Interim Evaluation of Scotland Food & Drink

Final Report for Scottish Enterprise

Aug 2010

Contents

Executive Summary

Introduction

1. Scotland Food and Drink (SF&D) was established in 2007 as an industry-led membership organisation with the aim of bringing together the whole supply chain involved in the food and drink industry in Scotland under a common strategy and purpose to support industry growth. It is a unique private-public initiative funded by membership fees and the public sector (Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), and the Scottish Government).

2. A mid-term review of the industry strategy carried out in 2005 concluded that while the sector was performing well, there was a recognised need for a more joined-up approach for the industry to achieve its full potential. To achieve this potential and growth in global markets, there was further recognition of the need to engage the whole food and drink sector – moving from the initial focus on value-add food processors to include whisky, agriculture, fishing and aquaculture and key stakeholder organisations.

3. In 2009 SF&D led a refresh of the industry strategy, with support from Scottish Enterprise. This produced ambitious targets[1] for the industry to be achieved by 2017, including to:

   - increase turnover for the whole industry to £12.5 billion;

   - increase GVA from £4.1 billion to £6.1 billion - with processing GVA rising from 42% to 50% of turnover and primary production from 38% to 45% of turnover;

   - continue to outperform the UK food and drink manufacturing industry, Scottish manufacturing and the Scottish economy, as measured by Gross Value Added (GVA);

   - increase R&D spend from 0.25% to 0.75% of GVA, with the processing sector ultimately meeting UK levels;

   - raise productivity to equal UK levels for food processing, and continue outperforming UK levels for combined food and drink processing; and

   - increase exports from £3.7 billion to £5.1 billion, with a strong emphasis on food exports.

---

[1] Targets relate to agriculture, fisheries, and food and drink manufacturing. (for turnover and GVA; others relate to F&D manufacturing only)

4. The ultimate vision is to achieve recognition for Scotland as a "Land of Food & Drink.

Evaluation Objectives and Method

5. Scottish Enterprise commissioned an interim evaluation of SF&D, on behalf of the public sector funding partners, to assess the efficacy of public sector investment to SF&D over the past three years. The overall aim was to identify what has been achieved to date and to make recommendations to inform future public sector investment.

6. The objectives of the evaluation were to:

   - review the rationale for the intervention;

   - assess project objectives and targets achieved;

   - assess usage, quality, and demand;

   - assess the management and delivery of SF&D;

   - assess the fit and contribution to the Scottish Government's Economic Strategy and funders objectives;

   - assess the likely contribution to the equity and equalities agendas; and

   - presentation of key findings and recommendations for the future direction and delivery of the project.

7. The evaluation comprised the following elements:

   - a review of existing information and data for SF&D;

   - consultations with SF&D staff, Board, Executive Group, and public sector funders;

   - primary data collection from businesses that have engaged with SF&D; and

   - development of a monitoring and evaluation framework to capture progress towards objectives.

SF&D Rationale

8. SF&D evolved from the existing Industry Strategy Group. A more formal structure was required to secure broader involvement across the industry and engagement with all the key players in the sector. The establishment of SF&D was viewed as the mechanism by which to realise this ambition.

9. The food and drink sector was very diverse and disparate, resulting in a highly fragmented landscape. While there were some connections made, the sector previously was not working together in a cohesive way and not making linkages across the supply chain. As such, there was a growing need for stronger industry leadership and for a body that would be recognised as the single voice of the sector, identifying priorities and key issues to be addressed collectively.

SF&D Inputs and Activities

10. SF&D has a combined budget of £3.8 million for the period 2007-2011, provided by a combination of public sector funders, (Scottish Government, SE and HIE) and private sector investment. To date SF&D has spent almost £2.5 million, 37% of which resulted from project activities such as Access to Markets and Homecoming activities.

SF&D Progress

11. While SF&D got off to a slow start, good progress has been made to-date and momentum has been built through which to drive further improvements. The main achievements of SF&D are set out below.

Action	Progress
Establishing SF&D	A strong and credible small staff team are in place, supported by the Chair and the board. Structures have been developed, including working groups to focus on specific areas of importance. A lack of resources for SF&D resulted in a slow start and has limited the amount achieved in its first year. The first three years have essentially been the start-up stage, and identifying joint areas of priority for the industry, and now the focus must be on delivery. There have also been a number of "Step Change" projects developed (see Appendix B) and now the focus is on delivering these.
Engaging Key Players	SF&D has been successful in opening channels of communication and securing buy-in across the sector. Prior to its existence many of the trade bodies had not met each other.

A Shared Vision	Considerable activity has been progressed on the development of a shared vision for the industry. This included wide-ranging consultation to inform the development of the Food and Drink Strategy and stakeholders have signed up to shared industry objectives.
A Common Agenda	A shared vision and industry ambitions have been agreed for the sector and shared strategy KPI's have been set. Common issues that affect all sectors have been identified including skills, innovation, collaboration, and reputation and activity is progressing through the Working Groups. A new theme of sustainability has been identified.
A Common Identity	Good progress has been made with branding and imagery associated with Scotland "the Land of Food and Drink" resulting in a raised and strengthened profile for the industry. This is especially important on an international stage
A Growing Influence	SF&D has the support of the Scottish Government and its work is aligned with the Government Economic Strategy focus on key sectors. SF&D is industry-led which gives it credibility within the sector and Government. Input to the national Food and Drink Policy is an example of its strong influencing role.
A Growing Reputation	Foundations have been put in place to now build on Scotland's reputation for food and drink. The common identity and strong brand imagery developed for the industry are major steps in the right direction.
Membership/Services	It has taken longer than expected to develop a range of services that offer businesses benefits for their membership, and membership numbers were slow to build at first. However, at this stage membership numbers are growing and renewals are positive.
Initiating Step-change Projects	As noted above, it has taken longer to initiate a number of step-change projects than was originally anticipated, although signs of success are beginning to show. A number of projects are due to come on stream in 2010 e.g. Food and Drink Skills Academy and Innovation Centre. The focus now must be on the delivery of tangible step-change projects such as C2 and the Access to Markets programme.

Feedback from Businesses

12. Feedback from the survey of businesses that have engaged with SF&D was strongly positive overall.

13. Overall satisfaction with support accessed is high, including experience and skills of SF&D staff and quality of marketing materials.

14. Businesses reported both impacts achieved and potential future impacts as a result of support from SF&D, although most found it difficult to quantify the impacts. The main impact from support is increased turnover, with 71% reporting increased turnover achieved to date and 91% expecting it to increase by 2013.

15. Benefits reported by the businesses included networking and contacts, the opportunity to grow the business and better information available and profile of the industry;

16. Forty percent of businesses reported that their achieved/potential impacts would not have happened in the absence of SF&D support. A further 43% reported that the support has resulted in positive impacts sooner, or that they have been of a higher quality or scale.

17. Over two-thirds of businesses considered SF&D membership to be value for money (67%). However, the majority reported that they would be less inclined to continue their SF&D membership if the cost increased (87%).

18. The areas in which businesses considered SF&D to have had most impact included fostering networking/collaboration opportunities, developing a better understanding of the industry, and developing a coherent strategy for the sector.

19. Over half of the businesses indicated that they planned to implement activities as a result of support received from SF&D (55%), while a high proportion reported new collaborations were already established or planned (72%).

Conclusions and Recommendations

20. SF&D was set challenging objectives regarding providing leadership, coordinating support, and driving forward a shared industry vision. The Food and Drink industry has through the strategy refresh set some ambitious targets. It is too early in its life to fully assess the contribution of SF&D to these targets.

21. The interim evaluation has identified that good progress has been made to date, including:

- a coherent joint leadership body established;

- some larger projects are being developed and initiated;

- it is a credible voice for the industry;

- influence with the Scottish Government has been a notable success;

- a single strategy for the industry has been developed; the establishment of a common identity and brand for the industry has been a success; and

- great strides have been made in broadening the range and type of partner and member organisations especially into the primary sector, involving research and including whisky as a strong partner.

22. Good progress has been made across the objectives set by the three public sector funders, and against the aims set out in the original Business Plan for SF&D.

23. A number of recommendations are put forward as part of the study.

24. Management and Governance - Clarity is needed on the roles and responsibilities of the Board and the Executive Group, in particular where the decisions are made on prioritising activity and investment.

25. Business Model – the full implications and the resources required of pursuing a membership business model should be considered. Publicising the benefits of membership is essential to encourage new members to join, as companies listen most to their peers. Clarity on the long term vision for the organisation and structure is also recommended, as this will drive resource requirements and income generation options.

26. Moving to Delivery - to move from strategy development to action in delivery, real buy-in and co-operation from Executive Group partners is required. Partners need to allocate financial or people resources towards the practical delivery of the strategic ambitions. This will mean moving to greater levels of collaboration, and also seeing delivery as part of their remit. This may mean moving to funding directed at projects rather than core costs. This does, however, raise an issue of a reduction in core cost contribution. All Executive Group partners need to clarify their commitments to properly plan the move to delivery;

27. Understanding Progress on Partnership - partnership working has progressed, but risks stalling if deeper levels of collaboration are not reached. Despite the agreement of the overall strategy, there is still a feeling that it is SF&D's strategy which partners will contribute to, rather than being owned by the partners. Work to explore these perceptions, identify barriers and develop more joint ownership of the actions, to help engender a move towards collaboration would be beneficial, and should be taken forward with the Executive Group.

28. Building the Reputation - A major success has been building of the reputation of Scottish food and drink, especially internationally. The good work that has happened here should continue.

29. Relationship with Government - A key success in the role of SF&D has been the relationship it has built with Government and other public sector agencies. This has gained strong influence and support and should continue to be nurtured to ensure that food and drink issues in Scotland are coherently and strongly represented to Government in a consistent and joined up manner. This also helps align support across the public sector.

30. Continued market failure - Fragmentation, and the lack of industry wide social capital, as well as information failures, were identified as particular problems within the food and drink industry which SF&D was tasked with addressing. Although good progress has been made, these issues still exists in the industry, and as such the market failures still persists. Going forward the evaluation suggests that there is still a need for public sector support to help address these market failures. Research reinforces the fact that such intervention aids movement towards a more collaborative approach not only by businesses but also stakeholders and partners throughout the sector, encouraging greater alignment of strategies as well as the pulling together of resources.

31. Options for Public Sector - An important decision for the public sector is to identify the role it wishes to play in the future and thus help steer the nature of their involvement. In order to help focus the debate on future funding, a number of options are outlined in the report, highlighting key risks and challenges with each.

32. Next Steps – Understanding all stakeholders plans, both public and private sector, is essential to move effectively to the next stage of delivery for SF&D. This should then drive commitments and joint planning, including deeper levels of collaboration, to provide the resources to adequately deliver the strategy.

1. Introduction

This report sets out the findings of the interim evaluation of Scotland Food & Drink (SF&D) undertaken between April and June 2010. This Section sets out the background to this evaluation, its objectives, and the work carried out.

1.1 Background

SF&D was launched as a private limited company in the summer of 2007 and is a unique private-public initiative. Led by the industry and supported by public and private sector stakeholders, including the Scottish Government, Scottish Enterprise, and Highlands and Islands Enterprise, it works across the whole food and drink industry to support increased growth.

The scope of SF&D's work has expanded from covering food and drink processing, to include agriculture, whisky, fishing and aquaculture, from very small businesses to large corporations. Its primary aim is to bring everyone involved in food and drink together to work to a common and shared agenda that will deliver greater success in global markets. The ultimate goal is to grow the industry to £12.5 billion by 2017.

1.2 Objectives of the Study

The aim of the interim evaluation was to assess the efficacy of public sector investment to SF&D over the past three years, identify what has been achieved to date and make recommendations for future public sector investment (from May 2011).

The evaluation was undertaken on behalf of the three public sector bodies that fund SF&D - Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise. The specific objectives of the evaluation were to:
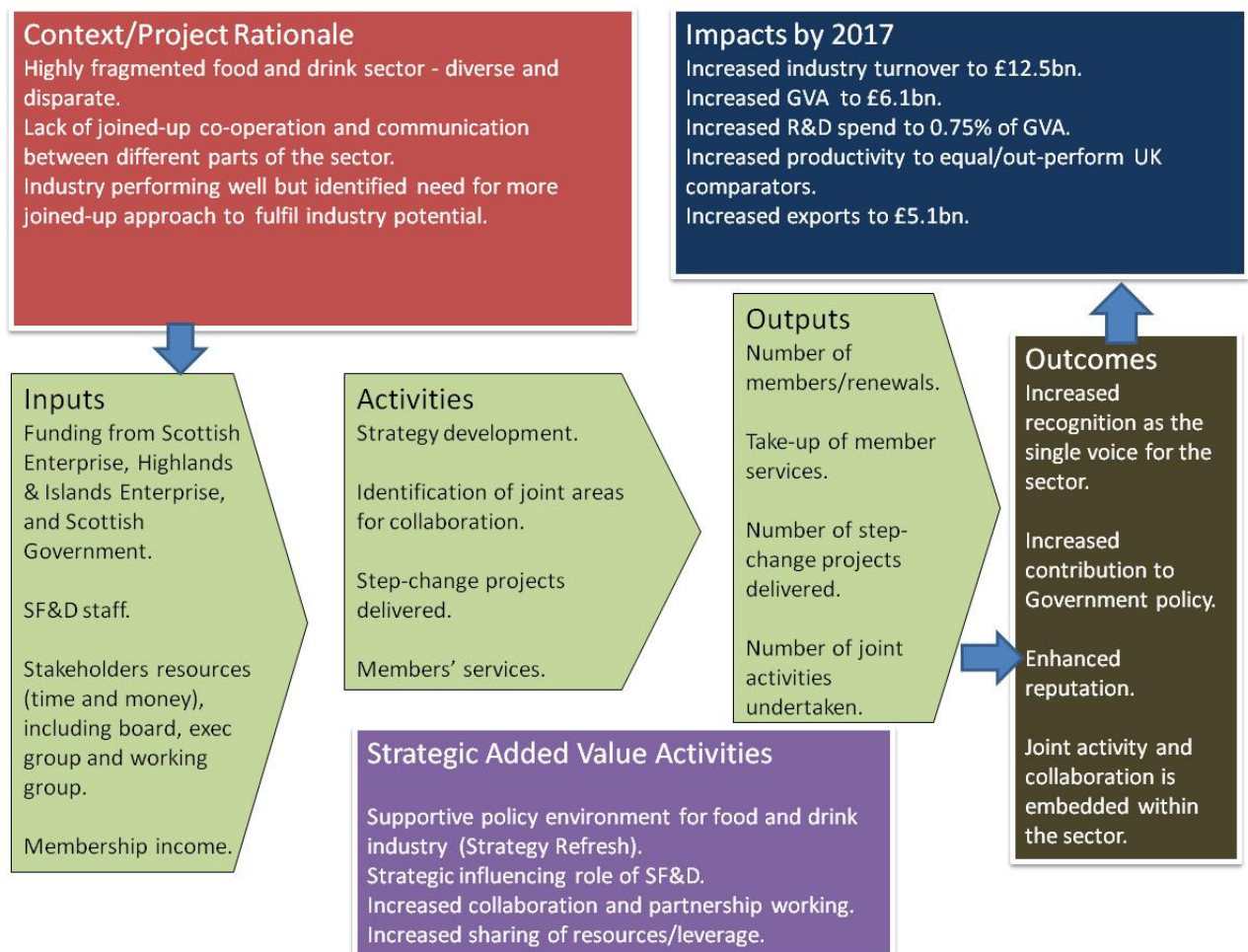
- review the rationale for the intervention;

- assess objectives and targets achieved;

- assess usage, quality, and demand;

- assess the management and delivery of SF&D;

- assess the fit and contribution to the Scottish Government's Economic Strategy and funders objectives;

- assess the likely contribution to the equity and equalities agendas; and

- presentation of key findings and recommendations for the future direction and delivery of the project.

The evaluation findings will help inform future SF&D plans and inform future investment decisions by the public sector. It should be noted that this evaluation is focused on SF&D organisation and not the projects that are delivered under its banner.

The interim evaluation was designed and structured using a logic chain model which sets out the linkages between the context for an intervention and its rationale through the inputs and activities supported and the outputs, outcomes, and wider impacts achieved.

Figure 1.1: Logic Chain for SF&D

Context/Project Rationale
Highly fragmented food and drink sector - diverse and disparate.
Lack of joined-up co-operation and communication between different parts of the sector.
Industry performing well but identified need for more joined-up approach to fulfil industry potential.

Impacts by 2017
Increased industry turnover to £12.5bn.
Increased GVA to £6.1bn.
Increased R&D spend to 0.75% of GVA.
Increased productivity to equal/out-perform UK comparators.
Increased exports to £5.1bn.

Inputs
Funding from Scottish Enterprise, Highlands & Islands Enterprise, and Scottish Government.

SF&D staff.

Stakeholders resources (time and money), including board, exec group and working group.

Membership income.

Activities
Strategy development.

Identification of joint areas for collaboration.

Step-change projects delivered.

Members' services.

Outputs
Number of members/renewals.

Take-up of member services.

Number of step-change projects delivered.

Number of joint activities undertaken.

Outcomes
Increased recognition as the single voice for the sector.

Increased contribution to Government policy.

Enhanced reputation.

Joint activity and collaboration is embedded within the sector.

Strategic Added Value Activities

Supportive policy environment for food and drink industry (Strategy Refresh).
Strategic influencing role of SF&D.
Increased collaboration and partnership working.
Increased sharing of resources/leverage.

1.3 Approach and Method

The evaluation comprised five main elements:

- a review of existing documentation, including financial and monitoring data;

- semi-structured face-to-face and telephone interviews with 21 individuals including:
    - SF&D staff
    - SF&D Board, Executive Group, and Working Group members
    - SF&D funders;

- a telephone survey of 40 member companies that have directly engaged with SF&D;

- a wider online survey of members and non members that have also engaged with SF&D events, etc. Only two responses were received; and

- development of a monitoring and evaluation framework (ME&F) to enable SF&D to capture progress towards objectives and to enable SF&D's unique contribution to be assessed.

1.4 Structure of the Report

The reminder of this report is structured as follows:

- **Section 2** - provides an overview of SF&D and the context in which it operates, including an assessment of performance;

- **Section 3** - sets out the views of stakeholders on the progress of SF&D in its first three years and perspectives on its future impact;

- **Section 4** - presents the findings from the telephone and online surveys; and

- **Section 5** - draws together findings from the evaluation and presents our recommendations.

Appendix A includes the M&EF.

2. Scotland Food & Drink

2.1 Background

Scotland Food & Drink (SF&D) is an industry-led membership organisation, founded in 2007, with the aim of bringing together the food and drink sector in Scotland under a common strategy and purpose to support industry growth. The original commercial ambition for the organisation was to grow the food and drink industry from £7.6 billion to £10 billion by 2017 along with a vision to achieve recognition for Scotland as a "Land of Food & Drink"[2]. This target has since been revised in the latest SF&D Strategy Refresh[3] to take account of the agriculture, fishing and aquaculture sectors. As a result the growth ambition is now from £10 billion to £12.5 billion by 2017.

SF&D is the only industry member-led organisation that spans the entire food and drink sector in Scotland. The focus is on ensuring SF&D is truly representative of the industry by growing a solid membership base of large and small companies across all sectors.

It was set up to foster synergies across sectors, be a single voice for the industry, and facilitate collaboration on major issues and initiatives. The collaboration model for SF&D expands into activity and services. It has limited resources at its disposal and therefore depends on utilising the resources of members and stakeholder organisations in the delivery of the majority of its activity.

The common identity for the sector "Scotland, Land of Food & Drink" is used to represent the industry as a whole. Activity delivered by the public sector and, increasingly, by stakeholder organisations, features the brand to demonstrate that the workshop, buyer briefing, conference, etc, are aligned to the overall goals of the industry and are helping to achieve them.

---

[2] Scotland Food & Drink, 2008, *Scotland Food & Drink Business Plan 2009-10.*
[3] Scotland Food & Drink, 2010, *Fresh Thinking.*

2.2 About SF&D

The overall aims for SF&D, as stated in the original Business Plan[4] were to:

- achieve the industry's vision of a sustainable and profitable Food & Drink industry that is consumer-focused, market-led and internationally competitive, benefiting both primary and secondary producers;

- provide leadership, anticipate trends, set strategic priorities, co-ordinate delivery, and provide a strong and consistent industry voice on key issues; and

- co-ordinate support for the industry, linking the agriculture, aquaculture, fishing, research, and food and drink strategies and organisations to work to a common agenda to achieve greater impact.

In order to achieve these objectives SF&D set the following targets:

- to grow the industry to £12.5 billion by 2017 (revised target);

- to establish Scotland on the international stage as "A Land of Food and Drink";

- to continue outperforming Gross Value Add (GVA) rates in the UK Food & Drink industry, Scottish manufacturing and the wider Scottish economy; and

- to deliver against four priorities for action - Reputation, Innovation, Collaboration, and Skills.

SF&D, as a leadership body for the food and drink industry has been actively involved in the development of a strategy for the industry and in shaping the Scottish Government's National Food & Drink Policy. Activities and services are based on three main areas:

- Membership & Funding:
    - Member benefits
    - Member recruitment
    - Funding;

- Leadership Organisation:
    - Working Groups

---

[4] Scotland Food & Drink, 2007, *Scotland Food & Drink Business Plan 2007-10.*

o   Industry Strategy Refresh
o   Food and Drink Policy
o   Executive Group; and

- Marketing and Communications.

The Strategy Refresh, together with the accompanying action plan, is a key delivery component for 2010.

2.3 SF&D Rationale

This Section sets out the strategic and market failure rationale for SF&D.

2.3.1 Strategic Rationale for SFD

The original industry strategy was launched in 1999[5] and a mid-term review carried out in 2005 highlighted that while the industry was performing well against its GVA benchmarks (Scottish economy, Scottish manufacturing and UK Food & Drink industry), it had yet to realise its full growth potential. The review highlighted the importance of a more joined-up approach, involving all parts of the industry (beyond the initial focus on processing), and working more closely with key stakeholders (e.g. trade associations).

For the industry to fulfil its potential, more focused development was required to address weaknesses in the underlying structure of the industry and a series of cross-industry market pressures:

- **persisting issues of fragmentation in the industry**. Critical linkages throughout the wider supply chain were weak or underdeveloped. There was also a need to strengthen linkages amongst the large number of supporting organisations for the industry;

- **predominance of relatively small-scale operations within the industry**. A continuing bias towards primary processing and a tendency towards a relatively 'traditional' and risk-averse management approach; and

- **increasing demands from consumers and retail/foodservice customers and high profile issues around nutrition, food safety and sustainable development**. The farming and fishing sectors also had the added challenges of Common Agricultural Policy (CAP) reform and changes to the quota system. There were also significant issues

---

[5] Scottish Food and Drink Strategy (1999)

relating to technological change and innovation, increasing regulation, the impact of globalisation, trade relations, the effect of exchange rates and managing business risk.

2.3.2 Market Failure Rationale

Market failure is the main rationale for any public sector intervention and occurs when an imperfection in market mechanisms prevents economic efficiency[6]. It is important in developing new public sector interventions that projects are able to clearly identify the root causes of market failure (as opposed to its symptoms) and design solutions that will address the constraints that it places on the economic growth.

Where there is clear evidence that markets can not, or will not, provide the best outcomes there is a strong rationale for public sector intervention based on market failure principles.

In undertaking the interim evaluation, and particularly in learning lessons for the future, it is important that the original market failure rationale against which public investment was required is examined to establish the extent to which it was justified.

The main market failures addressed by SF&D are:

- **imperfect information and uncertainty**[7] - prior to SF&D the industry was fragmented and the extent to which sectors shared information or communicated with each other to any large extent was limited. SF&D has helped to encourage greater sharing of information and created forums through which communication channels have been opened up;

- **market power**[8] - As highlighted in the "behind the game" section of the revised SF&D strategy, the food and drink industry in Scotland is predominantly made up of small scale businesses with around three quarters of these businesses employing 10 or less employees and only 34 identified as reporting a turnover in excess of £50 million. The small size of businesses can hamper their ability to access opportunities within the market due to limited resources, limits in

---

[6] Appraisal and Evaluation in Central Government http://www.hm-treasury.gov.uk/d/green_book_complete.pdf
[7] Where a lack of information can cause an inefficient allocation of resources.
[8] Where there is effective competition this leads to efficient allocation of existing resources into the most productive areas, but where barriers to entry may arise.

resources to invest in R&D and training which impacts on productivity and an inability to effectively engage with larger businesses within the wider supply chain. SF&D helps the smaller food and drink companies gain entry to the market, as well as supporting their growth in the market place by providing them with appropriate information and business support. SF&D helps put the smaller businesses in contact with the large retailers who would otherwise dominate the market place; and

- **other market failures around co-ordination and network failures** - as reported given the diversity of the sector there was limited coordination of activity and communication, etc, prior to SF&D. Research on networking from SE indicates a growing body of empirical evidence of the constraints to effective networks, namely:

  - time factor – businesses, particularly those of a smaller scale, struggle to commit time to develop/partake in networking activities
  - membership structure – while many businesses prefer an open informal structure, others prefer a more formal approach as this is perceived to be focused on a more common purpose
  - collaboration – many networks fail through the unwillingness of members to share information with rival businesses for fear of increased competition.

Requirement for public sector intervention

Below we analyse the reasons for public sector interventions and format these can take in order to alleviate these market failures.

Public sector intervention can play a key role in overcoming these barriers and developing a strong network by providing assistance with the facilitation of such networks. The public sector not only highlights the significant competitive gains to be exploited from nurturing levels of social capital within networks of firms[9] but also eases the amount of time that businesses require to contribute through signposting of relevant opportunities.

The provision of funding was another key area in which public agencies were seen to be of benefit to networks such as SF&D. In the Intra Trade Ireland

---

[9] Cooke, (1999) *Small Firms, Social capital and the enhancement of Business Performance through Innovation Programmes*, Small Business Economics.

survey into business networks[10], one of the key recommendations suggested was that funding for networks and clusters should be provided by public agencies to support the network management structure. It was concluded that companies are more likely to contribute to financing actual activities rather than funding network structure elements.

The establishment of SF&D has provided this facilitation role to support the food and drink sector to network and collaborate more effectively. This has also enabled a structure to be put in place that is "fit for purpose", helping to foster collaboration without dampening the competitiveness of the markets members are trading in.

SF&D however, has not only assisted businesses in the sector, but has also more importantly impacted on the networking of stakeholders and partner strategies. Before SF&D, very little interaction and collaboration was evident amongst the various bodies in the sector. Instead, each focused on their own particular subsector of the food and drink market; developing policy and strategy accordingly. Research by Dames et al[11] highlights the need to focus on "*encouraging the development of an adaptive and learning-based system - restructuring policies to remove rigidities and disincentives to change and consolidating disparate funding sources and mechanisms*."

By adopting such an approach SF&D are able to bring together all the relevant stakeholders and partners in the sector and provide strategic leadership to the sector. Dames states that such an approach helps to "*align strategies and interventions across stakeholders, allowing resources to be directed towards the points of maximum leverage*".

2.4 Objectives and Targets

2.4.1 Objectives of Funders

This Section sets out the objectives of the three public sector funding partners in relation to their funding for SF&D.

---

10 InterTradeIreland, Business Networks on the Island of Ireland, Developing a Framework to evaluate business networks: the case of Ireland's industry-led network initiative, Policy Studies
[11] Rebalancing the Innovation Policy Debate; Mark Dames, David Robson, Madeline Smith, Tom Tumulty; Journal of Innovation Science; Volume 1, No. 2 2009

Scottish Enterprise (SE)

SE funding contributed to the core costs of SF&D with the aspirations to achieve the following:

- during 2007, establish an industry-led mechanism to strengthen linkages across the Scottish food and drink industry, at strategic and operational levels;

- after one year in operation, the mechanism will have active involvement from primary producers, value added processors, the whisky industry, research, education and training, the public sector and key stakeholder organisations and all will be gaining benefit from their involvement;

- use the mechanism as a catalyst to deliver against the Scottish Food & Drink strategy, enabling larger-scale and more ambitious projects than at present and making more efficient use of available resources; and

- move Scottish Enterprise's role from overall management of the strategy and main delivery vehicle to focus on the bigger, more transformational projects.

SE's approval was for a 4 years period May 2007 - May 2011. The initial Approval Paper stated that a proportion of the funding would be provided to meet the core costs of SF&D, with the remainder designated for specific projects.

Highlands and Islands Enterprise (HIE)

HIE funding towards core costs for SF&D had the following aspirations:

- to broaden the industry ownership and development activities of SF&D beyond value added processing to include agriculture, fishing, whisky, education, training and research;

- to develop a clear and cohesive focus on those actions that will make most significant impact on the profitability, competitiveness and growth of the industry;

- to co-ordinate faster and more unified responses to industry and market needs by public sector stakeholders; and

- to help build capacity and leadership across the industry in the Highlands and Islands.

HIE's approval was for a four year period until 25th March 2011. This included funding for additional projects under the SF&D banner, in particular the Access to Markets Programme.

Scottish Government

The specific Scottish Government objectives for SF&D were to support:

- staff costs for SF&D for the first years of operation; and

- SF&D projects that: add value, build collaborative supply chains, enhance Scotland's reputation, develop international supply chains and influence change in areas such as skills, innovation, and sustainability.

Scottish Government funding was approved through the Marketing and Development Scheme. As with both SE and HIE, additional funding for specific projects was approved separately. This included all activities undertaken as part of the Homecoming Scotland 2009 events.

2.4.2 SF&D Targets

Working with industry and stakeholder groups, SF&D developed key targets for the industry, to be achieved by 2017. The success of SF&D is linked to the overall success of the industry in the achievement of these targets:

- increase turnover for the whole industry from £10 billion to £12.5 billion;

- increase GVA from £4.1bn to £6.1bn – with processing GVA rising from 42% to 50% of turnover and primary production from 38% to 45% of turnover;

- continue to outperform the UK food and drink manufacturing industry, Scottish manufacturing and the Scottish economy, as measured by GVA;

- increase R&D spend from 0.25% to 0.75% of GVA, with the processing sector ultimately meeting UK levels;

- raise productivity to equal UK levels for food processing, and continue outperforming UK levels for combined food and drink processing; and

- increase exports from £3.7bn to £5.1bn, with a strong emphasis on food exports.

In addition to the industry targets above, SF&D set out a range of Key Performance Indicators (KPIs) focused on membership numbers and level of income, as well as a range of more qualitative KPIs. These are discussed in more detail later in the report (**Section 2.8**).

2.5 Strategic Fit

SF&D contributes to a range of national strategies and policies, the key documents are described briefly below.

Scottish Government Economic Strategy

The Scottish Government, which launched its Economic Strategy in 2007[12], set out how it aimed to build on Scotland's comparative advantage and increase the critical mass of activity in six key sectors, including food and drink.

SF&D's industry-wide approach reflects a strong strategic fit with the Strategy as it included both the agriculture and fisheries sub-sectors of the food and drink industry. By promoting collaboration throughout the supply-chain and improving businesses access to markets, SF&D is seen to assist the food and drink sector in building an environment for growth and increased competitiveness.

The Strategy set out targets to improve the regional equity of Scotland, taking into account the large rural make up of the country, the aim being "*to achieve more balanced growth across Scotland, to give all across Scotland the chance to succeed.*" Two of the key objectives related to regional equity that SF&D are best aligned to include:

- ensure the most remote areas of Scotland can contribute to, and benefit from, economic growth; and

- implement the Scotland Rural Development Programme (currently under consideration by the European Commission) to develop the rural business base, communities and environment.

By encompassing all sub-sectors of the food and drink industry, including those predominantly located in a rural setting such as primary agriculture, the activities of SF&D contributes to the rural equity targets of the strategy and provides rural based businesses with adequate business support.

---

[12] The Scottish Government, 2007, *Government Economic Strategy.*

SE and HIE Operation Plans

At the time of SF&D's development in 2007 the overarching strategies for SE and HIE were Smart Successful Scotland/Highlands and Islands. By aiming to improve the performance of a key sector in the Scottish economy, SF&D aligned strongly with the strategic ambitions, to "*create an environment where potential high growth sectors can continue to emerge, flourish and make an impact on the national economy.*"

With the introduction of the GES, both SE and HIE developed Operating Plans for the period 2007-2010.

These have subsequently been updated for the period 2010-2013. Nevertheless, the work of SF&D continues to support the aims of the Business/Operating Plans and supports Scotland's economic recovery.

Recipe for Success: Scotland's National Food and Drink Policy

Recipe for Success, published in 2009, sets out the next steps of Scotland's National Food and Drink Policy. A host of individuals and organisations from across the public, private and third sector including food outlets, retailers, NHS, SF&D, Enterprise Agencies, Local Authorities and communities will be responsible for delivering actions which will both be challenging and exciting with some being more easily achieved than others.

The paper sets out how the Scottish Government will:

- support the growth of the food and drink industry;
- build on the reputation as a land of food and drink;
- ensure Scotland makes healthy and sustainable choices;
- make the public sector an exemplar for sustainable food procurement;
- ensure our food supplies are secure and resilient to change;
- make food both available and affordable to all; and
- ensure that the Scottish people understand more about the food they eat.

These objectives align well with what SF&D is trying to achieve.

SF&D Strategy Refresh: Fresh Thinking

During 2009, SF&D and its partners refreshed the industry strategy first launched in 1999. It states that by 2017 it wants Scotland to have achieved its potential as a land of food and drink, with a globally competitive industry worth £12.5bn (in the original strategy the target was £10bn but has now been increased in order to take account of the primary and fishing sectors).

The strategy sets out 10 tasks to be addressed to meet the 2017 goals of a £12.5bn industry with a global reputation:

- create more brands;

- sell more of a wider range of food products overseas;

- add more value to primary products;

- make more of Scottish credentials;

- encourage people to collaborate more, especially in the supply chain;

- invest more in the skills we need;

- promote our industry as a good place to work;

- develop the new products consumers want and turn more of the research into commercial opportunities;

- build more, bigger, globally successful businesses with collaboration as the keystone; and

- ensure that more businesses throughout the whole industry become economically and environmentally sustainable.

As well as the aforementioned turnover target, a number of other targets were identified in the Strategy Refresh:

- increase GVA from £4.1bn to £6.1bn with processing GVA rising from 42% to 50% of turnover and primary production from 38% to 42% of turnover;

- continue to outperform the UK food and drink manufacturing industry, Scottish manufacturing and the Scottish economy, as measured by GVA;

- increase R&D spend from 0.25% to 0.75% of GVA, with the processing sector ultimately meeting UK levels;

- raise productivity to equal UK levels for food processing and continue to outperform UK levels for combined food and drink processing; and

- increase exports from £3.7bn to £5.1bn, with a strong emphasis on food exports.

To achieve its full potential, a particular focus has been placed on areas of identified strengths, including:

- **premium** - Scotland's premium products include whisky, beer, beef, lamb, smoked meats and game, seafood, salmon, soft fruit, preserves, artisan cheeses, ice cream, confectionery, bakery products, and bottled water. These products achieve a higher price tag and added value processes. Effort has been placed on developing new ways in which to add value and in investing more resources in the marketing and branding of such products;

- **health** - many of Scotland's food and drink products are associated with healthy eating e.g. fish, lean red meat, oat based products, bottled water, etc. Effort has been placed on working with scientists and research institutions to develop new product lines that contain active ingredients with proven health benefits; and

- **provenance** - there is recognition that much can be learned from the success of the whisky sector in exploiting Scottish credentials. With premium products in particular there is further scope to develop this further. Effort is being placed on increasing the number of products carrying the Protected Geographical Indication (PGI) and Protected Designation of Origin (PDO) symbols. It is further recognised that there is scope to make sure that premium products appear on the food-tourism itinerary.

2.6 Governance and Management Arrangements

2.6.1 Governance Arrangements

SF&D is a membership-based organisation with funding from both the private and public sectors. It is governed by a **Board of Directors** (up to 12 members) drawn from mainly industry, with some input from the public sector. The Board's role is to provide strategic direction and take responsibility for corporate governance.

The Board has a committee structure to which governance activities are delegated. Each committee has Terms of Reference and reports back to the main Board. The committees are:

- Finance & Commercialisation;

- Audit & Risk; and

- Nominations & Remuneration.

The **Executive Group**, which has 15 members, brings together the Chief Executives of major trade associations, levy bodies and other industry organisations with senior representation from public sector organisations. The Executive Group is responsible for shaping and influencing the development of the food and drink strategy and driving its delivery.

There are five dedicated **Working Groups** each with a focus on the themes for growth i.e. Reputation, Collaboration, Innovation, Sustainability and Skills. The Working Groups comprise dedicated and expert individuals from member companies, retail and foodservice sectors, trade associations, education, research and the public sector.

These groups are currently developing a number of strategic, 'step change' partnership projects and initiatives such as the SF&D Skills Academy. In total 40 organisations take part in the SF&D Working Groups.

There are currently 176 members of SF&D[13] mainly comprising a range of food and drink companies. There are 460 organisations that have gained direct benefits from participating in SF&D activity, including non-member organisations.[14]

2.6.2 Management Arrangements

The day-to-day running of the organisation is the responsibility of the Chief Executive. There are five additional staff members, with a further five contract or seconded employees who work on specific partly or fully-funded projects.

The staffing structure is set out in **Figure 2.1**.

---

[13] Scotland Food & Drink, 2010, Key Performance Indicators 2010/11
[14] Scottish Enterprise, 2010, Scotland Food & Drink Evaluation Project Brief

Figure 2.1: Staffing Structure
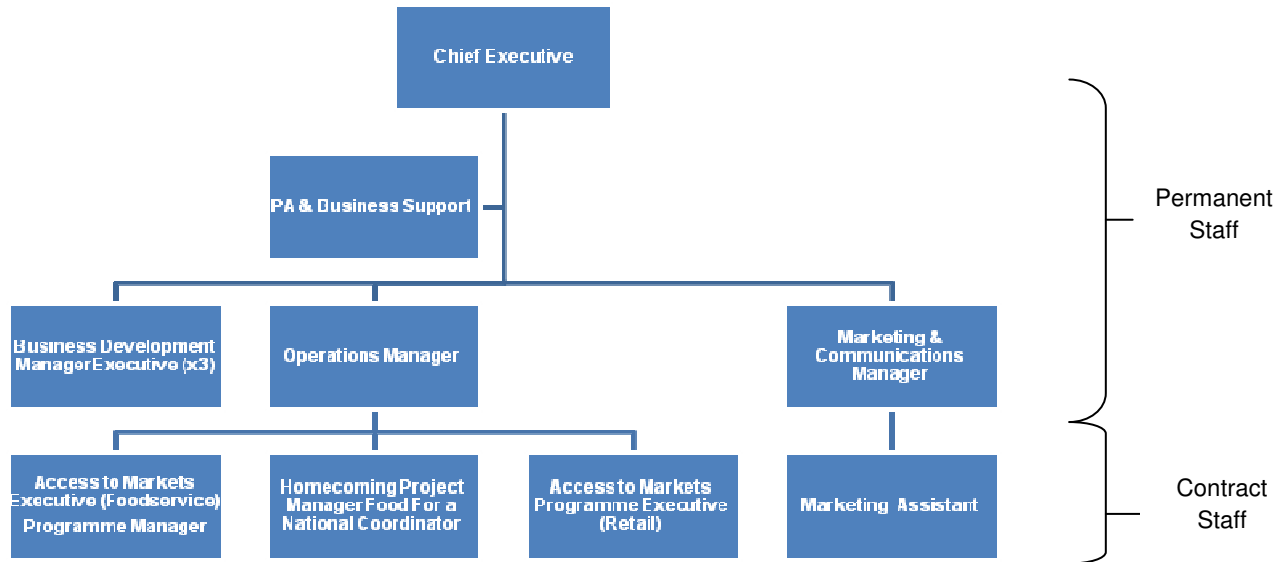
2.7 Funding and Expenditure

Public sector funding was provided to meet some core costs of SF&D as well as the cost of additional projects that would subsequently be delivered under the SF&D banner. Initial Core Funding approval totalled £450,000 from SE and £170,000 from HIE over 4 years. **Table 2.1** reports the level of spend to date by source.

Table 2.1: Spend by Source

	SE	HIE	S Govt	Private	Total	Public: Private
Core	406,479	151,140	370,972	624,540	1,553,131	60:40
Projects	157,703	87,390	515,793	182,305	943,191	81:19
Total	**564,182**	**238,530**	**886,765**	**806,845**	**2,496,322**	**68:32**

Source: SF&D

Appendix C provides a greater insight into the financial performance of SF&D by project year. It is worth noting that the percentage of public funding providing to the project has reduced annually and in the most recent year, public funding of 45% was actually less than originally set out in the Business Plan (47%)

Although this evaluation is focused on SF&D core and not the projects that are delivered under its banner it is worth highlighting the type and range of

projects that are being delivered, as it is through having the SF&D infrastructure that these projects have been identified and prioritised. Project spend has been broken down into more detail in **Table 2.2**.

Table 2.2: Project Spend

Projects	SE	HIE	S Govt	Private	Total	Funding
ATM	131,086	87,390		145,651	364,127	36%SE 24% HIE
Homecoming			185,793		185,793	100% S Govt
Supplier Dev			30,000	30,000	60,000	50% S Govt
Marketing			50,000		50,000	100% S Govt
Distribution			120,000		120,000	100% S Govt
Small Co			130,000		130,000	100% S Govt
Other projects	26,617			6,654	33,271	80% SE (est*.)
Total	**157,703**	**87,390**	**515,793**	**182,305**	**943,191**	

Source: SF&D   * Percentage SE funded estimated as each project has its own detailed approval paper with specific costs i.e. Insights. Access to Markets

The largest proportion of project spend (approx 39%) has resulted from the Access To Markets (ATM) programme of events. In addition, a further 20% of project spend was related to Homecoming events which ran throughout 2009. In addition to the main projects listed above, a number of projects are associated with the Scotland, Land of Food and Drink branding and the overall concept of SF&D but are entirely separate in terms of funding (e.g.: C2) and as a result, are not included in the above spend information (See **Section 2.8**).

The Scotland Food & Drink Business Plan 2009/2010 reports on the financial performance of SF&D in two forms: Cash-Flow Profit and Loss and Accruals Basis Profit and Loss.

The Cash-flow Profit and Loss is considered to better represent the day-to-day running of the organisation (**Table 2.3**)**.**

Table 2.3: Cash-flow Profit and Loss

	07-08 (act)	08-09 (act)	09-10 (plan)
Income			
Membership	182,707	188,425	273,329
Core Funding	297,017	368,356	349,000
Project Funding	-	387,296	148,805
VAT	32,092	34,293	66,966
Total	**511,816**	**978,370**	**838,099**
Expenditure			
Personnel	227,996	326,337	368,500
Office Costs	24,326	23,216	72,960
Project Costs	43,694	444,096	289,651
Member Benefits	3,500	13,298	36,000
Professional Fees	28,123	38,649	56,996
Asset Purchase	14,995	5,912	
Other	9,888	43,166	1,200
VAT	37,035	58,379	79,154
Total	**389,557**	**953,053**	**904,461**
Net Surplus (deficit)	**122,259**	**25,317**	**-66,361**

Source: Scotland Food & Drink Business Plan 2009-10

The high surplus in 2007-08 and deficit in 2009-10 are due to phasing of funding and expenditure – with funding coming in advance of spend which balances as a deficit in future years.

2.8 Step Change Projects

This interim evaluation is focused on the establishment of SF&D as a leadership organisation and not the specific projects that are delivered under its banner, as these receive separate funding and approval and will be evaluated individually. However, given that one of the outcomes of a leadership organisation is to develop an environment where step change projects can be developed in partnership, it is worthwhile describing the nature of some of these projects.

SF&D have worked with a range of partners to develop a number of step-change projects in response to the initial priorities for action. These were built around the priority area working groups and include:

- Reputation - UK and international market strategies; Insights market intelligence service;

- Collaboration - Supply chain collaboration model (C2, Centre of Excellence);

- Innovation - Food & Health Innovation; and

- Skills – Skills Academy.

A new working group has also been established in response to the pivotal role played by <u>sustainability</u> in the refreshed strategy. The group has developed a pilot project to reduce waste and packaging and maximise efficiency from water and energy with input from a number of SF&D partners.

These projects are currently at different stages of development and are described in more detail in **Appendix B**

2.9 Key Performance Indicators

The key performance indicators (KPIs) in this evaluation are mainly unquantifiable. The only quantifiable indicators relate to membership and finance. In terms of the leadership, marketing and communications, key activities and Strategy Refresh, the KPIs are all set, and monitored in narrative form. Below we report on the membership and finance while the more qualitative KPIs are analysed in more detail in later chapters.

2.9.1 Membership and Finance

Member Numbers

SF&D began recruiting members in October 2007. At the end of the first financial year, the organisation had 85 members.

Member benefit programmes and activities were enhanced through the first half of 2009, leading to a 53% increase in membership, to 129, by the end of the second year in August 2009.

As stated above, the range of member benefits has grown during the lifetime of the project. According to the SF&D website, over £10,000 worth of free benefits are now available to members, including:

- free legal consultation

- free website compliance audit worth £1300
- food technology support
- market intelligence
- marketing support
- IGD discount for those over £15k turnover
- IGD scholarship
- Access to Markets Programme preferential rates
- Supplier Development Programme
- discount at international exhibitions
- people and business Development Advice
- member to member mentoring
- new product development service
- sales manager for hire
- consumer research
- grant finder
- access to market information
- PR advice
- technical/quality training
- quality systems support
- 10% off The Grocer subscription

The progress in membership numbers is shown in **Figure 2.2**. From June 2009 to February 2010, membership recruitment and renewal targets were met consistently. The departure of the Business Development Manager in February 2010 and subsequent restructure and recruitment of staff resulted in a slight drop and the latest KPI data reports a membership level of 176 at March 2010, against a target of 182[15]. SF&D advise that plans are in place to ensure that the target is reached by the end of the financial year in August 2010.

---

[15] The SF&D financial year runs from September 2009 to August 2010.

Figure 2.2: Membership
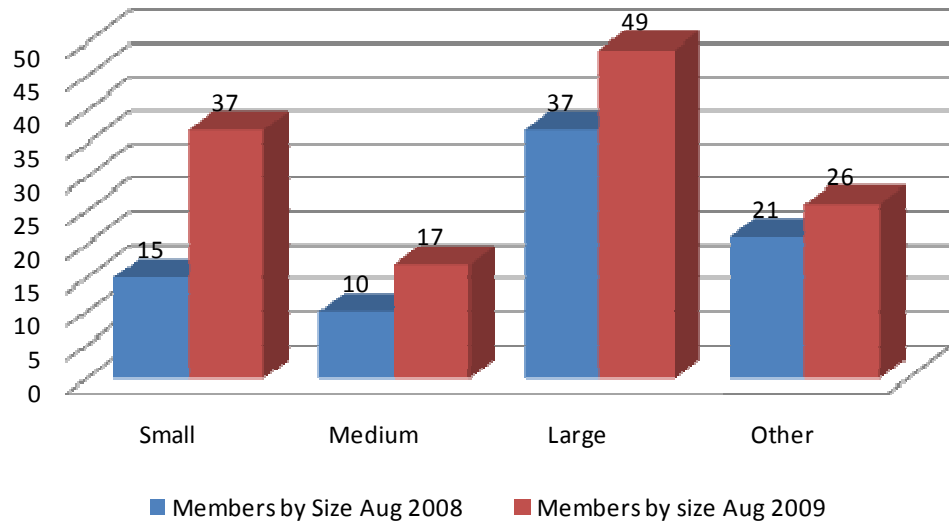
Source: Scotland Food & Drink, 2008, Business Plan 2009-2010

Figure 2.2 shows that there has been a steady increase in the number of members across all company sizes, with the latest data reporting the rise in memberships has continued, and is set to continue.

Annual membership fees are set dependant on the annual turnover of the member company. Current fees are as follows:

- turnover of less than £1 million - £600 per year;

- turnover of between £1 million and £5 million - £1,200 per year; and

- turnover in excess of £5 million - £1,800 per year.

Taking these fee levels into account highlights the impact that additional members, particularly those with high turnover, have on the income of SF&D. This is discussed in more detail below.

In terms of the proportion of the industry that this represents, recent studies of the industry suggest there are about 1,200 food and drink processing companies operating in Scotland, so membership is only a small proportion. However, it is worth noting that many of these companies are very small. Of the large businesses (over £5m) there are there are only just over 100 companies operating at this scale. As such the proportion of representation of this element of is already high, reflecting the need to attract influential companies into the organisation at an early stage.

Although absolute numbers are low, turnover representation is higher. The manufacturing sector is worth £7.5Bn. SF&D members in this sector represent about £5Bn of this figure.

This does, however, show scope for growth, especially to increase the number of small businesses. We understand that the target for next year is to grow to 350 members, the bulk being small companies.

Member Renewals

The latest KPI data for member renewals[16] reports that the year-to-date target for renewals was 46 and this has been met already (March 2010).

Member Income

The latest KPI data for income[13] from membership reports a year-to-date target of £140,000 against an actual income of £127,000. The cash-flow profit and loss (see **Table 2.3**), reports the actual income from membership and what the target is for 2009-10. Between 2007-08 and 2008-09 there has been an increase of membership revenue from £182,707 to £188,425. The projected income for 2009-10 is £273,329. SF&D is making progress to achieving this (£127,000) with five months of the financial year remaining.

Expenditure

Table 2.3 also reports on the project expenditure. The cost of member benefits has increased from £3,500 in 2007-08, to £13,298 in 2008-09, and is projected to treble to £36,000 in 2009-10. This is a reflection of the increase and improvement in the services that are made available to SF&D members. The expenditure is split between project costs and core cost, and shows that between 2007-08 and 2008-09 project costs increased tenfold, reflecting the substantial move towards actual project delivery in the second year of the organisation.

2.10 Contribution to the Equity and Equalities Agenda

The Government Economic Strategy promotes sustainable economic growth focussing on three strategic approaches:

- to provide opportunities and incentives for all to contribute to Scotland's sustainable economic growth;

---

[16] Scotland Food & Drink, 2010, Key Performance Indicators 2010/11

- to accord greater priority to achieving more balanced growth across Scotland, to give all across Scotland the chance to succeed. HIE has a similar focus for the designated fragile areas within the Highlands and Islands; and

- to promote economic growth and environmental quality and responsibility as mutually advancing.

To support these aims, this evaluation should indicate how SF&D might contribute to the following areas in future:

- **Review of project's Equality Impact Assessment, assess any positive or negative outcomes and identify areas for further review.**

  There is currently no equalities data available for SF&D. There has been no Equality Impact Assessment of SF&D. In future, this data could be collected through the beneficiaries' survey at the ex-post evaluation stage. Alternatively this data could be collected through renewal forms. It may be quite difficult to gather data on every employee in every company, so it may be best to take a sample from across the different SE regions, and by company size. From our assessment the food and drink industry supports all levels of employment, both skilled and unskilled, across all sectors from agriculture through to retail.

- **Review in detail how the project might specifically contribute to rural economic diversification and the growth of rural businesses.**

  The food and drink industry is a key strand in rural diversification. By continuing to support this industry, it will help support the rural economy which has traditionally suffered from seasonal employment and de-population. SF&D supports rural diversification by encouraging food production / manufacturing, and food related tourism.

- **Review in detail how the project might specifically contribute to sustainable development and a lower carbon economy and/or how adverse environmental effects might be minimised.**

  By encouraging resource efficiency in the sector i.e. reduced energy, water usage and reduction in waste, SF&D can support sustainable development and improve the efficiency of the sector. At the moment, there is no way to quantify these savings. Sustainability is a newly identified common issue which SF&D will take forward as one of its priority areas. Quantifying the benefits of this intervention to capture success should be built into this process.

3. Stakeholder Feedback

This Section draws together the views of those individuals with a key role in Scotland Food & Drink (SF&D).

The feedback presented here is based on a series of face-to-face and telephone interviews with 21 stakeholders, including:

- SF&D staff team;
- SF&D Board, Executive Group, and Working Group members; and
- SF&D funders.

3.1 Involvement in SF&D

Those consulted as part of the interim evaluation had been involved with SF&D for various lengths of time and were involved in different areas of the supply chain, ensuring a broad range and depth of views as part of the evaluation process.

Some consultees involvement dates back to 1999 when a group of food manufacturers first came together to discuss issues of relevance to the sector. This group evolved into the Industry Strategy Group that continued to provide direction to shape the food and drink sector. This Group consisted of Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), Scottish Government, and food manufacturers.

The idea of SF&D first arose in 2005 and the Industry Strategy Group subsequently played a central role in developing the vision for SF&D and examining various options for delivery models. It was reported that the Industry Strategy Group had made significant progress, but in a sense achieved as much as it could given its informal structure and current membership.

A more formal structure was required to secure broader involvement and engagement with all the key players in the sector. The establishment of SF&D in 2007 was viewed as the mechanism by which to realise this ambition. An industry-led organisation was considered the way forward to widen membership and to involve the whole supply chain.

3.2 Strategic Rationale

A common view was provided by consultees on the strategic rationale for the establishment of SF&D.

The food and drink sector was reported to be very diverse and disparate, resulting in a highly fragmented landscape. While there were some connections seen to be made, the sector as a whole was not working together in a joined-up way and not across the supply chain.

There was reported to be a growing need for stronger leadership and for a body that would be recognised as the single voice of the sector - identifying priorities and key issues to be addressed collectively.

There were a growing number of trade bodies and associations interacting with different parts of the sector added to this fragmented and confused landscape. While good activity was happening on the ground, there were areas of duplication resulting from the range of trade bodies not communicating with each other to any great extent and in essence doing their own thing.

A co-ordination role was viewed as an important function for SF&D - bringing the different sectors together, facilitating better communications between sectors, and increasing understanding and awareness of what each stakeholder was doing. The importance of identifying common ground and common objectives that the sector could sign up to was emphasised.

Leading on from this, was the view that such joining-up of activity would inevitably lead to unlocking greater synergies and more collaboration between the sectors. Enhancing the reputation of the sector and developing a co-ordinated approach to promoting the food and drink sector at both a domestic and international level were also seen as important.

A common view provided by consultees was the belief that more could be achieved together than the organisations working on their own.

While good progress was reported to have been made here - the belief that the sum was greater than the parts helps to underpin the reported ongoing rationale for SF&D.

3.3 Views on Performance

All consultees held the opinion that SF&D had been set over-ambitious objectives and targets from the outset, and identified these in a relatively consistent way - around growing the industry, enhancing the sector's performance, establishing Scotland's reputation internationally, becoming known as the "Land of Food and Drink", etc.

Those consulted as part of the evaluation emphasised the early stage at which SF&D was at in its life that its vision was very much long-term, and that some of its key targets were also long-term (e.g. the Strategy Refresh sets out the growth of the industry to £12.5 billion by 2017). It was therefore emphasised that the interim evaluation should be viewed in this context in the examination of progress and overall performance.

A strong and credible team was considered to be in place within SF&D to help drive the agenda forward, although it was said to have got off to a slow start.

However, the general view provided by consultees was that good progress had been made to-date and that momentum had been built through which to drive further progress. Consultees reported that the first three years of SF&D had essentially been the start-up phase, and that only now things were beginning to happen.

Consultees were in the main positive that the work of SF&D was moving in the right direction and that solid progress was being made given the resources available and the lean management structure put in place.

Common views provided by consultees on performance included:

- **establishing SF&D** - as reported, consultees were of the view that a strong staff team had been created within SF&D. While this was considered to be the case, some commented on the long lead-in time for SF&D to become fully operational and that the pace of progress in some areas had been slower than anticipated. It was reported that it had taken a long time for SF&D to start-up and that the timetable for doing so and expectations placed on it were unrealistic, especially when the resources made available were taken into account;

- **engaging key players** - the establishment of SF&D was reported to have opened channels for greater communication across the sector by securing the buy-in from trade associations, etc. It was reported that SF&D had been successful in getting such bodies around the

same table, talking to each other, sharing experiences, etc, that would not have happened previously. Consultees reported that in many cases the bodies would not have previously met each other prior to the establishment of SF&D;

- **a shared vision** - consultees reported that SF&D had undertaken considerable activity in this area, including wide-reaching consultation to inform the development of the Food and Drink Strategy. This resulted in all stakeholders signing up to shared objectives for the industry. The issue for consultees was that the focus must now be on the delivery of those shared objectives;

- **a common agenda** - this aspect was viewed as an important early task for SF&D and one that was felt to have been achieved effectively. Consultees pointed to the shared vision and industry ambitions agreed for the sector, which underpins all SF&D activity and which members sign-up to. Common issues identified and agreed in the Strategy - skills, innovation, collaboration, and reputation - affects all sectors, and a new theme of sustainability (environmental/climate change has been identified);

- **a common identity** - good progress was felt to have been made around developing a common identity for the sector, with branding and imagery associated with Scotland "the Land of Food and Drink" referred to by consultees having helped raise and strengthen the profile of the sector (e.g. all Scottish Development International (SDI) international events and exhibitions are branded SF&D, Food and Drink Excellence Awards, etc). The Communications Group has helped build a standard consistent message which has been used most often in an international setting. Some consultees proposed that this area required further attention to ensure that the whole sector signed up to using the branding, with a perception that some companies feel that their own company branding would be lost. There was also perceived to be an issue in companies being able to differentiate between viewing the brand as a way to promote the sector as opposed to promoting SF&D as an organisation;

- **a growing influence** - support from the Scottish Government was considered a strong success and that the work of SF&D aligned well with the growing Government focus on key sectors. Input to the national Food and Drink Policy was cited as a good example of where SF&D had played an influencing role, as it had previously been a Food Policy. It also has economic growth at its core. The fact that SF&D is industry-led was reported to give it extra credibility in that it is viewed by Government as the industry body for food and drink;

- **a growing reputation** - consultees held the view that the foundations were in place on which to now build on Scotland's reputation for food and drink. The activity undertaken on developing a common identity for the sector and a strong brand were viewed as positive steps on which to build. Consultees suggested that it would be important to learn from the success whisky has had in this area. An example provided was the Bocuse d'Or Culinary competition held in France this year where the meat dishes created by the chefs used Scotch Beef - this provided an opportunity to showcase the quality of Scottish ingredients and will help build on its reputation next year where both Scotch Lamb and Scottish seafish will be key ingredients ;

- **membership (and associated services)** - the general view was that membership was not where it possibly should be at this stage and that income generation could be better. There was a feeling that it had taken a longer period of time than envisaged to develop (and get off the ground) a range of services that offer companies benefits for their membership. In addition, a view provided by some was that there were some tensions around SF&D competing for the same members as other trade bodies. In regard to this point, where a company is a member of a trade association, that is a member of SF&D, there is not always a willingness among companies to also join SF&D. This having been said, consultees also pointed to positive progress in relation to growth in the number of memberships and renewals especially given the current economic climate; and

- **implementing of step-change projects** - the general view provided was that it has taken longer to implement a number of the step-change projects than originally anticipated, and that there was a growing sense of frustration associated with this (not directed at SF&D, more around difficulties and delays in securing funding, etc). While there were signs of success this was viewed as just emerging. The Skills Academy was highlighted by a number of consultees who reported that this particular partnership project had been identified at the start of SF&D but was only now close to coming on stream.

A number of other projects were identified as becoming live in 2010 and some consultees felt that progress was moving in the right direction. Pace was, however, considered to have been slow overall and consultees emphasised the importance of delivering on tangible projects to highlight progress being made on the ground.

Overall consultees were positive about what had been achieved by SF&D so far, but highlighted that the next few years would be of critical importance in terms of delivering on the step-change projects and the Strategy.

Success for SF&D was generally viewed as an achievement of its shared industry ambitions and targets as these were reported to have been widely promoted as the main goals for SF&D, and for it to be a self-sustaining organisation. While consultees emphasised the longer-term nature of these goals, they reported that it would be important for SF&D to have in place milestones along to the way to evidence that progress was on track.

Others commented that the SF&D targets did not fully reflect the nature of the activity and that it would be important to capture the more qualitative outcomes arising from the work of SF&D - cultural changes e.g. around engagement, the depth of partnership working, collaboration, cohesion, strategic influence, leadership, reputation, etc.

3.4 The Partnership Approach

Consultees were overwhelmingly positive about the partnership approach and ethos adopted by SF&D.

The extent to which SF&D has engaged with the whole supply chain (albeit to varying degrees) was reported to be its biggest strength, and that building blocks were in place on which to develop and sustain relationships.

Work undertaken by SF&D to secure the commitment of all the relevant players at an early stage was viewed as important. As such, at a strategic level, the sector was viewed to be buying into SF&D.

Without SF&D, the trade bodies were reported to have been unlikely to be round the same table, talking together, and exploring shared/common issues e.g. climate change, regulations, legislation, training, etc. This was also considered to be a strength of the SF&D partnership approach in that there was a greater willingness to work together - and recognition that the partnership was essential in being able to deliver on the agreed actions.

Consultees highlighted actions being undertaken by the Board, Executive Group, Working Groups, and the Leadership Forum as further examples of the growing level of collaboration and co-operation emerging.

From the examples provided, it would appear that there is a lack of evidence of deeper levels of collaboration (although this is perhaps not surprising given the relative youth of the organisation).

Some examples of areas of joint work and collaboration included:

- activity promoted under the "Scotland, Land of Food and Drink" banner;

- SDI (lead on the international marketing strategy on behalf of SF&D) sought input from the Executive Group on the strategy's content and direction;

- progress made in sharing general information between partners;

- some work on sharing intelligence (e.g. whisky – internationalisation) but could be better;

- research findings on health issues translated for industry;

- development of an action plan on migrant workers in the food and drink sector;

- joint planning of events e.g. conferences, Meet the Buyer, Access to Markets programme;

- joint international events/exhibitions involving more than one element of the sector; and

- sustainability pilots.

While consultees were in the main positive, some potential weaknesses of the partnership approach were identified.

A range of views were provided on the workings of the Executive Group and the Working Groups, mainly issues to be expected with new structures involving multiple stakeholders, etc. This included:

- it has taken time to get to the stage where the Executive Group operates smoothly - consultees pointed to initial tensions between those involved, building trust, and in identifying common ground - with some reporting that this had still to be fully resolved;

- a lack of clarity around the role of the Board and the Executive Group - especially in relation to where responsibility lies to make decisions on priorities. A Board member now sits on the Executive Group which is helping, however, there is still a disconnection between the structures;

- the large membership of the Executive Group - the number of people round the table has meant that at times decision-making has been difficult and reaching a consensus more challenging;

- some members were considered to be more active than others - resulting in the same individuals taking responsibility for progressing actions; and

- a lack of capacity and resource to take forward actions - competing priorities with day jobs and restrictions on time that can be devoted to SF&D, suggesting a need for additional support to ensure that progress does not stall unnecessarily.

3.5 Key Challenges

Section 3.3 outlined the range of views provided by consultees on the performance of SF&D in its formative years and touched on some of the challenges faced. This is expanded on in more detail below.

A lack of **resources** available to SF&D was considered a challenge and resulted in a slow start. Consultees reported that there had been insufficient funding from the start and that resources were still presenting a challenge. A lean management structure was purposefully created for SF&D, and as such there were limits on the amount that could be realistically achieved in its first year, and there was a sense that capacity has been restricted in some areas resulting in delays in securing "quick wins". A strong team is in place within SF&D and a future challenge was said to be retaining the staffing complement.

The **business model** adopted for SF&D was further highlighted as having posed some challenges in implementation and was considered to have been underfunded from the start. There was a view that it launched too soon before all the necessary structures and supports were in place.

On the one hand SF&D is an industry-led body with a strategic role, and on the other it is a membership organisation. This dual function was reported by some to have presented some underlying tensions and challenges. As part of its **membership function**, it took time to develop services for members as well as the tensions reported on earlier around SF&D competing for the same members as other trade bodies. While services have been developed and views on membership benefits were considered strong, the latter issue was viewed as an ongoing challenge that required to be overcome.

Membership numbers have been growing, however, it was reported that more needed to be done to convince companies of the benefits of becoming a member. For small companies in particular (and given the current

economic climate) it was reported that they don't always readily see the relevance of SF&D to their business. All consultees emphasised the importance of growing the membership base for SF&D and for it to generate an increased level of income to enhance its longer-term sustainability. The reduction in public sector funding highlighted by consultees also supports renewed attention on membership levels.

Consultees reported that good progress had been made in **engaging different sectors** and the general view was that SF&D had a growing, diverse, and broadly representative membership across the food and drink sector. Better links with agriculture were mentioned and whisky was considered an important partner from which others could learn from. However, it was felt that some sectors were still under-represented and that it was an ongoing challenge to persuade and convince some industry members to become actively involved. Areas of under-representation were reported as primary producers (as members), food distribution, and retail. A further issue raised was around the need to ensure that small and micro companies are fully engaged and can see the relevance, connections, and benefits of SF&D. The issue identified was that the make-up of SF&D was not reflective of the make-up of the industry. While this is the case when examined by company size, the organisation's processor membership represents £5bn of the £7.5bn turnover, which does reflect the industry make-up well.

The **delivery of large-scale partnership projects** was identified as challenging. Projects such as the Skills Academy, INSIGHTS, and Food & Health Innovation are all due to come on stream this year, however the reported delays in pooling resources, securing funding and negotiations has led to slow progress being made on this front, and a growing frustration among some partners about the lack of tangible progress. - The view provided by consultees was one of "we need to deliver on these" and that failure to do so would harm the growing reputation and confidence in SF&D within the sector. While it has been a challenging process, consultees were supportive of the wide-ranging project ideas in the pipeline, and were positive about scope in the longer-term for making better use of collective resources.

3.6 In the Absence of SF&D

Consultees were asked for their views on what would have happened in the absence of SF&D.

The consensus was that while some joint activity would have happened in the absence of SF&D, it has undoubtedly played a valuable and crucial leadership and co-ordination role that might not have happened otherwise. Joint work would have been less influential and slower without the overarching input from SF&D. Food and drink might have been a lower priority for the public sector and not viewed as a growth sector.

While parts of the sector were reported to be already communicating with each other, this was considered patchy in places. Without SF&D consultees reported that the extent to which partners would have come together naturally, made relevant connections, or achieved the same level of interaction within the sector would not have been realised.

The extent to which a shared banner under which to promote the sector was also identified as an area that was likely not to have developed without the involvement of SF&D. Consultees acknowledged the huge potential a holistic approach such as this can have in the long-term, especially in overseas markets.

Some views were provided on the step-change projects. A number of consultees indicated that some of the projects were already in the pipeline prior to the establishment of SF&D e.g. Skills Academy, Innovation Centre.

While some comments were provided around activity progressing in the absence of SF&D, this was usually along with a caveat around the supporting role SF&D has played - ensuring a focused agenda, securing the involvement of other stakeholders, and in some cases making things happen quicker.

3.7 Views on Value for Money

While feedback from consultees was that it was still early days to judge SF&D on value for money, considerable progress was reported to have been made in its first few years.

Consultees identified a range of examples to highlight positive signs in relation to value for money and that a number of achievements had already been made, which were said to be testament to the small team that SF&D has and the support of partners.

Views provided on value for money included:

- the importance an industry-led body, such as SF&D, to co-ordinate activity should not be under-estimated;

- the national Food and Drink policy for Scotland is stronger as a result of input from SF&D;

- the Government views SF&D as the single representative body for the sector;

- better relationship between Government and the industry;

- a strong brand has been developed and work is progressing well on building recognition;

- approach to Access to Markets activity is more cost-effective under the SF&D shared banner;

- income generation from membership fees; and

- success in levering in private sector funding to the food and drink sector.

Consultees highlighted the future challenges associated with achieving value for money, as partners are more likely to want to contribute to project costs rather than core costs of SF&D.

3.8 Opportunities and Areas for Future Development

Consultees were extremely positive about the future for SF&D and its potential impact.

While its potential for impact was considered huge over the medium to long term, there was recognition that it will be important to manage expectations - SF&D is a small team, resources are tight, and ambitious targets have been set.

Some views provided are outlined below:

- **delivering against the Strategy** - this was viewed as the next key challenge for SF&D;

- **commitment from partners** - this varies and it will be crucial that SF&D gets partners to commit the time and resources and to fully buy into the action place - and for it to be viewed as a priority;

- **support from Scottish Government** was considered strong - it will be important to develop this relationship further;

- **growth of membership** - in order for SF&D to become sustainable this will be an important area to focus on. However, consultees

reported that there is a risk that by doing this the focus might shift from the overall strategic vision;

- **support for Executive Group and Working Groups** - linked to the above point was the call for additional support to ensure that actions don't stall and that ongoing progress is made;

- **need to enhance the use of the branding** - while a strong brand has been developed, more work will need to be undertaken to overcome the issue of companies not differentiating between the branding as a means to promote the sector rather than the SF&D organisation;

- **moving co-ordination, co-operation and collaboration to the next level** - a number of good examples are beginning to emerge but the next challenge will be to create deeper levels of collaboration;

- **maximising the learning from others** - there was reported to be greater scope to learn from the experience of others e.g. whisky;

- **Commonwealth Games** which will be held in Glasgow (2014) was reported to be a real opportunity for the sector; and

- **balance the need of large companies with SMEs** - to ensure that SF&D is delivering to all sections of the sector.

4. Feedback from Member Organisations

This Section sets out the main findings from the telephone and online survey of businesses that have engaged with SF&D.

4.1 Background

A total of 40 telephone interviews were undertaken and two responses were received via the wider online survey, representing an overall total of **42 responses**.

The sample for the telephone survey was drawn from a "long-list" of 99 members across the HIE and Scottish Enterprise regions, and effort was centred on those that had recent contact with SF&D, including:

- attendees at recent events;
- AGM attendees; and
- Leadership Forum members.

It also took into account the following criteria to ensure a good spread of responses from across the overall membership of the organisation:

- geography;
- sector;
- size of company; and
- type of company.

This aimed to get a good level of feedback from a range of member perspectives, but was not designed to be a randomised sample of members. As such, the responses in this chapter are merely a reflection of the views of a percentage of members, rather than an actual statistically robust survey reflective of the actual SF&D membership make up.

SF&D also distributed the link to the online survey to a wider list of both member and non-member businesses through its electronic newsletter. It was hoped that the online survey would further boost the overall amount of

respondents. However, the response rate to the survey was extremely low, with only two businesses completing it. [17]

Despite this, because of the success of the telephone survey, the response rate of 42 exceeded the initial quota of 40 interview agreed at the outset, and so gave a good level of feedback from the beneficiaries.

It should be noted that all percentages reported in this chapter relate to the number of individuals that completed each question as identified below each table.

4.2 Profile of Businesses

As reported, the sample frame included members from across the HIE and Scottish Enterprise regions.

An attempt was made to secure a fairly even spread by geography. This was successful with feedback gathered from businesses located within the HIE and five SE operating areas (**Table 4.1**).

Table 4.1: Business Location

	Number	%
HIE	8	20%
Other SE Regions	33	80%

N=41 (one business was nationwide with HQ in England).

The survey secured responses from a good spread of sectors. Processing-related businesses were well represented (**Table 4.2**) - meat and fish/seafood processing accounted for 12% each, and a further 14% of the businesses were involved in other types of food processing (pate, pies, etc). Other sectors included trade organisations, marketing companies, etc.

Table 4.2: Sector

	Number	%
Other food processing	6	14%
Other	6	14%
Sweets/confectionary	5	12%
Meat	5	12%

---

[17] N.B. This method of promoting the survey proved not to be very successful. Although this did not cause a shortage of responses in this study (because of the success of the telephone survey) this needs to be considered when developing the methodology for the final evaluation, where a higher survey rate may be required.

Fish/seafood	5	12%
Dairy	4	10%
Fruit/veg	4	10%
Oatcakes/sandwiches	4	10%
Alcohol	3	7%

Note: N=42

Table 4.3 sets out the stage in the supply chain that the businesses operate within.

When asked to identify their position in the overall supply chain, many businesses reported more than one element, with many reporting a retail function coupled with either a primary or processing function. As a result, more than half of the respondent businesses reporting being involved in retail (55%) with equal proportions involved in either processing or primary stages of the supply chain (26%). The other responses accounted for beneficiaries who worked in professional organisations/forums/companies.

Table 4.3: Supply Chain

	Number	%
Retail	23	55%
Processing	11	26%
Primary	11	26%
Other	4	10%

N=42 Percentages total more than 100% due to multiple responses.

Table 4.4 reports the size of the turnover of the businesses. Beneficiaries from each end of the turnover spectrum were surveyed - small (20), medium (9), and large (10).

Table 4.4: Turnover

	Number	%
Less than £500,000	13	33%
£500,000-£1 million	7	18%
£1 million - £5 million	9	23%
£5 million +	10	26%

N=39

4.3 Awareness and Contact with SF&D

The beneficiaries were asked to identify how they first became aware of SF&D. Direct contact from SF&D (38%) and prior awareness of its existence

(31%) were the main reasons that prompted initial contact with the organisation (**Table 4.5**).

Table 4.5: How businesses first became aware of SF&D

	Number	%
Direct contact from SF&D	16	38%
Involved in Industry Strategy Group	13	31%
Other	5	12%
Saw marketing or promotional campaign	4	10%
Received marketing information	2	5%
Referred to by public sector advisor	1	2%
Word of mouth	1	2%
Contact through a sector group	0	0%

N=42

Of the beneficiaries that we surveyed, approximately one fifth of businesses were involved in SF&D's five Working Groups (21%).

The survey also sought to find out information on the frequency of contact between SF&D and the businesses. The results are reported in **Table 4.6**. It is positive that businesses appear to be in fairly regular contact with SF&D, with more than three-quarters reporting contact at least monthly (79%).

Table 4.6: Frequency of Contact with SF&D

	Number	%
Regularly, at least once a week	10	24%
Monthly	23	55%
A few times a year	5	12%
Very irregularly	3	7%
Almost never	1	2%
Total	**42**	**100%**

N=42

4.4 Services and Support Accessed

Businesses identified a wide range of services and support accessed from SF&D. The most common forms of support included meet the buyer/buyer briefing events, provision of general information, conferences and

networking events (**Table 4.7**). Services such as legal advice, support to secure funding, and skills/training support were less well utilised.

Table 4.7: Services Accessed from SF&D

	Number	%
Meet the buyer/buyer briefing events	33	79%
Provision of general information	33	79%
Conferences/networking events	21	50%
Specialist market information	16	38%
Festivals/exhibitions	16	38%
Website audit	6	14%
Signposting to other support programmes	6	14%
Supply chain/collaboration assistance	6	14%
PR/Marketing advice	5	12%
Skills and training support	2	5%
Assistance with identifying/securing additional funding	2	5%
Legal advice	1	2%
Other	6	14%

N=42

With the exception of the website audit, more than 75% of the businesses indicated the service was beneficial. Although not as high as the other services, two thirds of those who used the website audit found it beneficial.

4.5 Satisfaction with Support and Services

Businesses were asked to rate their overall satisfaction with the support/services provided by SF&D. Satisfaction with services was high overall with 74% reporting that they were satisfied/very satisfied (**Figure 4.1**).

Figure 4.1: Overall Satisfaction with Support/Services

N=42
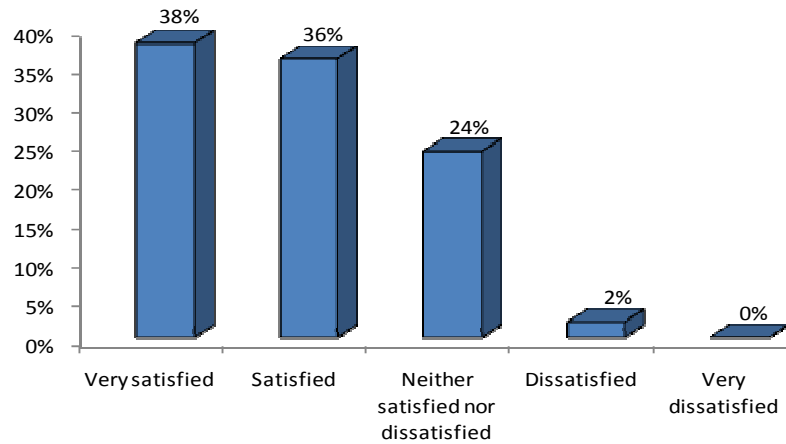
Reasons provided for the high levels of satisfaction with support included:

- the service provided is of benefit;
- the staff are excellent;
- information available is very useful;
- diversity of help available; and
- frequency of contact to keep members informed.

Beneficiaries were then asked to rate their satisfaction with specific aspects of the service provided by SF&D. The results are outlined in **Figure 4.2.**

Figure 4.2: Satisfaction with Services

Chart showing satisfaction levels by category:

Category	Very dissatisfied/dissatisfied	Neither/nor	Satisfied/very satisfied
Regularity of contact	5%	18%	77%
Experience and skills of SF&D staff	0%	15%	85%
Quality of marketing materials	0%	21%	79%
Quality of services	3%	20%	77%
Range of services offered	3%	20%	77%
Appropriate of services	6%	19%	75%
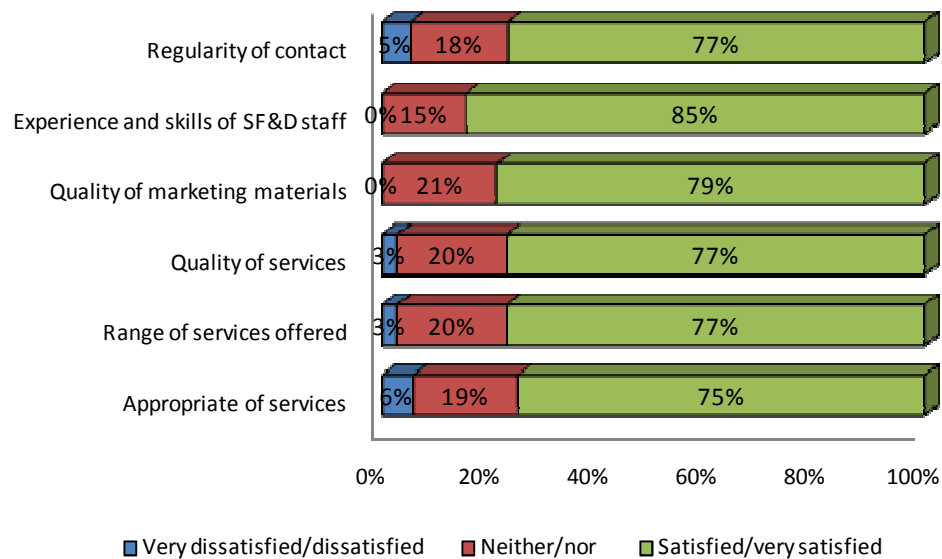
Overall, businesses were satisfied/very satisfied with the services offered by SF&D. The highest level of satisfaction was for the experience and skills of SF&D staff (85%).

Some of the reasons relating to the high levels of satisfaction with the various aspects of the service included:

- the quality of the information available from SF&D;

- the quality of the events; and

- the quality of marketing.

There were some negative comments about the support and these included:

- high cost for small business; and

- a lack of creativity for smaller businesses.

Membership of SF&D was considered to represent good value for money for the majority of businesses (67%). However, if cost was to go up, most reported that they would be less likely to renew their membership:

- 8% would continue to use as before;

- 87% would be less inclined to continue membership; and

- 5% don't know.

Some of the reasons beneficiaries would be less inclined to continue their membership included:

- the cost to a small business is high;

- there are other membership and forum costs that have to be paid on top of a SF&D membership; and

- the current state of the economy.

The members on the whole did say that their attitude to renewal would depend on the level of increase, as well as the factors listed above.

4.6 Impacts and Achievements

The survey sought to gather data on the impacts and achievements of SF&D to date from the perspective of businesses.

The businesses reported both impacts achieved and potential future impacts as a result of support from SF&D. While businesses reported positive impacts, most found it difficult to quantify these. **(Table 4.8)**

Table 4.8: Impacts from Support (now and future)

	2010		2013	
	Number	%	Number	%
Increased sustainable turnover	12	71%	20	91%
Increased employment	5	29%	9	41%
Safeguarded employment	5	29%	6	27%
Skills improvement	1	6%	0	0%
Improved productivity	3	18%	4	18%

	2010		2013	
Increased sustainable exports	1	6%	3	14%
Cost savings	1	6%	3	14%
New products/processes	5	29%	4	18%
Other	2	12%	0	0%

N=17(2010) and N=22 (2013)

From **Table 4.8**, it is clear that businesses expect the main impact from support to be an increase in turnover: 71% reported increased turnover to date and 91% expected it to increase by 2013.

Businesses were also asked to report on the performance of the market in which they operate. In the main, businesses were positive about the performance of the market, with three-quarters reporting growth:

- 19% growing strongly;

- 57% growing; and

- 24% static.

The beneficiaries were asked to express in their own words what the main benefits to their business have been of engaging with SF&D. Some of the more commonly cited responses are listed below:

- increased profile of the industry in Scotland and UK;

- opportunity for small businesses to access larger buyers through meet the buyer events;

- networking and contacts with a range of organisations and companies;

- opportunity to grow business (sales, contacts, confidence); and

- better information available and profile of the industry.

Following on from this, the beneficiaries were asked to rate the level of impact SF&D has achieved or helped to achieve. They were given a scale of one to five to record the level of impact: one being no impact and five being significant impact. The results are reported in **Table 4.9.**

Table 4.9: Level of impact in first three years

	1 & 2	3	4 & 5	D/K
Accessing new markets	12%	29%	45%	14%

Better understanding of the industry	10%	21%	57%	12%
Tackling common issues	5%	29%	38%	29%
Networking/collaboration opportunities	14%	21%	60%	5%
Coherent strategy for the sector	12%	21%	55%	12%
Influencing Government policy	14%	17%	31%	38%
Single identity for Scotland	20%	17%	44%	20%
Integration along the supply chain	17%	24%	24%	36%
Effective pan-industry leadership	21%	24%	38%	17%
Better co-ordination across supporting organisations	10%	15%	24%	51%

The highest level of impact was considered to be encouraging networking/collaboration opportunities (60%) and developing a better understanding of the industry (57%).

When asked for further details on the impacts some of the positive comments relating to the impacts included:

- it is still early in the process so can't tell full impact as yet. SF&D is still a work in progress but has some major names as members;

- SF&D is good at getting companies to network/collaborate;

- SF&D is good at tackling problems and dealing with any criticism; and

- SF&D is good at developing markets.

There were some negative comments and these included:

- SF&D needs to raise more awareness of the food and drink industry;

- the perspective of SF&D is from industry and not individual company perspectives; and

- the strategy is too generic.

Businesses were then asked what would have happened to reported and potential future impacts in the absence of support from SF&D. Responses are set out in **Table 4.10** below.

Table 4.10: Deadweight

	Number	%
No, the effects would not have occurred at all	14	40%
Yes, but later than achieved	14	40%
Yes, these would have occurred in any case	6	17%
Yes, but less than has been achieved	6	17%
Yes, but to a lesser quality	1	3%

N=35, multiple responses allowed

The main responses indicated that the beneficiaries did not think the effects would have occurred at all (40%), or they would have occurred but at a later date (40%).

4.7 Future Plans

A positive finding was that over half of the businesses indicated that they planned to implement activities as a result of support received from SF&D (55%).

It is still early days, however, 39% of businesses also reported that new collaborations had already resulted from their involvement with SF&D, and 33% of those that reported no new collaborations indicated that there were some in the pipeline.

The survey also asked businesses to provide suggestions for improvements that could be made to the services provided by SF&D. The most common suggestions included:

- tailoring support/level of information depending on type/size of business;
- better promotion of services available from SF&D; and
- make information easier to find on the website.

Overall, feedback from the beneficiaries was positive about the service provided.

5. Conclusions and Recommendations

This Section highlights some of the key learning points from the interim evaluation and proposes recommendations for consideration in future investments of this nature.

5.1 Progress against Objectives

SF&D was set some challenging overall objectives and targets. At this stage it is too early to fully assess the contribution of SF&D to these targets. However, an overall assessment can be made of *progress* against objectives, as set out below:

- it has established a coherent joint leadership body;

- progress at first was slow, but now some larger projects are being developed and initiated;

- it has established itself as a credible voice for the industry;

- influence with the Scottish Government has been a notable success. The contribution of SF&D giving a consistent and vocal message of the important priorities from the industry has had impact, and has also been welcomed by the Government. The contribution to the Food and Drink Policy is an example of that influence;

- building a single strategy, and getting all partners to sign up to a consistent group of priority issues and strategic objectives is also a notable success. The strategy development process itself was felt to be inclusive and consultative and helped build cohesiveness across the sector;

- the establishment of the common identity and brand for the food and drink industry in Scotland is also a strong output. Whereas this is unlikely to displace organisations' own branding, used alongside it the common brand can be a positive reinforcing communication message, especially on an international stage; and

- SF&D are seen to have made great strides in broadening the range and type of partner and member organisations. Notably building relationships into the primary sector, involving research, and including whisky as a strong partner is a positive step to truly represent the whole industry, not just food processing.

Specifically SF&D were also set some objectives by each of the public sector funders which are assessed below.

5.1.1 SE Funding Objectives for SF&D

SE funding contributes to the core costs of running SF&D to achieve:

- establish an industry-led mechanism to strengthen linkages across the Scottish Food & Drink industry, at strategic and operational levels (during 2007);

- active involvement from primary producers, value added processors, the whisky industry, research, education and training, the public sector and key stakeholder organisations and all will be gaining benefit from their involvement (after one year of operation);

- use of the mechanism as a catalyst to deliver against the Scottish Food & Drink strategy, enabling larger-scale and more ambitious projects than at present and making more efficient use of available resources; and

- focus Scottish Enterprise's role from overall management of the strategy and main delivery vehicle to the bigger, more transformational projects.

Although slow to start with, good progress has now been made against SE objectives:

- mechanisms are in place to strengthen linkages at strategic and operational level through the Executive Group and the Working Group. At a strategic level these mechanisms are working well and are being successful in strengthening linkages. . Operationally these mechanisms are beginning to take shape, but are more limited and tend to be operating project-by-project;

- involvement now includes the primary producers, whisky, training, research, trade associations, retailers and foodservice companies as well as the processors and the public sector. Engagement is therefore much broader. Beneficiary survey results show good benefit being gained from members involvement;

- some larger-scale projects are now being implemented such as INSIGHTS and the SF&D Skills Academy, which will help make a bigger difference to meeting the strategy ambitions. SF&D strategy

development has helped identify where these areas of priority should be; and

- the establishment of SF&D has certainly meant that SE's role has moved from leading and managing the strategy, to a supporting role with SF&D taking the lead. It has also helped SE identify where investment can give the most impact and lever contributions from others; and

- an additional benefit not necessarily anticipated at the outset is that all the major public sector organisations (SE, HEI, SDS, Visit Scotland, Scottish government) have been able to use the strong voice of industry through SF&D to align their priorities. In many ways the public sector involvement in SF&D is seen as a successful pilot for public sector alignment.

5.1.2 HIE Funding Objectives for SF&D

HIE funding again contributes to funding core costs for the organisation to support its achievement of the following:

- broaden the industry ownership and development activities of SF&D beyond value added processing to include agriculture, fishing, whisky, education, training and research;

- develop a clear and cohesive focus on those actions that will make most significant impact on the profitability, competitiveness and growth of the industry;

- co-ordinate faster and more unified responses to industry and market needs by public sector stakeholders; and

- help build capacity and leadership across the industry in the Highlands and Islands.

Good progress has been made, as set out below:

- SF&D has broadened ownership and activities to include a wider range of partners and sectors, thus truly representing the whole SF&D;

- through building the refreshed strategy SF&D has also identified priority areas to achieve the growth ambitions;

- SF&D has also acted as a single voice for the industry, thus allowing a more unified voice to respond to the public sector; and

- membership from the Highlands and Islands and activities based in the region have helped to build capacity in this area.

5.1.3 Scottish Government Funding Objectives for SF&D

Scottish Government funding supports its achievement of the following:

- staff costs for SF&D for the first years of operation; and

- SF&D projects that: add value, build collaborative supply chains, enhance Scotland's reputation, develop international supply chains and influence change in areas such as skills, innovation and sustainability.

Scottish Government funding has been valuable in supporting core costs. This has helped to develop and deliver some specific projects, some of which the Scottish Government also funded directly (for example C2).

5.1.4 Aims in the Original Business Plan for SF&D

The original Business Plan set out a number of aims:

- achieve the industry's vision of a sustainable and profitable Food & Drink industry that is consumer-focused, market-led and internationally competitive, benefiting both primary and secondary producers;

- provide leadership, anticipate trends, set strategic priorities, co-ordinate delivery, and provide a strong and consistent industry voice on key issues; and

- co-ordinate support for the industry, linking the agriculture, aquaculture, fishing, research, and food and drink strategies and organisations to work to a common agenda to achieve greater impact.

Reviewing progress against the original aims:

- SF&D has built the refreshed strategy which has been agreed and endorsed by all sections of the industry, both primary and secondary, and has also identified priority areas to achieve the growth ambitions, including international aspects and market understanding;

- SF&D has also acted as a single voice for the industry, giving a consistent and vocal message of the important priorities from the industry. The strategy development has identified priority areas of focus, and SF&D is now working to coordinate building this into an action plan;

- SF&D involvement now includes the primary producers from all sectors, whisky, and research, as well as the processors and the public sector. All partners have "signed up" to the refreshed strategy which was developed collaboratively. Targets have been set on the overall growth and ambition of the food and drink sector.

In addition, recent reporting reviewing the financial performance against the original business plan (See Appendix C) shows that SF&D has delivered well against the original business model, with actual income increasing faster than originally anticipated, membership income above target, and overhead & development costs below the original forecast target[18].

5.2 Benefits to Members

Membership build-up was slower than expected, but has now grown consistently over the last couple of years, with renewals on target.

Even at this early stage in the establishment of the organisation there are some positive responses from those members as to the value they are receiving from the organisation.

Beneficiaries from SF&D services report very high satisfaction levels (84%) and highly rate both the range and quality of services on offer.

Quantifiable Return on Investment for the companies may take a little time to be realised, however, even at this early stage companies believed participation either had or would lead to increased turnover, employment and productivity.

A high proportion reported new collaborations already established or planned (72%).

Of these benefits 40% would not have happened at all without SF&D, with a further 43% reporting it would have been later, smaller or of lower quality.

---

[18] Review of actual versus original four year business model from SF&D.

Currently 67% view membership to be value for money. However a word of caution is that 87% would be less likely to renew membership if the costs were to rise. Although this might be expected, especially in the current economic climate, this figure is higher than has been experienced by other similar surveys with membership industry bodies.

5.3 Challenges

Although many of these aspects are reporting progress and results, the organisation has and continues to face some challenges.

5.3.1 Progress on Partnership

Corralling partnership, viewed as essential in the establishment and ethos of the organisation, is time consuming and difficult to achieve. Although real progress has been made (many of the leaders of the partnership organisations had not even met at the start of this process), and the agreement with and buy-in for the joint strategy is a huge step forward, moving that strategy into delivery will need further progress in this area, as the organisation relies on all Executive Group partners to commit resources to delivery.

Assessing the progress of the partnership approach against the following model (**Figure 5.1**)[19], it can be seen that progress has been made.

The organisations started the process as a collection, all of whom worked in the food and drink sector in Scotland, but many of whom had not even met.

 Communication has now improved, with better exchange of information and advice. There is evidence of co-operation - signposting and publicising each other's events, some joint events, and working together on common agenda items, such as branding and international profiling.

---

[19] Smith and Brown Smith, (2009)'Exploratory Techniques for Examining Cluster Dynamics: A Systems Thinking Approach', Local Economy, adapted from Corbett and Noyes (2008)

Co-ordination is also evidenced, including planning events so that there are fewer but better events in the food and drink calendar, attending conferences and shows under the one international pavilion, and working together on joint funding bids.

However, there is little evidence of deeper collaboration[20], where resources are pooled and objectives are jointly pursued. (A notable exception is work to develop supply chain collaboration within the industry). When moving to delivery of the action plan, it will be essential that the use of joint resources is optimised.

Figure 5.1: Partnership Assessment Model Relationship Intensity Continuum

Collection – *Group with common agenda but little formal or informal interaction.*

Communication – *Giving and exchanging of information. Individual programmes still totally separate.*

Co-operation – *Joint activities and communications, giving general support and endorsement of each other's programmes, services or objectives.*

Co-ordination – *Joint activities and communications, joint planning and synchronisation of schedules, activities, events and objectives.*

Collaboration – *Individuals, groups or organisation willingly relinquish some autonomy and share risk, in the interest of mutual gains. True collaboration results in changes to behaviour to support collective goals.*

5.3.2 Management and Governance

Both an Executive Group (of partner organisations) and a Strategic Board have been established within the organisational structure.

There remains some uncertainty about the roles of the Board and Executive Group, (particularly voiced by some Executive Group members) especially over decision-making on investment priorities. This disconnection could jeopardise joint working and commitment to the organisation.

5.3.3 Slow Start

The organisation has been slow to progress to delivery stage. This is partly due to the fact that SF&D was launched without any infrastructure in place

---

[20] Collaboration as per model described previously where "*Individuals, groups or organisation willingly relinquish some autonomy and share risk, in the interest of mutual gains*"

(Chairman and Chief Executive were not yet appointed), which led to raised expectations, and very little resources to deliver. In addition, membership generation was hard to attract initially when there were no membership benefits immediately on offer.

These issues have now been resolved: a small team is in place and real tangible membership benefits established. Good progress is being made on delivery of key projects. However, care must be taken to ensure that this momentum is not lost and that delivery continues at pace.

5.3.4 Business Model

The initial funding for the core costs model was in hindsight felt to be too low, especially for a start-up organisation. In addition, pressure to move to a sustainable model self financed from members fees has left the organisation short of funding to invest in larger growth projects. This needs to be considered when looking at future funding models.

In addition the board needs to be clear on the longer term vision for SF&D, and how much it will be a coordination body, and how much a delivery organisation. This will have an impact on planning for the size of the organisation, the anticipated role of the partners (both public and private) and the services offered.

5.4 Recommendations

The following are recommendations for SF&D and their funders to consider.

5.4.1 Management and Governance

Clarity is needed from the Board on the roles and responsibilities of the Board and the Executive Group, in particular where the decisions are made on prioritising activity and investment.

5.4.2 Business Model

The Board needs to review the risks, along with the costs and benefits of the membership model as currently operating and planned. While it is understood why there is a pressure on moving to a membership funded sustainable business model, this should be considered carefully acknowledging the implications of such a model.

As soon as an organisation becomes member financed it must focus on attracting and retaining those members in order to survive. This may (or may not) lead to a shift away from the strategic ambitions that the organisation was originally established to achieve. Should it move away completely from public sector funding, then any influence that the public sector have on the strategic direction of the organisation will be diminished significantly.

While it might be accepted that the body would want to be industry-led, and this was the main driver on building a membership model at the outset, generating members is a time consuming endeavour. In addition, it potentially will put the organisation in direct competition with some of its delivery partners, who are also member organisations, especially at times of financial hardship, when companies may choose to only support one membership.

Certainly publicising the benefits of membership is essential to encourage new members to join. Potential members are more likely to listen to such advocacy from their peers. As such reporting the impact of membership on companies (e.g. through case studies) will help show the return on investment. The positive response from the beneficiary surveys in this evaluation also adds evidence.

In addition, clarification from the board on what the future vision of SF&D should be, as regards its extent of delivery and / or coordination role will help shape the needs for organisation size, partner roles and services offered, including exploring other commercially driven services. This is a key primary step in progressing this building an appropriate business model for the organisation.

5.4.3 Moving to Delivery

In order to move from strategy development to action in delivery, real buy-in and co-operation from the whole Executive Group is required. This will mean that partners need to allocate financial or people resources towards the practical delivery of the strategic ambitions that they have all signed up to. This will mean moving to greater levels of collaboration (as explored in the previous section), but also seeing delivery as part of their remit.

Responses from partners suggested that funding directed at projects where they see greatest alignment with their individual organisations priorities will be the most successful route to investing in this agenda, and many would be more comfortable with this type of investment in SF&D, rather than contributing to core costs via a membership fee. N.B. It should be noted that

this hasn't yet happened. This does, however, raise an issue of a reduction in core cost contribution, which will either have to be met through membership fees, through public sector support or through another route of revenue generation.

In order to plan effectively the move to delivery, all partners need to articulate clearly their planned investment in SF&D core costs and collective project activity under the SF&D banner so that a suitable business model and funding mechanism for core costs and projects can be established.

5.4.4 Understanding Progress on Partnership

As discussed in the previous section, **partnership working has progressed, but risks stalling if deeper levels of collaboration are not reached.** While much can be achieved through partners individually contributing to delivering against the action plan (perhaps on a project-by-project basis as described above), **even more could be achieved and more efficiently through real collaborative sharing of resources and joint working.**

Despite the agreement of the overall strategy, there is still a feeling that it is SF&D's strategy which partners will contribute to, rather than being owned by the partners.

Work to explore these perceptions, identify barriers and develop more joint ownership of the actions, to help engender a move towards collaboration would be beneficial. This should actively be investigated by the Executive Group, where all partners are represented.

5.4.5 Building the Reputation

A major success has been building of the reputation of Scottish food and drink, especially internationally. Focusing on the core elements of premium, health and provenance, this is a banner that most of the sector can support and benefit from. **The good work that has happened here should continue.** Big opportunities are the Year of Food and Drink and the 2014 Commonwealth Games, and increasing international activity.

5.4.6 Relationship with Government

A key success in the role of SF&D has been the relationship it has built with Government. **This has gained strong influence and support and should continue to be nurtured** to ensure that Scottish food and drink issues are

coherently and strongly represented to Government in a consistent and joined up manner.

This approach has been welcomed by Government who now view SF&D as a model umbrella body and a leading example for other diverse sectors.

This relationship also extends beyond Scottish Government. Other public sector bodies (SE, HIE, SDS etc.) have been able to understand areas of priority for the industry, align their support and more efficiently target funding.

5.5 Recommendations for Public Sector Funders

A key element of this evaluation was to assess SF&D's performance against the objectives, and inform the future funding decisions of the public sector.

5.5.1 Progress against targets

From reviewing the original objectives set out by the different public sector funders, after a slower than anticipated start, SF&D has made good progress. As such it is helping to deliver the key elements anticipated by those funders. In addition it is making good progress to deliver the aims set out in the original business plan for the organisation.

Notably the establishment of SF&D, and the projects and services it has subsequently been able to develop through working with partners, have delivered real benefit to companies in the sector.

In addition, SF&D has taken a lead role in driving forward the refresh of the strategy, corralling diverse partners around some key strategic objectives for the sector, identifying opportunities for larger projects, and acting as a credible, industry led, sector voice.

As part of this study, using the experience developed in this evaluation, a Monitoring and Evaluation framework has been proposed. Public sector funders can use key elements of this to set SMART objectives as conditions for any investment and monitor progress against these objectives.

5.5.2 Continued Market Failure

Research on networking from SE indicates a growing body of empirical evidence of the significant competitive gains to be exploited from nurturing

levels of social capital within networks of firms[21]. Firms can benefit in a number of different ways from high levels of social capital within an industry, such as increased levels of innovation, increased cooperation internationalisation, problem solving and supply chain development.

Fragmentation, and the lack of industry wide social capital, was identified as a particular problem within the food and drink industry which SF&D was tasked with addressing. Furthermore, research has highlighted a need for the public sector in a supporting capacity, through interventions such as the provision of network facilitation and funding towards structure and management costs. Such intervention aids movement towards a more collaborative approach not only by businesses but also stakeholders and partners throughout the sector, encouraging greater alignment of strategies as well as the pulling together of resources.

In addition information failures and market power distortions continue to be an issue for an industry dominated by small companies, without the resource to tackle these issues individually. SF&D activity is helping to address these issues, which still persist within the industry.

Although good progress has been made, these issues still exist in the industry, and as such the market failure still persists. The evidence gathered at this Interim Evaluation stage has been insufficient to identify when such market failures will be completely addressed such that the need for public sector investment is no longer needed. The board's vision and focus for the organisation will also drive this timetable towards becoming self sustaining. More work is therefore needed to build a practical timetable for public sector exit.

Going forward the evaluation suggests that at this stage there is still a need for public sector support to help address the continuing market failures, particularly by continuing to encourage and where appropriate assist with increased information sharing and deeper collaborative processes throughout the sector, both strategically and at the business level.

5.5.3 Options for Public Sector

SF&D has been established as an Industry led, leadership organisation for the food and drink sector, funded through a public-private partnership. The ambition is for SF&D to be financially sustainable and independent.

---

[21] Cooke, (1999) Small Firms, Social capital and the enhancement of Business Performance through Innovation Programmes, Small Business Economics

A key question for the public sector funders is the nature of their involvement and investment in any future funding of SF&D. In a time of reduced public sector budgets any financial support is likely to be lower and very targeted. **An important decision for the public sector is to identify the role it wishes to play in the future and thus help steer the nature of their involvement.** N.B. It is worth noting that any investment will be reliant on other partners also committing resource to this agenda, so that all stakeholders are helping to drive forward the ambitions of the agenda, and are jointly planning, and moving the strategy to delivery. The options outlined below should be viewed within this context.

In order to help focus the debate on future funding, a number of options are outlined below, highlighting key risks and challenges with each.

Option 1: Status Quo

Maintain current levels of funding for the core of SF&D and also fund projects on a case by case basis.

Although the evaluation suggests that there is still a need for public intervention, in a time of reducing budgets the status quo option is an unlikely alternative.

The initial levels of public sector funding were designed to fill the funding gap in the start up phase and subsequently trigger investment from the private sector to reach a sustainable long-term model. As SF&D becomes established, public sector funders would expect to see the nature of their support, and therefore the nature of their funding to change.

In particular the sources of some of the funding (e.g. for Scottish Government) will cease to exist and therefore funding on this basis will be unable to continue.

Option 2: Withdraw funding completely

The ambition is for SF&D to be financially sustainable and independent. However, although membership has grown, this is not yet sufficient for the organisation to survive without public sector assistance. There is a danger that if all public sector assistance were to be withdrawn at this early stage, the progress that has been made will falter and SF&D will be unable to capitalise on its successes.

Option 3: Contribute to core only

Membership is still growing and will take time to build to a level that can support the overall organisation. SF&D is already a lean structure. However, a small core is essential in order to maintain that strategic leadership role and move from strategy development to action within the industry. Currently this is supported through funds from the public sector and additional contributions from membership fees

The evaluation indicates that SF&D is delivering benefits to companies and making progress in addressing the identified market failures. Without support for the core costs SF&D will be less able to operate and the gains already achieved and anticipated will be lost to the economy.

However, Executive Group members have indicated that they are increasingly more likely to wish to invest in particular projects rather than supporting overall costs through a membership fee (although this has not happened as yet). This would suggest that there is a continued need for support for the core for public sector partners.

In addition this would ensure a continued strategic focus from SF&D as a key requirement of the funding. Without this core funding support SF&D will be more reliant, and therefore solely accountable to servicing members' needs.

Option 4: Fund Projects only

As SF&D moves to delivery it may be attractive for public sector funders to identify projects that they can most strongly support and channel funding towards the delivery of those activities. This can also give flexibility in funding sources to support different programmes. Scottish Government has already indicated that this may be their preferred mode of operation.

A key risk is that if both the public sector funders and delivery partners opt for project based funding, there is a danger of SF&D being "hollowed out at the centre". The lack of core support at this stage might jeopardise the ability to deliver against the newly refreshed strategy and hinder the progress that SF&D is making towards becoming a self sustaining body.

In addition, any influence that the public sector has on the strategic direction of the organisation will be diminished significantly.

5.5.4 Next Steps

These options are illustrative to inform the discussion for the public sector partners, and it may be that the ideal solution falls between some of these options (for example a mixture of Options 3 and 4). To inform the next steps for the public sector key decisions need to be made regarding:

- an understanding of the SF&D board's long term vision regarding whether the organisation focuses on coordination, or increases delivery will have an impact on the options decision taken by the public sector. This needs to be clarified, so that the public sector can target it's resource most effectively to support this development;

- an understanding of other partners' plans and levels of commitment. For example if other partners are anticipating moving funding to projects then this may influence a short term need for continued public sector support for the core of SF&D until sustainable levels of membership are achieved. Equally the public sector needs to be assured of other stakeholder commitments to SF&D so that so that this continues to be a partnership approach;

- the role that the public sector wishes to play in the future SF&D, i.e. strategic partner, just supporting delivery or a balance of the two;

- the role that the public sector can play in helping to facilitate greater levels of collaboration within the sector;

- the potential level and sources of funding available for support, and any constraints on the use of that funding;

- the development of objectives and targets for SF&D in return for funding of whatever form to ensure measurable value for money for any further investment.

Although current funding will continue until May 2011, these discussions and decisions need to take place as soon as possible to enable approvals processes to be put underway, and for SF&D to manage the transition including anticipated changes and shortfalls.

Appendix A: Monitoring and Evaluation Framework

Introduction and approach

This section proposes the key components of a monitoring and evaluation framework (M&EF) for public sector funding of Scotland Food & Drink (SF&D). Its main purpose is to outline the indicators required for capturing effectively the progress and impact of SF&D, and will form the basis of subsequent evaluation work.

It is guided by the overall objectives of SF&D and the objectives of its public sector funders and is designed to capture progress towards these. It has been informed by the approach taken to capture SF&D progress as part of the Interim Evaluation.

The indicators have been grouped into some of the key areas of focus of SF&D, including:

- Strategic Leadership and Action;
- Common Identity;
- Partnership and Collaboration; and
- Sector Performance (from new strategic targets).

It should be noted that the current Objectives for the three public sector funders are coming to an end and the M&EF should be reviewed in the light of new Objectives set for any future funding. The M&EF has been developed using the expereine of this interim evaluation, and should be used to identify key SMART objectives and monitor progress towards these objectives.

Indicators and Evaluation themes

To capture progress towards the ambitions/objectives of SF&D, there are both "performance indicators" and "evaluation themes", which would be the subject of investigation during evaluation exercises.

Performance indicators are elements that are in the main already captured in the ongoing reporting of SF&D to its board, funders, stakeholders and partners, including performance against the action plan.

Evaluation themes reflect that some aspects of progress are best captured through qualitative analysis of changing perceptions and behaviour that would indicate real progress in the approach taken by the industry. This analysis is more appropriate to be undertaken through evaluation. For example:

Partnership and collaboration

As partnership and collaborative working is such an essential part of the SF&D approach, it is useful to investigate the breadth, depth, and strength of partnerships established. This would not be measured at a project level, but would be included in an evaluation survey i.e. through in-depth examination of, *inter alia*, partners' perceptions of how involvement has changed behaviour, the adequacy of partnership communications and evidence of changes in depth of collaboration, etc.

Enhanced reputation

Rather than being interested in trying to assess external perceptions of Scotland in relation to its Food & Drink reputation, we would be more interested in examining proxies, and examples which evidence a growing reputation e.g. the use of Scottish produce in international competitions, the interest at international trade shows etc. This can help build evidence of progress towards world class and a growing reputation beyond the region.

Scotland Food and Drink - Monitoring and Evaluation Framework

Indicator	Definition	Sub Indicators	Data Collection Method	Measured by who	Frequency
General Input Indicators					
Funding to SF&D	Financial investment in SF&D from partners.	Split by partners, Membership, Public Private ratio.	Financial reporting.	SF&D team.	Quarterly.
Level of investment.	Financial investment in SF&D activities.	Split by core, projects. Split by public, private.	Financial reporting.	SF&D team.	Monthly.
Number of partners involved.	Number of partners involved in SF&D - Board, Executive Group, Working Groups.	Split by sector.	SF&D records.	SF&D team.	Annually.
Number of individual members of staff involved.	Number of individual members of staff from partners involved in SF&D - Board, Executive Group, Working Groups.	Split by sector.	SF&D records.	SF&D team.	Annually.
Building representation and member benefits					
Number of SF&D members.	Number of individual businesses/trade bodies that have SF&D membership.	Split by geography, sector, size.	Financial reporting.	SF&D team.	Monthly.

Indicator	Definition	Sub Indicators	Data Collection Method	Measured by who	Frequency
Number of new SF&D members.	Number of new businesses/trade bodies that have SF&D membership.	Split by geography, sector, size.	Financial reporting.	SF&D team.	Monthly.
Renewals of SF&D membership.	The number and proportion of renewals of SF&D membership.	Split by geography, sector, size.	Financial reporting.	SF&D team.	Monthly.
Income generated through SF&D membership.	The level of financial resources generated for SF&D activities through membership.	Split by proportion of total SF&D funding.	Financial reporting.	SF&D team.	Monthly.
Take up of members services.	The number and proportion of SF&D member organisations accessing SF&D services and support.	Split by type of service. Split by geography, sector, size. Split by members, non members.	SF&D records.	SF&D team.	Quarterly.
Level of customer satisfaction.	The proportion of members expressing satisfaction with support/services provided by SF&D: • overall • quality • range, etc.	Split by size.	Annual member organisation survey.	SF&D team.	Annually.

Indicator	Definition	Sub Indicators	Data Collection Method	Measured by who	Frequency
Value for money of SF&D membership.	The proportion of member organisations expressing that SF&D membership is value for money.	Split by size.	Annual member organisation survey.	SF&D team.	Annually.
Number of members reporting impacts as a direct result of support from SF&D.	The number and proportion of members reporting impacts (achieved and/or next three years) as a direct result of support.	Sales, profit, employment, etc.	Annual member organisation survey. Evaluation.	SF&D team. Evaluation.	Annually. Evaluation.
Number of members that are likely to take further action as a result of support from SF&D.	The number and proportion of members that have or are likely to take further action as a result of support from SF&D.	Type of action taken/planning to take.	Annual member organisation survey. Evaluation.	SF&D team. Evaluation.	Annually. Evaluation.

Strategic Leadership and Action

Indicator	Definition	Sub Indicators	Data Collection Method	Measured by who	Frequency
Ongoing review of Strategy with further refresh if required					To be agreed
Step change projects implemented.	The number and type of step change projects implemented.	Theme.	By Project.	SF&D team.	Quarterly.
Progress against Strategy Action Plan	Progress of Action plan developed from the industry strategy, monitoring KPIs and milestones	By KPI	Annual Reporting	SF&D Team Board/Executive Groups Evaluation	Annually
Leverage for step change projects.	Actual financial resources secured for step change projects.	By source.	Financial reporting.	SF&D team.	Quarterly.

Indicator	Definition	Sub Indicators	Data Collection Method	Measured by who	Frequency
People resources involved in step change projects.	SF&D partners investing people time in step change projects (number).	Theme.	By Project	SF&D team.	Quarterly.
Indicator	**Definition**	**Sub Indicators**	**Data Collection Method**	**Measured by who**	**Frequency**
Evidence of influence of SF&D.	No and type of influence to government and other strategic bodies.	By item.	By item.	SF&D team. Evaluation.	Annually collated. Evaluation.
Common Identity					
Increased brand usage.	Executive Group members and partners using SF&D common branding at their events, etc.	Where used and how by partner, event etc.	Evidence collated from Executive Group members and other partners.	SF&D team. Evaluation.	Annually collated.
Evidence of enhanced reputation of the food and drink industry.	No and type of examples that evidence increased reputation.	By item.	Evidence collated from partners and member companies.	SF&D team. Evaluation.	Annually collated.
Partnership and Collaboration					

Indicator	Definition	Sub Indicators	Data Collection Method	Measured by who	Frequency
Number of joint activities and events undertaken.	Number of joint activities and events undertaken by partners and stakeholders in SF&D.	Type of event / activity, who involved.	Evidence collated from partners and stakeholders.	SF&D team. Evaluation.	Annually collated.
Indicator	Definition	Sub Indicators	Data Collection Method	Measured by who	Frequency
Number of new networks created.	Number of new networks (forums etc) established as a direct result by SF&D with the aim of improving dialogue, sharing info.	Type and network, reason formed and who involved.	By Item. Evaluation.	SF&D team. Evaluation.	Annual.
New collaborative partnerships established.	The number of collaborations established or facilitated by SF&D, which have not been in existence before.	Type of collaboration, reason formed and who involved.	By Item, Evidence collated from partners and member companies. Evaluation.	SF&D team. Evaluation.	Annual.

| Evidence of deeper levels of collaboration. | Evidence of partners sharing risk for achievement of joint objectives. | Type of collaboration, reason formed and who involved. | By Item, Evidence collated from partners and member companies.

Evaluation. | SF&D team.

Evaluation. | Annual. |

Sector Performance

Indicator	Definition	Sub Indicators	Data Collection Method	Measured by who	Frequency
Increased turnover for the industry.	Increased turnover from £10 billion to £12.5 billion by 2017.	By food and drink.	Scottish Annual Business Statistics. Company survey	SF&D team.	Annually.
Increased GVA for the industry.	Increased GVA from £4.1 billion to £6.1 billon by 2017.	By food and drink.	Scottish Annual Business Statistics. Company survey	SF&D team.	Annually.
Increased R&D spend by the industry.	Increased R&D spend from 0.25% to 0.75% of GVA by 2017.	By food and drink.	BERD Company survey	SF&D team.	Annually.

Increased productivity by the industry	Equal UK levels for food processing and continue outperforming UK levels for combined food & drink processing	By food and drink	Company Survey	SF&D Team	Annually
Increased exports for the industry.	Increased exports from £3.7 billion to £5.1 billion by 2017.	By food and drink.	Scottish Exporting levels Company survey	SF&D team.	Annually.
Company Performance (for beneficiary companies)					
Indicator	**Definition**	**Sub Indicators**	**Data Collection Method**	**Measured by who**	**Frequency**
Increased turnover by company	Turnover directly attributable to SF&D involvement	By Food and Drink	By project Evaluation	SF&D Team Evaluation	Annually
Increased GVA by company	GVA directly attributable to SF&D involvement	By Food and Drink	By project Evaluation	SF&D Team Evaluation	Annually

Increased employment by company	Employment directly attributable to SF&D involvement	By Food and Drink	By project Evaluation	SF&D Team Evaluation	Annually
Increased productivity by company	Improved productivity directly attributable to SF&D Involvement	By food and drink	By project Evaluation	SF&D Team Evaluation	Annually
Increased R&D spend by company	R&D spend directly attributable to SF&D involvement	By Food and Drink	By project Evaluation	SF&D Team Evaluation	Annually
Increased exports by company	Exports (£) directly attributable to SF&D involvement	By Food and Drink	By project Evaluation	SF&D Team Evaluation	Annually

Appendix B: Step Change Projects

Appendix B: Step Change Projects by Working Group

Reputation

The UK market access programme helps companies exploit the UK growth markets through access to retailers and foodservice organisations and supplier development activity.   To date the programme has assisted 110 companies through five buyer briefings and six Meet the Buyer events, resulting in six commercial deals. This is being led by SF&D with funding from SE and HIE and increasingly working with other partners (e.g. SFDF).   A new UK market strategy is being developed to build on this work in response to the refreshed industry strategy – with an estimated additional GVA of around £3m by 2013.

An international market strategy has been agreed, focused on the key growth markets identified in the strategy (USA, France, Italy, Spain, Belgium and the Netherlands).   This is being led by SDI with involvement from a range of SF&D partners including QMS, SWA, Scottish Salmon Producers Organisation and Seafood Scotland. It will build on existing international support and partnerships to include activities such as exhibitions, missions and learning journeys.

The Insights market intelligence service is a collaborative approach to disseminating market & industry intelligence designed to inform action by individual companies and SF&D partners. Led by SF&D with SE and HIE funding, the service is being delivered through a national network of six regional food forums, supplemented by workshops, on-line tools and 1:1 company support. It is estimated that the programme will result in GVA of around £4m by 2015.

Collaboration

The C2 project is a three year project funded by the Scottish Government, the European Union and Scottish Agricultural Organisation Society (SAOS). The project aims to stimulate, encourage and support collaboration in Scottish food and drink supply chains, to improve profitability, market responsiveness, efficiency and sustainability. Importantly, C2 and its associated interventions also seek to establish a longer-term shift in attitudes and culture with respect to supply chain collaboration within the Scottish food and drink industry.

Plans are being developed for the Centre of Excellence with have had significant input from the academic community to date.

Innovation

The Food & Health Innovation project in final stages of procurement and due to go live in the autumn. Led by SE with input from various SF&D partners involved in the innovation working group, the project looks to help businesses to commercialise the leading-edge research from academia that is focused on food-health opportunities. It is estimated that the additional GVA generated from this will be £40m by 2015. The research network element of this project is being led by the Scottish Funding Council.

Skills

The SF&D Skills Academy is in the final stages of implementation planning and due to go live in the autumn of 2010. Led by University of Abertay with input from SF&D, Improve & LANTRA and funding from SE, Skills Development Scotland and Scottish Funding Council the Academy is targeted at addressing the strategic skills needs of the industry and is estimated to result in a GVA increase in excess of £3m by 2014.

Appendix C: Review of Four Year Business Plan

Four Year Business Model (2007-2010)

	Year 1 ACT	Year 1 BP	Year 2 ACT	Year 2 BP	Year 3 ACT	Year 3 BP	Year 4 ACT	Year 4 BP
	£k		£k		£k		£k	
Income								
Total Core Income	480	500	540	530	559	527	638	530
Project and Event Income	0	50	397	150	677	250	857	300
Total Income	480	550	937	680	1236	777	1496	830
Expenditure								
Salaries (GNIC)/Expenses	188	277	307	320	374	326	412	332
Project and Event Costs	47	50	457	135	678	200	1043	250
Total Operating Costs	235	327	765	455	1053	526	1455	582
Gross Surplus	254	223	173	225	183	251	40	248
Establishment	52	22	16	22	13	22		22
Admin/Business Support	6	18	12	22	7	22	5	22
Stationery/Telephone	3	26	4	26	6	28	4	29
IT/Depreciation/Leases	10	17	15	17	20	17	20	17
Accounting/Legal	11	7	22	5	19	6	21	6
Total Overheads	81	90	70	92	65	95	51	96
Marketing & Communications	31	85	56	88	72	100	82	120
Knowledge Building/Management		10		12		12		12
Training / Research	2	10	1	10	4	12		12
Entertainment	3	3	3	4	6	5	6	5
Total Development	36	108	59	114	82	129	88	149
Net Surplus	128	25	43	19	37	27	-98	3

The quantity of funds raised from each source compared to initial estimate is:

	Year 1 £k		Year 2 £k		Year 3 £k		Year 4 £k	
Core Income								
Scottish Govt, SE and HIE	297	300	352	300	295	275	290	250
Levy Bodies	25	50	25	55	20	62	10	70
Trade Associations etc	59	30	52	35	60	40	56	45
Major Companies	70	100	67	110	114	120	139	130
Other Sectors, Institutes	30	20	44	30	73	30	144	35
Total Core Income	481	500	540	530	559	527	638	530
Additional Income								
Project & Event Income	0	50	397	150	677	250	857	300
Total	481	550	937	680	1236	777	1495	830
Public %	62	60	65	57	53	52	45	47
Project %	0	9	42	22	55	32	57	36