high proportion of food and drink companies (both SF&D members and non-members) have some understanding of SF&D's industry leadership role;

- recognise and report progress across a wide range of industry leadership activities (e.g. building the reputation of the sector, providing visible leadership, building a common identity for the sector, to name a few);
- over two-thirds of companies reported that SF&D's industry leadership role has had a positive impact on the sector – this is a particularly strong endorsement of the partnership's work;
- following on from this, a high proportion reported that industry benefits/impacts would not have happened in the absence of SF&D;
- a high proportion of companies perceive there to be great value from undertaking collaborative activities;
- almost two-thirds of SF&D members that responded to the survey reported that SF&D membership represents value for money; and
- analysis of SF&D data shows that many food and drink companies have stayed members for the long-term as new companies have joined. This suggests that companies perceive benefits from their involvement.

Within the current funding model there was always the intent from all sides that SF&D would seek to maximise commercial income in order to meet its objective of being self-sustaining by March 2018. Indeed, at the time of the contract approval there was no expectation of continued public sector funding support for SF&D post March 2018 at the same level as it is now.

Our overall assessment is that SF&D continues to explore opportunities to generate more income and is making real progress (e.g. Excellence Awards, event income, sponsorship, project income). The appointment of a Membership & Commercial Director is ensuring a continued focus on this area of work. Current projections from SF&D are that the organisation will not be self-financing by the end of the contract period.

A question raised by stakeholders was whether or not SF&D should operate without public sector support for ILG and other activities (even if it could) post March 2018 - and that this would be dependent on the ambition set for the sector. Few stakeholders supported a future for SF&D's ILG activities that are altogether free of public investment, albeit there is recognition that SF&D needs to continue to achieve a better balance, and a more diversified income structure over the remainder of the contract period and beyond.

In thinking through the potential for a continued hybrid funding model following the current contract period, there are of course both strengths and inherent weaknesses that need to be considered in some detail – by the SF&D Board, by public sector partners, and by industry.

Now that the new industry strategy has been launched, it will be imperative that open and honest conversations among SF&D partners are progressed to ensure that there is clarity and a shared understanding among the SF&D partnership as to what the post March 2018 funding model might look like, and what action needs to be taken to achieve this.

6.1.2 Progress and Performance in Industry Leadership Activity

Over the last 21 months, the SF&D partnership has identified and progressed significant action centred on the five ILG objectives.

Our assessment is that SF&D is performing strongly overall. It is recognised, however, that progress/performance is not consistent across the individual objective areas, and that there are some areas for a) improvement and b) for increased attention over the remainder of the contract period (this is considered on the following pages). However, this would be expected at this stage in delivery.

This assessment is based on evidence from a range of sources, including that contract milestones have been largely met across all ILG objective areas, while other milestones are progressing and are therefore in hand by SF&D. Wider evidence on progress and performance to date according to stakeholders and companies is considered in more detail on the following pages.

Providing Enhanced and Visible Leadership

Stakeholders (and companies) recognise and place value on SF&D's strong leadership role for the food and drink sector (as described in **Section 6.1.1**).

There is no doubt that the SF&D partnership is held up as being the single and coherent voice for industry, and importance (and benefit) is placed on having a single, shared strategy and vision for the sector.

The food and drink sector is highly visible and credible to Government as an important industry for Scotland (contributes strongly to the economic growth agenda), and this in itself should be considered a real success of SF&D's industry leadership work.

Most notably, however, has been SF&D's role in leading on the development of the new industry strategy – indeed, stakeholders agree that SF&D is best placed as an industry-led organisation to champion, harness support, and take forward this priority area of ILG work.

This has been no small task, and strategy development activity has involved significant time input over the past year, including from across the SF&D team, Board, Executive Group and Working Groups).

A key role has therefore been to:

- ensure effective industry engagement at various stages to ensure that the new strategy reflects the views and needs of the sector, and to generate ownership of a collective vision;
- provide a wide range of opportunities for partners to come together to better understand what has worked well and what has worked less well, and to secure feedback on the future strategic direction, vision, and priorities;
- lead on research to inform the new strategy;
- oversee (with partners) other externally commissioned research to inform the strategy; and
- develop a refreshed vision and priorities, and to test that out with industry (members and non-members).

Further, as reported in **Chapter 3** - almost all Executive Group members report that their own organisation's strategy has been slightly or significantly influenced by participation in the SF&D Executive Group.

Effective Partnership Working and Deeper Collaboration

Promoting effective partnership working and deeper collaboration is another ILG objective area where continuing strong progress and performance has been achieved.

This is evidenced by:

Stakeholders:

- universal view is that there has been a shift to better partnership working and collaboration – much more open, transparent and honest conversations are taking place;
- that SF&D is considered to be a powerful network – its value is that it is considered unique in bringing everyone round the same table (public, private and academic sectors, red meat next to bakery, next to whisky, etc); and
- it is seen as a partnership of equals, that levels of trust have deepened across the partnership, and that this has led to sharing of ideas/experiences and developing new ways of joint and collaborative working.

Further, as reported in **Chapter 3** – strong progress and performance in this area is also evidenced through previous feedback from Executive Group members (April 2016) regarding:

- the extent to which their own organisation’s strategy had been influenced by the SF&D partnership;
- that the vast majority report deepening collaboration with both the public and private sectors;
- that their own organisation has invested more time in ILG activity as a result of engagement with SF&D; and
- that their organisation’s time commitment to ILG in the coming year would increase/stay the same.

Companies were also asked various questions to gauge their views on the role of SF&D in encouraging partnership working and collaboration, and their perceived value of this ILG activity.

The feedback from companies was overwhelmingly supportive:

- overall, companies were very positive, and in particular placed value on the long term benefits that working with others has:
 - on building the sector’s reputation (90% agree or somewhat agree)
 - for consumer and market intelligence (88%)

- for accessing new markets (86%)
- for influencing policy (84%)
- for skills and workforce development (82%);
- the majority of companies had engaged in some form of collaborative activity in the last 18 months; and
- the perceived return on investment of collaborative activities was considered “high”.

Big 6 Priority Workstreams

There has been variable progress across the Big 6 priority workstreams - however, it should be borne in mind that the goal areas are not necessarily easy nuts to crack, and indeed require attention and collaborative effort over the longer-term (stretching beyond the current contract period).

The SF&D staff team has played an important role in coordinating activity, helping to steer activity, encouraging the right people to become involved, and in providing secretariat for the Working Groups.

Some Working Groups said to be functioning and progressing better than others.

Overall stakeholders reported that:

- Exports has shown the strongest progress – Exports was commonly identified as a best practice example;
- that Skills has got off to a good start and good outputs (e.g. Draft Skills Investment Plan) – but needs to be taken forward;
- that there was considered more to do in some areas:
 - Primary – needs to be a priority in the new strategy
 - Environmental Sustainability – this is considered an area of real opportunity, but is just at the beginning
 - Productivity – needs a stronger focus, including links to Skills; and
- mixed and variable reports on progress for the remainder (Innovation, Supply Chains).

Some wider issues around the need for better governance between the different structures have, however, arisen including:

- some Working Groups have been slow – there is a need to move to action in all areas, and that some will need a new focus as part of the new strategy;
- it was reported in April 2016 that there was there was limited in-depth knowledge across the Executive Group of the activities of each of the goal groups and the progress being made – this continues to be the case;
- the Working Groups tend to operate in silos – there is an opportunity for joining activity up, ensuring interplay between priority areas, and for achieving potential synergies; and
- there is scope for improved communication between Working Groups, and with the Executive Group in particular.

As part of the work ongoing on the revised SF&D Governance Manual (and as the new strategy is launched), it will be important that attention is placed on ensuring consistent and standardised governance mechanisms for the Working Groups (i.e. clear terms of reference, clear and measurable action plans, clarity on the roles and expectations of champions, and improve visibility of progress to the Executive Group and Board, etc).

As part of the company survey, companies were asked for their views on the extent of success across a range of SF&D's industry leadership activities. One such area was "*coordinating the work of the BIG 6 priorities and Working Groups*".

It is perhaps not that surprising but reported success in this area was considerably lower than other activities (e.g. such as building the reputation of the sector, providing visible leadership, etc). Around one-third of companies reported that SF&D had been successful in this area, however, 57% reported "don't know".

Companies are possibly less familiar with the term "Big 6" and there is possibly less awareness, visibility and communication of what actions have been taken forward in this area.

Pan Industry Market and Consumer Intelligence and Foresighting

The provision of pan industry market and consumer intelligence and foresighting activities is a new area of SF&D ILG work introduced as part of the new contract period.

Good progress is being made – staff are in post, the service is beginning to bed in, however, there is potential for it to achieve much more (considered below), and to fully embed it across many aspects of SF&D's ILG activity.

The intelligence was particularly useful in informing the strategy development process. Deliverables such as the Industry Performance Review are valued, as is SF&D's ability to respond to events as they emerge (e.g. Brexit), and as part of the industry events for the new strategy intelligence on for example global trends, what competitors are doing, etc were all well received. There is, however, a need to ensure that the available data and intelligence is routinely fed into, and informing the work of, the Working Groups.

There is also considered to be an opportunity for the private sector SF&D funded post - UK Market Analyst - to generate more income for SF&D through its provision of information and research (which is chargeable).

It is still a relatively area of work, however, it will be important that over the remainder of the contract period that continuing effort is placed on positioning this as a key resource for industry (for members and for non-members).

Plan for Enhanced Partnership Model

Good progress has been made in developing income from membership, but perhaps more importantly from other sources. This includes the Excellence Awards which are seen as valuable and attract high levels of sponsorship, and activity is progressing on the potential for joint membership (e.g. with Scottish Bakers).

A debate is still to be had in identifying the best funding model for SF&D going forward – either fully independent or a hybrid model. This will need to be resolved before the end of the current contract.

Of particular importance over the remaining 12 months of the contract will be for SF&D to prioritise effort on the ILG objective *Deliver an Enhanced Partnership Model*. This includes ongoing conversations at a senior level with partners to lever in support of the ILG activities delivered and coordinated by SF&D (cash and in-kind contributions to help with the delivery of ILG activities) to March 2018 and beyond as part of the new business model. SF&D is central to coordinating and leading on ILG activity, it does not necessarily need to be doing everything – it is therefore important that partners and stakeholders recognise the role that they need to play.

6.1.3 Wider Issues and Challenges

There have been some wider challenges, not covered above, that are worthy of further reflection, many of which are currently in hand and being dealt with through ongoing communications with SE and partners:

- contract management arrangements – there were some teething troubles, however, this has largely been resolved. That being said, there remains a question for some stakeholders on whether the right balance has yet been struck between ensuring an appropriate level of oversight on one hand, and enabling SF&D to have the flexibility and agility it need to support the sector;
- governance arrangements – issues around governance were raised by a few stakeholders, and this seems to be in hand through the ongoing work on the SF&D ILG Governance Manual. This will address concerns raised around the need for greater clarity on roles, responsibilities and remits, visibility of decision making processes, and improved communication; and
- SF&D ILG focus in wider landscape – similarly, an issue raised by a few stakeholders was around the risk of mission creep, and given that SF&D has a small senior team that focus for the remainder of the contract period is aligned to its core ILG activity. With this in mind, there requires to be greater clarity on the roles of SF&D (the organisation), SF&D (the partnership), and that of partners in this space; and
- SF&D membership and representativeness – while industry engagement is working well (stable, good progress in engaging some sub sectors not previously engaged, etc), the main challenge is securing appropriate engagement with the primary sector.

Further, small companies are primarily the companies to not renew membership, however, this is often down to external pressures (e.g. downturn in business, company stopped trading) rather than not seeing the value of membership. The message from stakeholders is that continuing effort is required on improving representation (business of all sizes, across all sub-sectors, beyond the central belt). There are some challenges in this, in particular as there are other membership organisations also looking to grow their membership numbers. SF&D is, for example, progressing conversations with industry partners around joint membership, and this should be encouraged.

SF&D reaches beyond its membership in a number of ways (e.g. mailing list has 3,000+ contacts, publications on website, events, etc). Of note, is that feedback undertaken of non-members through the company survey was largely positive. Non-members had some level of understanding of SF&D's ILG role and reported success across almost all of SF&D's industry leadership elements. There was, however a lack of recognition of the Big 6 priorities, but this is possibly related to the language used.

6.2 Recommendations

Finally, the Interim Evaluation of SF&D provides recommendations on maximising the return on public sector investment for the remainder of the funding period (to March 2018):

- the mid-point of the current funding represents a potential break-clause in the contract. Funding will be continued if sufficient evidence is found of performance against ILG objectives. As outlined in the previous Chapters, the evaluation has found evidence that SF&D is performing strongly against its ILG objectives. It is recommended that public sector partners confirm that funding is in place for the remainder of the contract period;
- the new industry strategy to 2030 will be in place by the end of March 2017, and the next step will be to ensure that focus and effort is placed by SF&D on putting this into action;

- as part of implementing the new industry strategy SF&D should undertake a review of the Big 6 Working Groups and priorities (in terms of whether the 6 areas are still the right themes, how they are progressing, and how progress is communicated/promoted across the SF&D partnership and wider). This will also ensure attention is focussed on those areas where progress has been less strong (e.g. Primary, Productivity), as well as continuing the good work in Exports, Innovation and Skills;
- for the private sector funded post only, there is a need to maximise the value of the pan-industry intelligence, including opportunities to commercialise this offering;
- SF&D should optimise governance arrangements, including better visibility of ILG progress and communication between the SF&D Executive Group and the Board;
- SF&D partners should enter into conversations on what the best funding model for SF&D looks like post March 2018, and identify a model that will best support delivery of the new industry strategy and continued industry growth (and importantly, how this then taken forward); and
- SF&D should continue to build on its strong performance in facilitating and encouraging partnership working and collaboration. This is seen as extremely important for both stakeholders and companies, and SF&D is well positioned to continue to build collaboration across the sector.

This is a key moment for the food and drink sector in Scotland, with the launch of a new industry strategy. The evidence in this Interim Evaluation has shown that SF&D has provided strong industry leadership (as evidenced earlier in **Section 6.1.2**), and while there are some areas for improvement, the SF&D partnership is in a good place to take this forward collaboratively in the industry strategy to 2030.

Appendix A: Stakeholders Consulted

Organisations	
Adelphi Distillery	National Skills Academy for Food & Drink
Agriculture and Horticulture Development Board	Scotland Food & Drink (x3)
Aquascot Limited	Quality Meat Scotland
Bruce Farms	SAC - SAC Consulting
Dairy UK	Scottish Agricultural Organisation Society
Eat Balanced	Scottish Bakers
Highlands & Islands Enterprise	Scottish Development International
Joseph Robertson (Aberdeen) Ltd	Scottish Enterprise (x4)
Lantra Scotland	Scottish Food & Drink Federation
Loch Melfort Hotel	Scottish Government
Macphie of Glenbervie	Scottish Salmon Producers' Organisation
Manorhill	Scotch Whisky Association
Mitchells Dairy	Skills Development Scotland
	University of Aberdeen - Rowett Institute of Nutrition and Health

Appendix B: Revised Contract Milestones

Attached separately.