



University
of Dundee

Access to COVID-19 Financial Support: The Experiences of SMEs in Scotland

**Portfolio 2 - Financial and Welfare Support to
Businesses and Individuals**

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Disclaimer:

This report was commissioned by the Scottish Covid-19 Inquiry as introductory scoping research. It was written to assist the inquiry with its planning process about the shape and direction of its investigation, and is published in the interests of transparency. The inquiry is grateful to the author[s] for their work. The inquiry is an independent body, and will be carrying out its own investigations to fulfil its terms of reference. The introductory research represents the views of those who wrote it, and nothing in it is binding on the inquiry. The introductory research is one of many sources which will be considered by the inquiry during the course of its investigation.

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Executive Summary

The aim of this report is to provide insight into the experiences of SMEs in accessing funding packages and any benefits gained from funds received during the pandemic in Scotland. It assesses the Scottish Government's approach to distributing funding and analyses the effectiveness of these approaches from the perspectives of SMEs and enterprise support organisations. To achieve this aim, this report has three objectives:

- To provide an overview of the financial support available to SMEs, the strategic purpose of these funds, understand the target beneficiaries, the conditions for accessing grants, and where possible any reported outcomes of funds which have been distributed.
- To provide insight from the intermediaries that support SMEs, including public agencies in charge with distributing funding, as well as third sector support organisations that worked to support SME owners during the pandemic.
- To provide an understanding into the beneficiaries - the SMEs faced with running businesses during the pandemic and their experiences of accessing COVID-19 related funding.

To meet each objective the researchers collected both desk-based and primary data during February 2022:

- Desk-based research was conducted to analyse the funds made available to SMEs (objective one).
- Ten interviews with key enterprise support organisations were conducted (objective two).
- Seven case studies of SMEs were created, drawing on primary data from interviews with owners (objective three).

The key findings include:

- Most of the funding was aimed at preserving the SME base, keeping businesses solvent and people in jobs.
- A significant proportion of specific funds was also targeted at the sectors hardest hit by the pandemic – cultural, hospitality, personal services, and travel and tourism.
- The support this network of stakeholders provided seemed to be an asset to the COVID-19 pandemic response.
- Nearly all the funding committed by the Scottish Government in our sample was allocated to intended targets, with a strong overall approval rate.

Our exploration also highlighted the different experiences that SME owners faced during the pandemic:

1. Struggling – SMEs that were struggling were typically ineligible for any funding.
2. Surviving – SMEs that were able to access some COVID-19 funding to keep them solvent.
3. Adapting – SMEs that were unable to access funds but were able to access support from wider organisations.
4. Thriving – these SMEs typically had a positive experience, with easy and quick access to COVID-19 funding.

Recommendations arising from the evidence gathered in this research include:

- A narrow focus on specific sectors, with businesses with specific attributes, will lead to another reactive focus on preserving SMEs during the next pandemic or crisis.
- The long-term sustainability of many SMEs in the hardest hit industries is precarious. It is important not to leave these SMEs behind moving forward when the public narrative turns from preservation to recovery, innovation and growth.
- Joined-up approaches, with collaborative and shared governance arrangements, appear to be the best means to achieve long-term sustainability and recovery.
- Ensure that networking is appropriate in terms of business life cycle, sector specific, funding required and after-care.

- Provide seed funding for those SMEs who were ineligible but were trading.

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Introduction

Background

To help mitigate the economic impact of COVID-19, the Scottish Government has made numerous funds available to support businesses. Between March 2020 and November 2021, £4.4 billion was committed through direct grants, small loans, and non-domestic rates (NDR) relief¹. This includes £1.4 billion of funds through Strategic Framework Business Support (SFBF), £1.5 billion in NDR relief, and another £1.5 billion mainly from the Business Support Fund Grant². In response to the Omicron variant, an additional £375 million was committed to further support businesses in some of the hardest hit business sectors³.

The Scottish Covid-19 Inquiry has set out to investigate the strategic elements of how the pandemic was handled. Considering the substantial financial commitment made to support businesses, this introductory research project was commissioned to investigate the financial support available to businesses and self-employed.

Aims and objectives of this report

This introductory report aims to provide insight into the experiences of SMEs in accessing funding packages and any benefits gained from funds received during the pandemic. It assesses the Scottish Government's approach to distributing funding and analyses the effectiveness of these approaches from the perspectives of SMEs and enterprise support organisations. To achieve this aim, this report has three objectives:

¹ As reported by the Economic Development Directorate, Scottish Government on 21 Sep 2021, available here: <https://www.gov.scot/publications/coronavirus-covid-19-summary-of-scottish-business-support-funding/> [Accessed: 08/02/2022]

² As reported by the Economic Development Directorate, Scottish Government on 21 Dec 2021, available here: <https://www.gov.scot/publications/coronavirus-covid-19-business-support-funding-interim-experimental-statistics-by-local-authority-and-scheme-from-november-2020/#history> [Accessed: 08/02/2022]

³ As announced by the Scottish Government on 29 Dec 2021, available here: <https://www.gov.scot/news/businesses-allocated-gbp-107-million-support/> [Accessed: 08/02/2022]

1. To provide an overview of the financial support available to SMEs, the strategic purpose of these funds, understand the target beneficiaries, the conditions for accessing grants, and where possible any reported outcomes of funds which have been distributed.
2. To provide insight from the intermediaries that support SMEs, including public agencies in charge with distributing funding, as well as third sector support organisations that worked to support SME owners during the pandemic.
3. To provide an understanding into the beneficiaries - the SMEs faced with running businesses during the pandemic and their experiences of accessing COVID-19 related funding.

Approach

To achieve each objective the researchers collected both desk-based and primary data, specifically:

1. To meet objective one, desk-based research was conducted to analyse the funds made available to SMEs. The primary source for this data was the Scottish Government and the <https://findbusinesssupport.gov.scot/> website, with additionally information drawn from delivery organisation websites charged with distributing funds. A database of 102 funds was created for analysis. The results from this analysis are presented in part one.
2. To meet objective two, 10 interviews with key enterprise support organisations were conducted. The analysis of these interviews is presented in part two.
3. To meet objective three, seven case studies of SMEs were created, drawing on primary data from interviews with owners. The experiences of each of the SMEs are presented in part three.

Part 1: An overview and analysis of financial support

Overview

In this part of the report, we focus on analysing the purpose, target delivery and outcomes of the funding dedicated by the Scottish Government to tackle the COVID-19 pandemic. The total committed sum of the funds within our sample was almost £3.85 billion⁴. This represents roughly 88% of the approximate £4.4 billion committed to support business in the 2020/2021 and 2021/2022 financial years. A list of the included funds in our sample is presented in Appendix 1. Some of the most substantial funds are summarised in Table 1.

Table 1: Substantial COVID-19 funds for SMEs

Fund	Fund purpose	Target Sector	Distribution by	Fund size
Small Business Support Grant (July 2020)	Stay in business	All sectors	Local Authorities	£1,020,000,000
Business Rates Relief	Rates relief	All sectors	Local Authorities	£972,000,000
Wellbeing Fund (May 2020)	Community	Social, health and care	Third-sector partners	£350,000,000
Local Authority Discretionary Fund	Stay in business	All sectors	Local Authorities	£120,000,000
Pivotal Enterprise Resilience Fund (May 2020)	Stimulate	All sectors	Scottish Enterprise	£90,000,000
COVID-19 Cancellation Fund for Cultural Organisations	Loss of sales	Cultural	Creative Scotland	£25,000,000
Culture Organisations and Venues Recovery Fund: Round 2 (June 2021)	Protect jobs	Cultural, Travel and Tourism Hospitality	Creative Scotland	£25,000,000
Early Stage Growth Challenge Fund (July 2020)	Innovation	Technology and science	Scottish Enterprise	£25,000,000
Events Top-Up Funding	Loss of sales	Hospitality and Personal services	Visit Scotland	£19,800,000
Pivotal Event Businesses Fund (January 2021)	Stay in business	Cultural, Hospitality, Travel and Tourism	Visit Scotland	£19,000,000

⁴ This included the total from 95 out of 101 funds which provided information on the size of the fund budget. Some of the fund sizes were increased at later dates than when we had information. Figures should be considered as approximate as they are not official figures.

To analyse the information collected, we concentrated on four main areas of focus:

1. Strategic purpose – what do these funding initiatives aim to achieve?
2. Target beneficiaries – who have these funds been targeted towards?
3. Delivery, design, and conditions – how have these funds been allocated and delivered?
4. Outcomes – what is the initial evidence on how well these funds have performed?

Strategic purpose

Most funds focused on the preservation of the current business base (around 78% of all funds in our sample). The main purpose of these funds was to help SMEs survive during the pandemic:

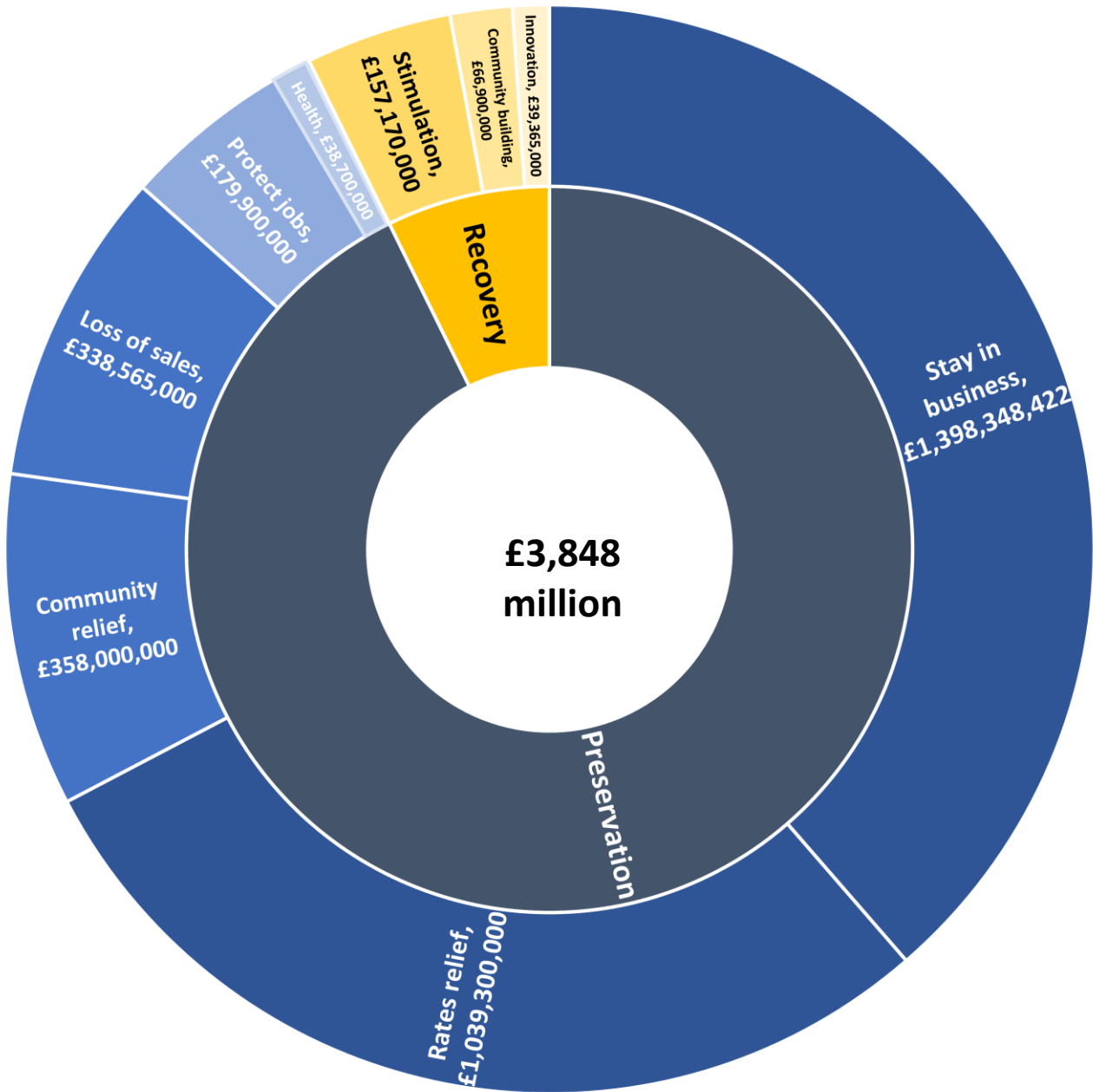
- The total fund size committed to preservation was £3,584,313,422. This represents 93% of the total funding committed, with the average fund size £49,782,131. A breakdown is presented in Figure 1.
- Almost 39% of the total funding available was aimed to keep SMEs solvent, while almost 29% of funding provided rates relief to businesses.
- Around 10% was committed to support community relief and well-being during the pandemic, another 10% aimed to subsidise SMEs based on a loss of sales, and around 5% aimed at protecting jobs.
- A lower proportion of prevention funds were aimed at supporting business to meet health and safety regulations (1%) and at providing funds to those who had been excluded from applying to other funds (0.1%).

Around 22% of all funds in our sample focused on recovery. The objective of these funds was to help SMEs look forward, incentivise sales, and promote business model innovation:

- The total fund size committed to recovery was £263,435,000. This represents just 7% of the total funding committed, with the average fund size £13,865,000.
- Around 4% of the total funding aimed to stimulate sales and bridge gaps between businesses re-opening and generating income.
- Just under 2% of funds focused on rebuilding community initiatives and only 1% of funding packages focused on incentivising business model innovation.

Figure 1: Purpose of COVID-19 funds and total fund size

Note: Definitions for each category are provided in Appendix 2.

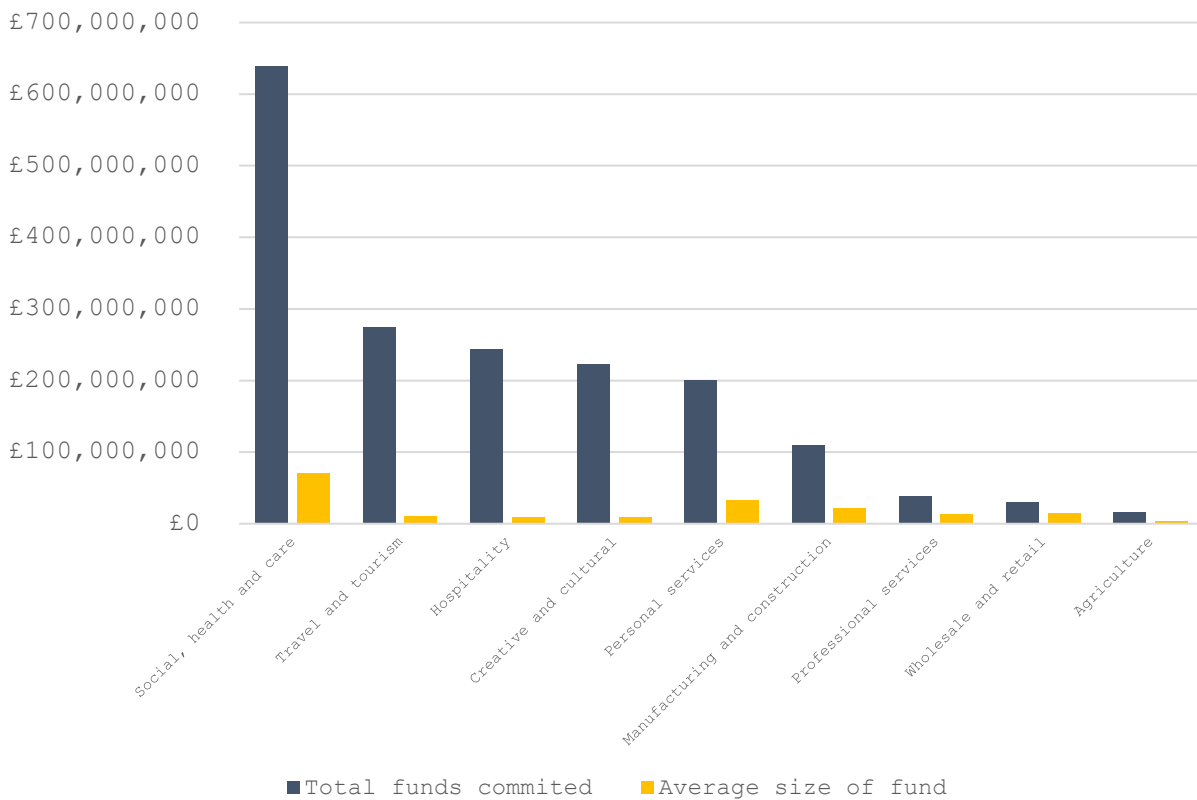


Target beneficiaries

The pandemic has had an unequal impact across sectors in Scotland, with tourism, hospitality, creative and cultural, entertainment and recreational business sectors particularly hard hit⁵. Unsurprisingly, a large amount of funding was targeted at preservation and recovery in these sectors (Figure 2).

⁵ As reported by Scottish Local Authorities (COSLA) and the Scottish Government through the National Performance Framework (NPF), available here: <https://nationalperformance.gov.scot/scotlands-wellbeing-impact-covid-19-chapter-3-economy-fair-work-business-culture> [Accessed: 17/02/2022]

Figure 2: Size of funds available by sector



- In our sample, a larger share of funds was available across all sectors (61%), while 39% of funds was targeted at a specific sector. The total committed size of sector specific funding with just under £1.5 billion.
- The largest proportion of sector specific fundings was targeted at the social economy, which included SMEs providing health and care services (43%). The average total size of funds dedicated to these sectors was also higher compared to other sectors.
- Travel and tourism (18%), hospitality (16%), creative and cultural (14%), and personal services (13%) had the next highest proportions of the sector funding available.
- Just under 7% of sector specific fundings was dedicated to the manufacturing and construction industry.
- Professional services (2%), wholesale and retail (2%), and agriculture (1%), received the lowest proportions of sector specific funding.

In Scotland, the business base is predominately made-up of SMEs. The majority of SMEs in Scotland have between 0-9 employees (micro businesses – 94%), while small businesses represent just 5% of

total enterprises (10-49 employees), and medium businesses represent just 1% of businesses (50-249) employees. However, small and medium sized business contribute more towards total employment and total turnover (Table 2).

Table 2: Scotland's SME business base, 2020⁶

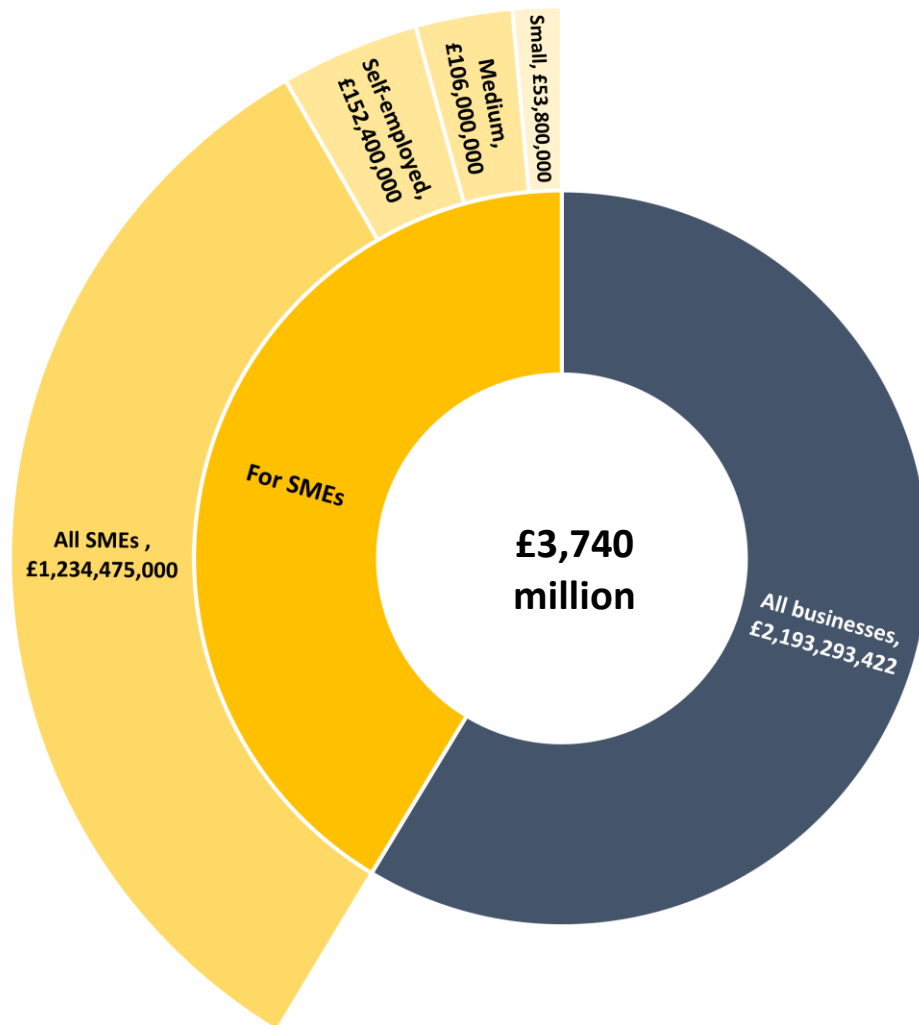
Size	No. of enterprises	Total enterprises (%)	Total employment (%)	Total turnover (%)
0	254, 740	70%	14%	5%
1 - 9	86, 290	24%	22%	12%
10 - 49	16,795	5%	14%	11%
49 - 249	4,055	1%	13%	14%

In our sample, out of the funds which we found information for, the majority were available to all business sizes and therefore available to all SMEs to apply for (59%). The other 41% of the total available funding targeted different SME size categories (Figure 3):

- Most of the total funds committed to SMEs targeted all SMEs (80%).
- 10% focused specifically on support for self-employed.
- 7% focused specifically on support for medium-sized enterprises.
- 4% focused specifically on support for small enterprises.

⁶ Arshed, N. (2021). The Impact of COVID-19 on Scotland's Women Entrepreneurs. Scottish Parliament Information Centre. <https://digitalpublications.parliament.scot/ResearchBriefings/Report/2021/10/20/5ef04564-5d91-47af-a92d-a7a54ee4d162>

Figure 3: Funding allocation by different business types

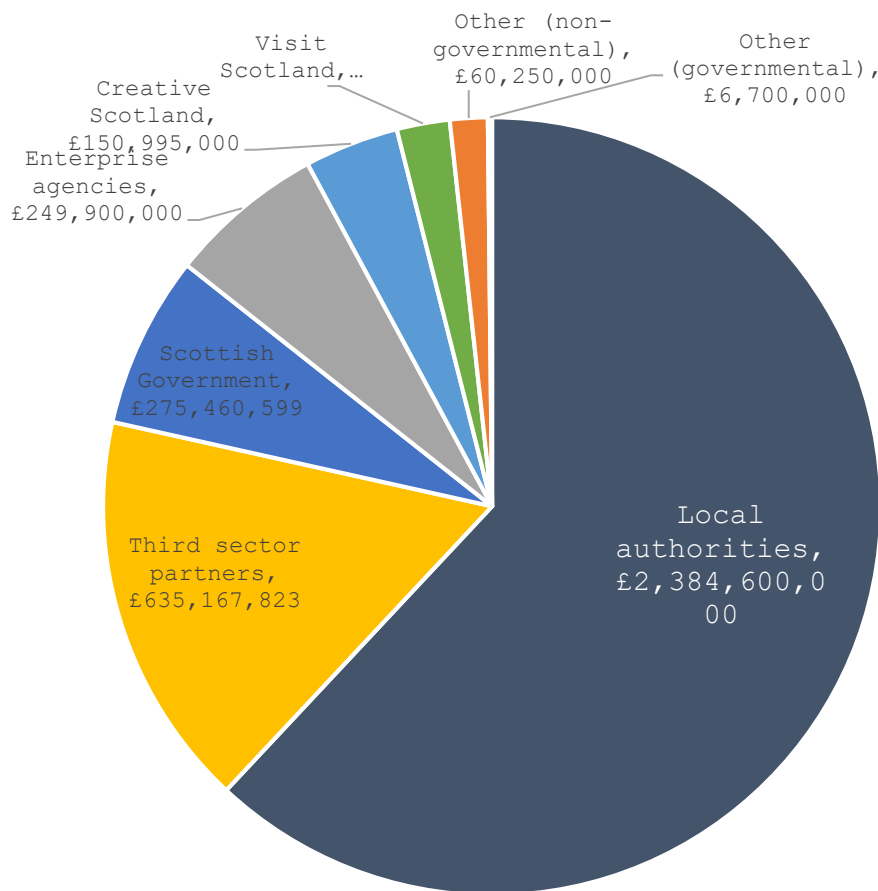


Delivery, design, and conditions

The funds were delivered by the Scottish Government, local authorities, the enterprise agencies (Highlands and Islands Enterprise, Scottish Enterprise, South of Scotland Enterprise), other public agencies (e.g., Creative Scotland), and through networks of third sector partners:

- The local authorities delivered the largest amount of funding that the Scottish Government committed (Figure 4).
- Third sector partners delivered the second highest amount of funding (17%).
- Scottish Government distributed just over 7% of funds themselves, while just under 7% was delivered through the enterprise agencies.

Figure 4: COVID-19 funding delivery bodies

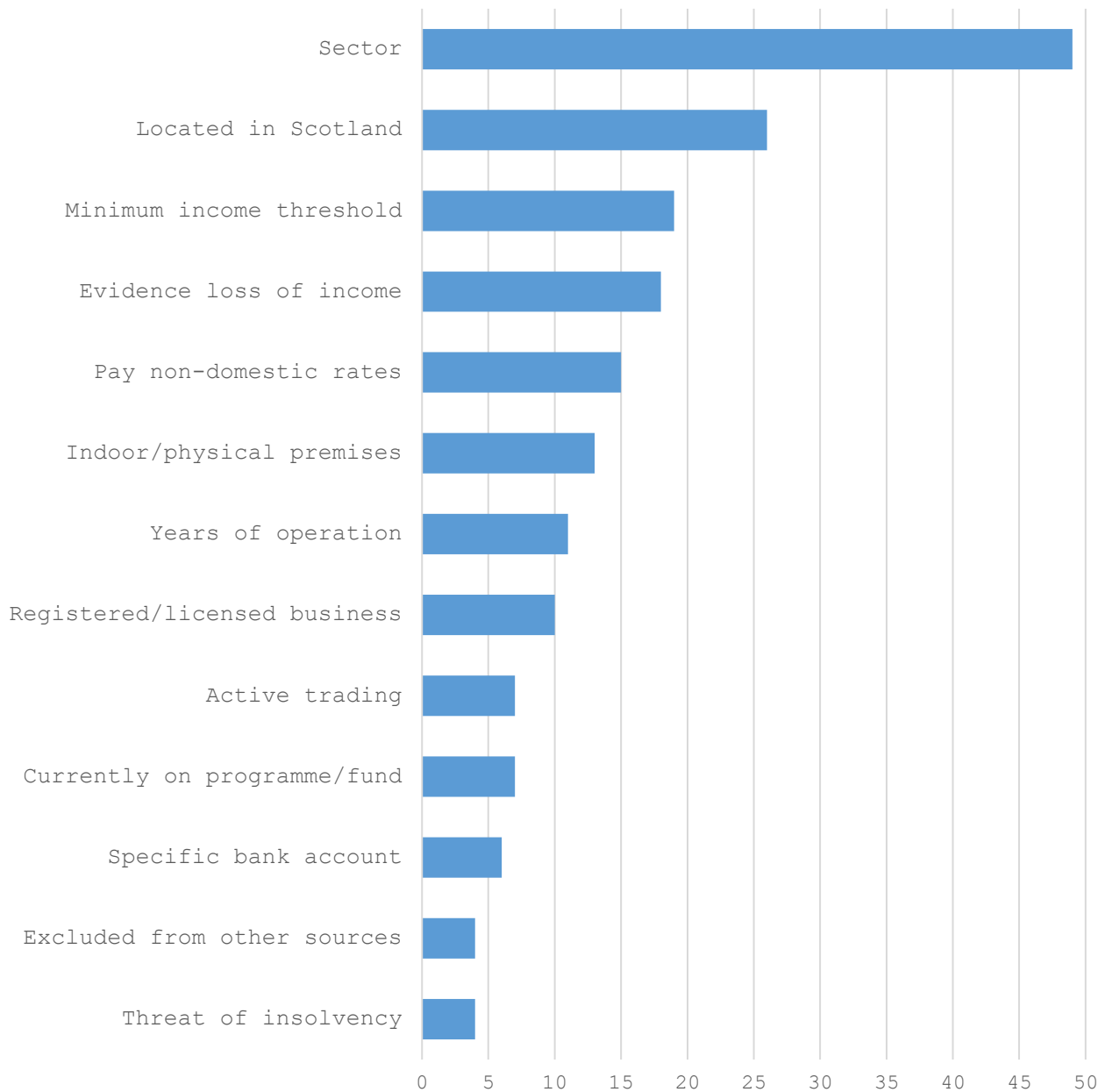


- Creative Scotland (4%) and VisitScotland (2%) delivered a smaller amount of grants. Although they delivered a higher number of different funding initiatives than other organisations, typically with smaller fund size.

The most common criteria used for the design and delivery of COVID-19 funding is presented in Figure 5:

- The most common criteria for a SME to be able to apply for a fund was being located in a specific sector, with almost half of funding initiatives indicating this requirement.
- Other common criteria included being located in Scotland, having a minimum income threshold, being required to provide evidence that income had been lost during the pandemic, and paying non-domestic rates.

Figure 5: Most common funding criteria



Outcomes

In our sample, 54 funding initiatives (53%) provided information on number of applicants, number of grants awarded, and total value of distributed funds:

- Out of these 54 funds, almost 99% of committed funds was distributed to SMEs.
- Out of the 40 funds that information was available, 276,564 applications were received, with 217,879 applications approved and distributed. This represents an approval rate of about 79%.

Of the 102 funds in our sample, only 3 had completed evaluations and report on the impact of the funding beyond number of applicants, grants awarded, and total value of distributed funds. These evaluations were for funds that aimed to support third sector organisations for them to continue to deliver crucial services at a community level.

Summarised in Table 3, these funds provided several important short-term outcomes, including:

- The provision of funding for short-term relief was well received by organisations with limited financial reserves, helping to meet their short-term operational costs.
- Applicant organisations generally perceived that funds were well distributed and managed by delivery organisations, which consisted of several third sector partners.
- The funds enabled third sector organisations to reach service users in some of the most deprived areas in Scotland with vital support in areas such as health, housing and financial well-being.

Table 3: Brief insights into the impact of third sector funding

Fund	Details	Impact
Open Application Wellbeing Fund ⁷	<ul style="list-style-type: none"> ▪ One of four funding strands from the £50 million Wellbeing Fund aimed at third sector organisations. ▪ Distribute grants of between £5,000 and £100,000 to support organisation respond to urgent needs within 3 months, in vulnerable communities. ▪ Managed by Scottish Government, SCVO, Corra Foundation, Inspiring Scotland, and the Hunter Foundation. 	<ul style="list-style-type: none"> ▪ A total of 1,563 applications were received, with 955 organisations approved (61%) and a total of £21,582,333 distributed. The average grant size was £22,599. ▪ 85% of organisations had spent the allocated funding within the three month period. ▪ The funds had a social impact on communities, with projects focusing on mental health (76%), food distribution (44%), physical health (27%), housing (25%), financial support (21%), and employment (13%). ▪ 72% of projects support those financially at risk as a result of the pandemic. ▪ 65% of projects reported they supported up to 500 people, while 12% said they supported up to 1000 people, and 14% supporting up to 3000 people. ▪ Funded organisations said the fund management and implementation achieved its aim of distributing funds rapidly to allow organisations to respond to service users’ needs.
Small Grants Wellbeing Fund ⁸	<ul style="list-style-type: none"> ▪ One of four funding strands from the £50 million Wellbeing Fund aimed at third sector organisations. ▪ Distribute grants of £2,000 to support organisation respond to support those at greatest risk in the short-term. ▪ Managed by Scottish Government, SCVO, Corra Foundation, Inspiring Scotland, and the Hunter Foundation. 	<ul style="list-style-type: none"> ▪ A total of 1,543 grants were distributed, worth £4,023,000. ▪ The average grant amount to organisations was £2,607, as organisations were able to apply twice. ▪ 84% of organisations reported using the funding as initially envisaged. ▪ The funds had a social impact on communities, with projects focusing on mental health (43%), food distribution (19%), and physical health (13%). ▪ 59% spent grants on organisation running costs, while 32% spend grants on provisions for service users. The most common item for expenditure was technological costs. ▪ Generally, funded organisations said the fund management and implementation achieved its aim of distributing funds rapidly to allow organisations to respond to service users’ needs.
The Third Sector Resilience Fund ⁹	<ul style="list-style-type: none"> ▪ Aim to provide emergency funding to third sector organisations who had been impacted by the pandemic. ▪ Funds were for essential costs such as rent, utilities, staff not on furlough. ▪ The Scottish Government funding was delivered and managed by Firstport, Corra Foundation and Social Investment Scotland. 	<ul style="list-style-type: none"> ▪ A total of 2,996 organisations applied for grants with 1,349 organisations (45%) awarded £22,652,823 grants. The average grant size was £16,792. ▪ The distributed grants helped to support organisations with a combined employment of about 14,000. ▪ The health and social care sector received the largest shared of grant funding (27%) with physical activity and sport (13%) the second largest. ▪ Third-sector organisations based in the most deprived postcodes in Scotland (SIMD quintile 1) received the largest share of funding (22%), while the least deprived postcodes (SIMD quintile 5) received the least (15%). ▪ The majority of grants were awarded to small organisation with a turnover of less than £250,000. ▪ 38% of awards were to organisations with less than two weeks of financial reserves, while 49% had less than one month of reserves.

⁷ The Open Application Wellbeing Fund evaluation is available from: <https://www.gov.scot/publications/evaluation-wellbeing-fund-open-application-process/> [Accessed: 19/02/2022]

⁸ The Small Grants Wellbeing Fund evaluation is available from: <https://www.gov.scot/publications/review-small-grants-fund/> [Accessed: 19/02/2022]

⁹ The Third Sector Resilience Fund evaluation is available from: <https://www.gov.scot/publications/third-sector-resilience-fund-tsrf-analysis-applications-awards/documents/> [Accessed: 19/02/2022]

Part 2: Accessing financial support – insights from enterprise support organisations

Overview

In this part of the report insights from 10 organisations providing support to enterprises during the pandemic are presented. These insights come from local authorities, enterprise agencies, banking organisations and third-sector partners (Table 4).

In providing support services to SMEs, these organisations were able to provide insights into the challenges faced during the pandemic, the purpose, targeting and availability of funds, as well as any outcomes that they viewed derive from funding allocation.

Table 4: List of support organisation informants

Code	Informant	Organisation type	Region
Interviewee 1	Senior Manager	Private	Edinburgh
Interviewee 2	Director	Private	Scotland-wide
Interviewee 3	Enterprise Coordination Officer	Public	Dundee
Interviewee 4	Head of Innovation & Enterprise	Public	South of Scotland
Interviewee 5	Director of Business Services	Public	Scotland-wide
Interviewee 6	Business advisor	Public	East Dunbartonshire
Interviewee 7	Contracts Manager	Public	Tayside
Interviewee 8	Operations Manager	Public	Aberdeen
Interviewee 9	Director of Policy	Public	Edinburgh
Interviewee 10	Director	Private	Edinburgh

Strategic purpose and targeting

In addition to identifying the preservation and recovery purpose of COVID-19 funding, informants also highlighted a key aim to wrap-around support.

Preservation

All informants highlighted the importance of COVID-19 funding with respect to preserving the current SME base. Many indicated that the funds were being directed to small businesses that faced threats to their survival. Many of the funds were seen as a way of protecting people's jobs.

These funds were highlighted as being critically targeted to SMEs in the hardest hit sectors, hospitality, retail, tourism, and cultural. While many informants highlighted the need to innovate and adapt during the pandemic, the focus was about preserving SMEs that were hardest hit:

"I mean in terms of the businesses that got impacted the most. It would be kind of your hospitality or retail...Some innovative businesses did quite well, but I'd say it was pretty wide ranged and tourism massively struggled" (Interviewee 8).

As such, many of these funds were viewed as reactive measures to support businesses during the pandemic, as highlighted by Interviewee 10, who provide support and financial advice to SMEs in the technology industry:

"You know, over all those new ones, so like the Bounce Back Loan Scheme, the Furlough Scheme and this Early-Stage Growth Challenge Fund. They were all reactive. They were all response to COVID whereas all the things that were there before like innovate UK grants smart grants and tax credits were already there."

Recovery

Informants also highlighted multiple different funds that aimed to help SMEs recover from the damage sustained during the pandemic. Innovation was very much at the forefront of conversations

on how to support recovery post-pandemic. Initiatives such as The Early-Stage Growth Challenge Fund, were aimed at supporting SMEs to innovate during the pandemic to sustain growth ambitions.

Innovation was also seen as a means to enable greater sustainability of SMEs, allowing them to react, respond, and recover during times of crisis:

“We want to try and improve the innovation rates and Scotland, particularly amongst SMEs that doing innovation... (because) businesses that invest in R&D and innovation are 15 to 20% more likely to have greater productivity. As a result, they tend to have greater sustainability is business is so we can engage them in either research or development” (Interviewee 5).

Many of the informants stressed a need for further funding options to support the recovery of the SME base. These funds focused on being proactive and looking forward to the longer-term resilience of the business base:

“That's helped them, so that that's been quite good, it was reactive to the COVID situation. I suppose we're trying to be proactive and solve a problem and be a bit more creative” (Interviewee 8).

However, it was highlighted there is a tendency to leave many SMEs behind when focusing on innovation and growth and targeting ambitious companies in specific sectors that are viewed as more important to regional and national economies.

Wrap-around support

Emerging from the the interviews was another important strategic purpose of the COVID-19 funding; enterprise support organisations to wrap-around other crucial support. Many informants expressed how they would support and advise service users, making them aware of several other different types of support available to complement grants.

It was stressed that it was easy to forget about all the other support that is available to SMEs due to the sudden influx of financial support which was needed. Many informants highlighted the need for holistic business programmes, including advice, training, and networking support to maximise the impact of any grants or funds received. While much of the support focused on getting grants out of the door and into a business accounts to preserve the SME base, less attention was given to how the value of funds could be maximised, incentivise innovation and create longer-term sustainability. Burden to achieve recovery fell to the wider ecosystem of support providers who were able to provide holistic support.

Challenges with delivering funds during COVID-19

The key informants highlighted three main challenges faced with delivering funds to SMEs during the pandemic. These were the restrictive eligibility criteria associated with many of the funds, bureaucracy burden placed on many business owners, and coping with time and volume pressures.

Eligibility criteria

The informants highlighted that the sheer volume of different funding options available to SMEs was difficult for them to identify what they were eligible for. There was often confusion from SME owners on whether they met eligibility criteria, and informants reported that they also struggled with various terminology that was used:

“Another challenge was the terminology that's used in the grant criteria... They used terminology like added economic impact or I can't member exactly the term economic benefit, additional economic benefit and businesses don't understand that what that means. So, they think I'm eligible for it. And then they're not”
(Interviewee 8).

Many agency and local authority enquiries were involved in directing businesses to appropriate grants and helping to understand eligibility restrictions. Several of the informant third sector

organisations also played a key part in disseminating information to the SME base and feeding back to the Scottish Government and other funding bodies on the restrictions faced by SMEs. This key role was expressed by the Interviewee 9:

“We've got companies in Edinburgh have got chains of restaurants, or chains of bars you know they've got more than one when business in the city, but the rules are nationally where that you could only claim for one property. So, you couldn't claim for multiple properties, so if you so if you had four or five premises, four or five restaurants that you still had to pay costs for tough, you only got funding for one, so that was a real challenge for those businesses, eventually the Scottish Government relented on that, and it was the case that you could apply for multiple properties. So, we lobbied on that, so we were pleased that that change came through.”

Delivery organisations also faced challenges with funding eligibility criteria as it was passed down from Scottish Parliament. Some of the announced funding had uncertainty as to who the organisations could administer to. Using local authorities, public agencies and third sector organisations to help administrate and deliver was regarded as important as they had good understanding of local contexts and the need of the SME base.

Bureaucracy-related restrictions

Informants acknowledged that generally funds had easy application processes, such as the Furlough Scheme. There was, however, also an administrative burden placed on SMEs when applying for grants. Many informants expressed concerns that SMEs had with the number of documents required for funding. Many businesses did not have the capabilities to successfully apply:

“The amount of backup information they needed to upload these documents, and I think that confuses them at times or they simply didn't provide everything that they were asked to do. So, there was the degree of frustration of having to go back

and forward...I think given that this was, a really challenging set of circumstances”
(Interviewee 3).

“Just to download and pay, pay application forms and accompanying documents was to take ages. And I think a lot of the companies themselves didn't have access to a lot of the information that they needed in in needed to apply. For example, in quite a lot of people, all of their financial information, bank statements were sent to their accountant and their accountants office was closed” (Interviewee 6).

Due to the pandemic, a lot of businesses faced challenges with providing information. Many did not have the technological equipment (such as Wi-fi, printers and computing equipment). Others did not have email addresses or the ability or knowledge to process online applications. Many of the physical locations in which they could process this information were closed. The time pressures associated with many application deadlines also exacerbated these challenges.

Time and volume related pressures

Funding administration bodies also faced challenges related to time pressures and the sheer volume of enquiries and applications that they received. Processing grants quickly was a challenge, as often applications were incomplete and required additional support from organisations to administer. Due to the large volume of applications, and the time pressures, fraud was a major concern:

“The biggest challenges have been the frustration that people find. They hear there's that they hear there's a fund, for instance, for hospitality...and the Councils haven't yet got the information to be able to process their application quickly. There has been a huge amount of fraud” (Interviewee 6).

A key issue for many of the organisations was staff capacity to process applications. Informants recounted cases where funding teams would draw on other departments and trusted delivery partners (typically from the third sector) to help process applications and deliver grants quickly. This was something organisations looked to learn from in going forward:

“The great challenge was (for us) to be able to mobilize our funding and get it into business as fast as possible. The great learning that we got from that is it's put us in a much more mobile position now we're better at being able to respond quicker to businesses, and that has taught us some really good lessons in terms of how we can turn that around decisions more quickly for businesses” (Interviewee 5).

Informants also highlighted that the current system for administrating and distributing grants is not setup for the smaller awards that SMEs could receive. There are increased administration costs related to many of the grants, which was not effective for distributing small grants.

Outcomes

Most respondents outlined the importance of the availability of funding to preserve SMEs during the pandemic, whilst expressing concerns going forward for recovery.

Preservation of the SME base

Many respondents outlined the main outcomes for SMEs they distributed grants to was it enabled them to stay in business. The funding provided vital resource for many SMEs to meet fixed operational costs:

“We've been involved in grants basically just to try and keep the businesses afloat...The money that we gave them has had an impact. It's kept them afloat. They've not gone, there's not disappeared six months later, and some may have” (Interviewee 3).

“Keep being able them to sort of pay their bills and their salaries, that kind of thing... and keep jobs. You know the Job Retention Scheme I think was a huge help to many people. You know, a lot of people have spoken to have said if it wasn't for that we couldn't have continued” (Interviewee 6).

Generally, participants believed that various funding initiatives had been successful in reducing redundancy during the pandemic. One such example was the impact of specific funds directed at hotel operators and wedding-based organisations, which was thought to have saved 4,000 jobs and contributed to the survival of many businesses.

Looking ahead to recovery

There was concern about the longer-term impacts of the pandemic and whether the measures taken were enough for businesses to survive when COVID-19 funds cease. Some organisations have turned their attention to looking at innovation which will be key for recovery. Respondents identified that through preserving businesses with various initiatives, such as the Furlough Scheme, workers may have been prevented from relocating into growth sectors.

Furthermore, informants expressed that looking ahead, a more holistic approach to recovery was needed which looks beyond the availability of public sector funding and towards the rich ecosystem of enterprise support that exists in Scotland. To foster innovation and support SMEs recovery and growth, combinations of funding, advisor support, specialist programmes and training was needed:

“It's not just about funding, but it's also about support... In terms of innovation, it will be about how we can support businesses through recovery, and I think that will be a combination of funding and support around the expertise of the advisors, the coaching, and the ability to link into to a big network of different people... We want to have the overall package” (Interviewee 4).

Part 3: Accessing financial support – insights from SMEs

Overview

In this part of the report insights into the experiences of seven SME owners are presented. These cases illustrate what challenges were faced during the pandemic, what support was received to mitigate these challenges, how they felt support met their needs, and the impact that any support had. The SME owners are from a range of sectors with a variety of different experiences. An overview of case study participants is presented in Table 5.

Table 5: List of SME case studies

Informant	Organisation	Sector	Founding year	Region
Nicholas Kydd	Eventfull Management Ltd.	Hospitality	2001	Dundee
Julie McFarlane	Academy of Enterprise Ltd.	Education	2021	Glasgow
Peter Waggot	Vertical Motives Consultancy Ltd.	Professional services	2015	Dundee
Andrew Douglas	Avio Nexus, Make Tech Fly Ltd., Air Advantage Ltd.	Aerospace	2011, 2019, 2020	Perth & Kinross
Billy Grierson	Perth Innovation Ltd.	Professional services	2013	Perth
Lewis Kennedy	Talonmore Drinks Company Ltd.	Manufacturing	2019	Edinburgh
Mukesh Moorjani	Platinum Informatics Ltd.	Science & technology	2018	Dundee

Case study 1 - Nicholas Kydd, Director, Eventfull Management Limited

Company background

Eventfull Management Limited (2001) is a Scotland based event management company who assemble numerous sporting events annually, as well as providing support services for other sporting events. They provide electronic chipped timing services, equipment hire and online event management services.

The business started as a lifestyle hobby which then became a “bona fide business.” Nicholas has been running the company for over 10 years with a core group of self-employed contractors and sub-contractors.

Challenges during COVID-19

When the first lockdown happened in March 2020, like many businesses in the event and management industry Eventfull Management Ltd was hit badly and had to close immediately. As Nicholas said:

“We were decimated... 95% of all the work we do is based on events happening.”

Financial support and experience

During the pandemic Nicholas applied for a Bounce Back Loan and an Events Support Industry Fund (2) – he was very grateful that he received both as without them the business would not have survived:

“Without a shadow of a doubt that a fair portion of the funding has gone in to maintaining the business as an ongoing business.”

He has also currently submitted another application for funding and is awaiting a decision. But his main issue with the financial support was that much of the financial support that was available was

very specific and often not applicable to his business. Also, there was a clause that you could not apply to certain funds if you had already applied for and/or obtained other funds.

Nicholas kept up to date with the available support and financial packages via the Scottish Government website and through his own contacts. He was pleasantly surprised at the ease of the process of applying for financial assistance and maintains that:

“Without the financial support my business would have been jeopardised.”

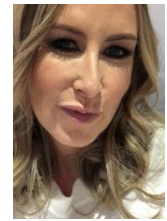
He feels that the financial support that was provided has been more than adequate and it was readily available:

“I can’t really fault my own experience during the pandemic.”

Future of the business

Nicholas highlighted that the pandemic has delayed the growth of his business but is confident that the company will be in a better financial position in a couple of years to take that leap. He has seen his company build back the business slightly faster than other businesses as much of his business focusses on outdoor events.

Case study 2 - Dr Julie McFarlane, Founder, Academy of Enterprise Education



Company background

Academy of Enterprise Education is an online education provider developing high-quality online accredited programs based on research insights from the world's leading universities. Having identified a need to simplify the learning and development process to provide the market with more practical and impactful enterprise education. Each pathway program offered, is designed and delivered directly by specialist higher education academic contributors.

Julie became disillusioned with academia and in the last couple of years, in particular during the pandemic witnessed a saturation of online “experts”, “coaches” and “mentors” all selling courses to adults on start-ups without any expertise or certification. She set out to solve this problem and to develop a more practical and impactful forum for adult learners. She registered the Academy of Enterprise Education (AEE) Ltd in March 2021.

Challenges during COVID-19

Julie has highlighted that the pandemic overall was an eye opener for her:

“I think for me, the biggest challenge was finding a level of support that would have helped me develop this idea faster than I have. I contacted all the regular bodies from Scottish Enterprise to Business Gateway to find out about any grants or money to help develop AEE. Sadly, there was nothing available.”

She quickly found out that no financial assistance was available to start-ups in any sector not least Education Technology. Business Gateway did however offer mentoring which she felt was not what was required for her business to get started.

Financial support and experience

For Julie, the core need was and still is funding to build the team. She feels that the business has the possibility to generate income and become self-sustainable. She funded her business by selling her car and dipping into her savings. She stated:

“The fact that the government had no funds available for start-ups at this stage was a surprise. We have seen a plethora of small businesses being set up at this time, more than at any other online, yet the level of support on offer financially simply isn’t there. Or we didn’t meet the criteria for the funds that were having only just registered.”

She also said that:

“It has taken a toll financially in my personal life. I also need to raise finance to gain the accreditations for the programs we offer, so it has been stressful.”

Julie contacted Business Gateway Lanarkshire (directed there by Scottish Enterprise). She says they were helpful enough, however being an academic in this field, they had no advice to give. Nor did they have any alternative routes to look for funding. She did state that the Business Gateway individual was nice, but what was offered to her was of no value at all.

However, regardless of the challenges Julie built the website, sourced the Learning Management System and developed it through her own money. She has also secured the first client for the Enterprise Coaching Academy.

Future of the business

At present, Julie is working on marketing and building awareness of the brand to prove the concept and raise funds. However, she feels that it would have been extremely useful to have support, in particular financial support.

For the future she thinks that there should be a more detailed breakdown of what funding is out there, better marketing of that funding and the closing dates for these pots. Moreover, she thinks

the support bodies should be providing more information to start-ups on ways they can access funding. Julie has said:

“I do think that more of a mentoring/coaching approach should be taken by the support agencies. Perhaps some training for the support staff would be useful in terms of listening to what the SMEs need. As at, it feels very segmented. There is no consistency of approach to how you work with SMEs and that can have a detrimental impact. I also think having them linked to wider sources of funding would be of value. Links to angels, VCs etc. So, you can direct people more effectively.”

Case study 3 - Peter Waggott, Founder, Vertical Motives Consultancy Ltd



Company background

Peter specialises in being a business growth consultant and a sales coach. He has 25 years of global sales experience and is an accredited Executive Coach with the Academy of Executive Coaches. His company Vertical Motives Consultant Ltd was established in 2015 to fill a gap in the market to help organisations develop a quality sales environment to help embed a process.

Challenges during COVID-19

Before COVID-19 Peter's business was doing well and 90% of his business was dependent on face-to-face workshops and coaching both in the UK and internationally (Kuwait, Qatar etc.). But in March 2020 Peter lost 90% of his revenue overnight and he had to immediately pivot his business.

As quickly as April 2020, Peter started to deliver online and to collaborate with his networks:

"I've now signed two agreements with two companies who are now going to deliver or promote my training on my behalf so that that's been a real shift."

Peter further mentioned that there had always been plans to collaborate but with the pandemic hitting this happened very quickly and allowed for the business to diversify. For example, Peter collaborated with another business to develop virtual reality classrooms. He says:

"I had no option to get online for both customers and business."

Financial support and experience

Peter felt that there was no support out there for him and he leveraged much of the support from his networks:

"I didn't get any support. There was nothing there really from Chambers and I didn't go to business Gateway as it wasn't an option for me because they would just take you down in the same roots."

He was also very disappointed that as the Director of his company he was not able to tap into any of the financial support packages like the Furlough Scheme. He had to claim Universal Credit which allowed him to continue to work. He recently applied to the Business Initiative Grant with Angus Council and was turned down as the panel commented that his virtual reality classroom platform was established and therefore he was not eligible for the fund. He also contacted Scottish Enterprise and Scottish Development International and was told they had no funds going forward as they had been taken up by COVID:

"We went on a benefits package. That's all that was available to me. I didn't take any loans because I felt that was not going to make the business any better...I didn't know how the business was going to go."

Future of the business

Currently, Peter is continuing with his business, has won a contract with a global company and has begun building relationships with South Africa. He is also still very much involved in pushing the virtual reality classroom project but as he stated:

"We've tried applying for other funds and we've been told over the last 18 months that everything has gone to COVID and there's nothing available."

He feels that the government needs to understand small businesses better:

"Throwing money at things is not always the right answer. It's about support. How can we support? How can we open up doors? It's putting me in touch with other people that open doors that we can work or collaborate together and therefore we generate revenue for both of us."

Case study 4 - Andrew Douglas, Managing Director, At Pretium Jet Charter Ltd, Make Tech Fly Ltd, Air Advantage Ltd



AT PRETIUM
JET CHARTER

Company background

Andrew has three companies; Air Advantage Ltd (2011), At Pretium Jet Charter Ltd (2019) and Make Tech Fly Ltd (2019). He has a colourful background in civil engineering, the Army and as a pilot. After working for a start-up company flying business clients around the world, he set up his own company (Air Advantage) to organise individual's flights privately in 2011. His plan was to improve operational effectiveness and efficiency for his clients. Following on from this business he diversified into two further businesses. The first was launched in 2019, At Pretium Jet Charter, designed to provide the best aircraft brokerage system. From this, Make Tech Fly was founded with the main product of AvioNexus in 2019. AvioNexus is a web application helping operators, corporate flight departments, brokers and fixed-base operators streamline information sharing in a secure and time efficient manner. This is founded on his experience from running Air Advantage and At Pretium with a strong desire to provide technology to improve outdated systems.

Challenges during COVID-19

Andrew and his team were in America in March 2020 at an aircraft show when the pandemic hit the news and by the time they returned home the world had changed. The market had collapsed:

“Customers weren't flying. The corporate went flying, the terminals weren't open. You know everything for us is closed down.”

Andrew said that going to the aircraft show in America that:

“We had invested a considerable “chunk of change” into getting ourselves ready for it. Pushed the coders to do overtime to get the product ready to make our minimum viable product as good as it could be. We expected, as you would do, that at the trade fair we would get a certain number of orders and bookings which would have covered our investment.”

They came home and quickly realised that everyone was closing shop, they were parking up their aircrafts, putting them into maintenance and pilots were put on furlough which was a devastating blow for Andrew, his team and his company. To put this into context, Andrew lost all 3 income streams; the consultancy under Air Advantage, the charter work of At Pretium and there were no customers for Make Tech Fly to sell AvioNexus to.

Financial support and experience

During the pandemic Andrew applied for Bounce Back Loans which he heavily relied upon:

“The bounce back loan for us was brilliant because it came just at the right time.”

The Bounce Back Loans for his three companies were his only route to survival because his team were self-employed contractors, and he was not entitled to the furlough scheme:

“So we all agreed that everyone (was) prepared to take a bit of a bit of a hit on the salaries, but it meant that we had the longevity. So for survival, we sought and survived with the bounce back loans.”

To keep the company going the team were building new features that customers wanted and they tried to keep an open dialogue with their customers. However, they found this hard as the customers were not engaging with them as the industry was barely open and many were on furlough.

Andrew also tried to get buy-in from family and friends to invest in the company and soon found out that:

“We couldn't show any growth or any traction or any adoption of our software in any way, shape or form because there just wasn't a market for it.”

He also tried to apply to the Recovery Loan Scheme but every lender wanted to look at the books and because they had not been trading for two years and could not show growth or customers

because of the pandemic, they were rejected. Andrew found this frustrating. Andrew had to then take out a family-funded loan to continue keeping the company afloat and diversified with the two companies mentioned previously to remain:

“Resilient, survivable and have longevity.”

In terms of support, he felt that Business Gateway did not understand the support that was required for his business and could only offer general support and very little funding. He also sought out Scottish Enterprise with very little positive outcomes. He felt they were not “allowed” to support him on international law and trading overseas as he was a “Business Gateway Customer.”

Future of the business

Andrew highlighted that the pandemic has delayed the growth of his business but the main part of the business has picked up and they have gained traction with healthy profits. Andrew is very confident that they will be able to pay back the loans and grow the team. One of the issues that Andrew raised was for (Government backed) enterprise organisations should look at the growth potential of an SME and then be in a position to support the risk at an earlier stage than forcing the SME to go to high street lenders. He recommends that they:

“Should be able to come and see me, see what I do and give me a government backed loan. (Be invited to) Go through your cash flow forecasts and then rather than just chucking out money to some people, especially the bigger corporations who don’t necessarily need the money - (but) assess my business on its viability.”

Andrew argued the point that £250,000 given to a large corporation will never have the same dramatic effect as it will when given to a high growth, qualifying SME who can create more jobs with the money than a large corporation ever will.

Andrew is very grateful for the Bounce Back Loans as there was no other option to keep the companies (and the employment of the coders) alive. The Recovery Loan Scheme had too many

clauses set by the high street lenders to really help those companies that had just survived the pandemic but desperately needed the financial support to thrive in the new markets.

Case study 5 - Dr Billy Grierson, Director, Perth Innovation Ltd



Company background

Billy started his life as an analytical chemist and has evolved over the course of his career. He has experience in technical support, heading up laboratories and in research. He is also an accredited project manager and throughout his career has worked for international companies. Billy came back to Scotland and set up Perth Innovations Ltd in 2013. By using well-tested creativity and thinking tools and techniques, his company helps others to find solutions that differentiate products and services from competitors.

Challenges during COVID-19

When Billy came back to Scotland and decided to set up his own company, he found it difficult as many of his contacts were based in Germany and Switzerland. Billy is a member of Dundee and Angus and Fife Chambers and he has been very positive with his experiences with them. He found both Chambers to be particularly helpful in building his network within Scotland.

He clearly remembers the day that the pandemic changed the country – he was in Bradford with a group of consultants and by the time he had driven home the country had gone into lockdown:

“I had a reasonable amount of work booked for the following few months, but, by the time I got back home from Bradford, I'd lost all.”

His company was hit hard:

“I hear of companies saying that their revenue was down 70% or 80%. I would have been really happy if mine was only down 80%. It was down 100%.”

He has also been in touch with Scottish Enterprise and Business Gateway but found them less helpful.

Financial support and experience

Billy received a Bounce Back Loan but did not need to make use of it.:

"I didn't intend to touch it unless I absolutely had to and paid it off early."

He also applied for a grant through his local Council (PKC) and was awarded £2,000, followed by a further £2,000 a couple of months later, which kept him afloat by paying costs. He feels that both these grants were very helpful and that:

"They saved the business...I would not have survived 2001 without them."

He feels that these grants should have been accessible from the beginning rather than so late in the day during the pandemic.

Future of the business

The business is slowly picking up:

"A couple of clients that had I done work for previously just before the lockdown came back to me and asked if I was still operating and would like more work."

Billy would like to keep the business going but may find it difficult given the slow recovery of the economy.

Case study 6 - Lewis Kennedy, Founder, Talonmore Drinks Company Limited



Company background

Lewis, a recent graduate of the University of Dundee in Product Design decided to set up his own business in 2019, Talonmore Drinks Company Limited. The company provides a non-alcoholic spirit which has been created through a mix of rooted and plant-based ingredients and is unique in the sense that it uses brewing methods of manufacture, rather than distilling.

Challenges during COVID-19

Lewis set up his business during the pandemic and because this is his first business, he knew no different (i.e. pre-COVID environment for start-ups). He feels that the only challenge that he faced in setting up his business during the pandemic was that:

“It might have slowed us down a little bit with recipe development, just because when there were lockdowns or there was an outbreak in different cities, certain production sites weren't able to function. We work with about 12 different suppliers so you know you've got to rely on those suppliers, the recipe developers and production.”

Financial support and experience

As the company was new and had no records of profit, trade, customers, growth etc. there was very little financial support that was applicable in supporting Lewis and he was very wary of the loans on offer:

“We weren't able to apply for much due to when we started the company and when we started trading, which was unfortunate.”

During the pandemic he preferred to enter competitions such as Converge and the Scottish Edge. Lewis was then introduced to venture capitalists in London and one venture capitalist took the idea

of Lewis's company on. Lewis was keen on hybrid venture capital and was able to raise a substantial amount of money over the past year:

"I think consumer behaviour has changed and we've spent a lot of that money not only producing our stock in making sure that the quality of everything is as high as possible, but that money has helped us digitally learn about the new audience and the new consumer focus that is out there now."

Lewis also spoke to many individuals and agencies such as Business Gateway, Scottish Enterprise, Chambers, University of Dundee, the Centre for Entrepreneurship etc. and stated that the first year was all about meetings and networks where everyone was like a "massive chain of connections."

Future of the business

Lewis has a board of directors and a large group of advisors who have been very supportive of the business and of Lewis. He also feels ready to take on loans and take some risks for the business as ideally:

"In six months I think we will still be continuing to grow that B2C chain and then in two years I see us working with a larger company...probably a part acquisition."

He urged the government to think about setting up support for individuals in his position when starting a business and offered the idea of 'Universal credit for SMEs.'

Case study 7 - Mukesh Moorjani, Chief Executive Officer, Platinum Informatics Ltd.

Company background

Mukesh's career has spanned over 25 years with a track record of international leadership in the life sciences sector, with extensive experience in medical devices, diagnostics and early-stage discovery for precision medicine-based therapies. Platinum Informatics is a University of Dundee spin-out company focusing on how Informatics tools and AI can transform discovery for new cancer therapies. Mukesh was introduced to Platinum Informatics Ltd in 2018 where his commercial expertise was required for the company to become a spin-out. He became the Director in 2018 and the CEO in May 2019. Mukesh, like many successful companies invested his own money into the venture. Platinum Informatics Ltd provide cloud-based laboratory informatics tools that combine Laboratory Information Management and an Electronic Lab Notebook with Big Data Analytics.

Challenges during COVID-19

Mukesh came on board and said:

"I started another line of business within that within the company in order to help fund the development of the future software tools. And then we were hit by COVID."

This was just one of many challenges that the company faced when the pandemic hit the UK in March 2020. Mukesh highlighted that there were two main challenges: the first was 'people' - expertise and knowledge from the original team that was hired for the software development was proving unsuccessful and the second, the revenue from research commission stopped given the environment. Furthermore:

"Obviously everybody went into lockdown, so all of those types of contracts are milestone based and you can't deliver the milestone if nobody is able to access labs and do the work so that put us in a very challenging situation financially."

Financial support and experience

Mukesh's main concern was how to get funding and how to accelerate cash into the business:

"Initially I looked to support the expansion through a director's loan which invention converted into equity... but it became clear that it was not going to be enough."

In May 2020, Mukesh applied for a Bounce Back Loan and stated that it was a relatively straightforward process and he had already secured an overdraft loan. He also took advantage of the Furlough Scheme and he was fortunate to have a board of directors and a non-executive chair – people he feels have supported and helped him keep the business from collapsing.

However, there were loans and grants that he could not apply to as the 'milestones' he previously mentioned could not be met given the current environment. The first summer was very challenging for the company but after a lengthy application Mukesh was awarded an Early Stage Grant Challenge Fund and also a further grant to develop software:

"I was really glad they came up with the Early Stage Challenge Fund. Without that, companies like mine would have gone under."

The money was mainly used for employee and staffing costs to ensure the company could continue with developing software and it also allowed Mukesh to employ two further people.

Mukesh was also sceptical of enterprise agencies who were of little help. He felt that these types of organisations did not understand high growth ventures but luckily he was connected with the right person in Scottish Enterprise who was able to support him and the company.

Future of the business

Mukesh has completed a project for just over £1 million (on the research side) and is now waiting for a sign off for a software development project (which was financed with the research project income). He is also working with a partner company who he can support and contract the technical side of the business to. The most immediate challenge at the moment is:

“How do we move forward?”

In six months' time he would like to have secured further investment which will be used as a spring board to create jobs and within the next five years the plan is to have an exit strategy.

Mukesh has stated that those in the entrepreneurial ecosystem need to understand the challenges of spinning out of a university and how the funding elements work for such spinouts. He rightly so argues that the support landscape is complex.

Conclusion and recommendations

Overview

This final section summarises the experiences that SMEs faced in accessing COVID-19 funding. Key lessons are then highlighted, covering both the positive and negative aspects of the response to the pandemic. From this, several recommendations are provided for consideration as the Scottish Government, public agencies, and their partners, look forward to economic recovery. Finally, several calls for further evidence are made to support the Scottish Covid-19 Inquiry into the strategic handling of the pandemic.

Summary of experiences

This introductory research report set out to investigate the experiences of SMEs with regards to accessing COVID-19 funding. To do this, we explored the availability of funds, their strategic purpose, who they targeted, how they were delivered, and what their impact was. Through a desk-based analysis of 102 different COVID-19 related funding initiatives, interviews with 10 enterprise support organisations, and seven case studies of SME owners' experiences, we identified different experiences that SME owners faced. The key highlights include:

- Most of the funding was aimed at preserving the SME base, keeping businesses solvent and people in jobs. A significantly less proportion of funding was aimed at recovery and innovation. Several support organisations highlighted a third approach which complemented the funding availability with wrap-around support services.
- A significant proportion of funding was provided to social enterprises, third sector organisations, health, and care providers to enable their work in communities supporting mental health, food distribution, physical health, housing, financial support, and employment.
- A significant proportion of specific funds was also targeted at the sectors hardest hit by the pandemic – cultural, hospitality, personal services, and travel and tourism.
- While most funding was distributed by public bodies, a substantial proportion was administered and delivered through networks of third sector partners. The support this

network of stakeholders provided seemed to be a valuable asset to the COVID-19 pandemic response.

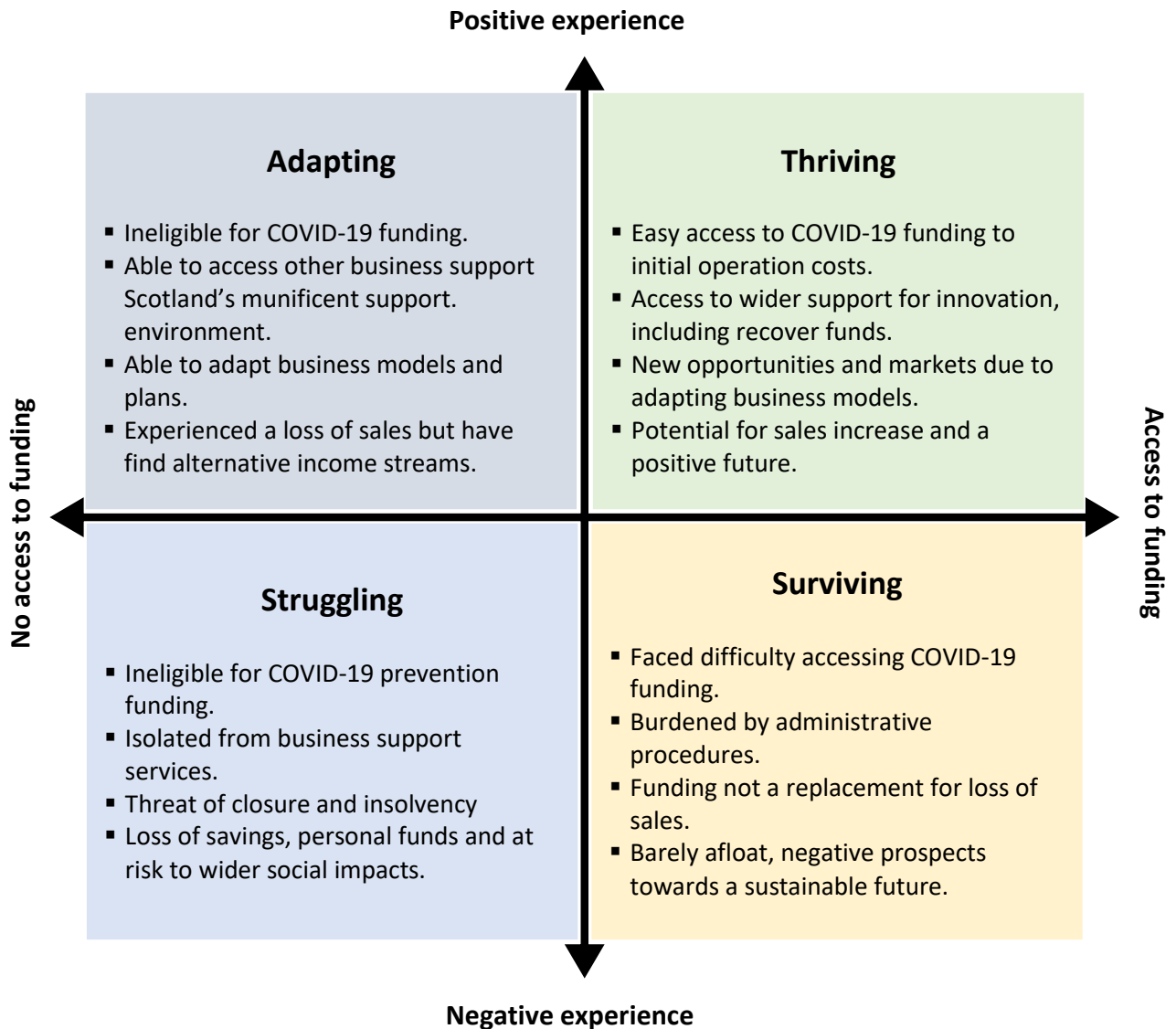
- Nearly all the funding committed by the Scottish Government in our sample was allocated to intended targets, with a strong overall approval rate.

Our exploration also highlighted the different experiences that SME owners faced during the pandemic. For SME access to COVID-19 related funding, it is possible to acknowledge four different categories (summarised in Figure 6):

1. Struggling – SMEs that were struggling were typically ineligible for any funding. Usually, those that had not been trading for long enough, unregistered business, and those which struggled to provide the administrative evidence that many funds required. These businesses were also typically isolated from other business support services, with many organisations focused on distributing COVID-19 funds at the expense of other support services. These businesses were threatened by insolvency, closure with many business owners losing savings and personal funds and were at risk of wider social implications such as issues with mental health.
2. Surviving – SMEs that were able to access some COVID-19 funding to keep them solvent. These businesses were typically severely impacted by the pandemic with a dramatic loss of income. They survived due to the funds available but faced difficulty with the administrative procedures of applications. Many SMEs were in ‘hibernation’ waiting for the pandemic to end so that they could resume trading, barely afloat through various government lifelines. These SMEs faced negative prospects about their future.
3. Adapting – SMEs that were unable to access funds but were able to access support from wider organisations. These were typically young businesses in certain sectors that were well supported – or business owners that had extensive support networks and were well linked with providers, such as Chambers of Commerce. They were able to adapt business models to find alternative income streams to adapt and survive.
4. Thriving – these SMEs typically had a positive experience with easy and quick access to COVID-19 funding. Initial funding was received to help with operational costs when the pandemic first hit but they were also able to access wider recovery funding and support to

innovate, adapt business models, and recognise new opportunities and markets. These businesses have a positive future.

Figure 6: SME funding experiences during the COVID-19 pandemic



Lessons learned

- The success of the preservation funds can be attributed to collaborative governance (joined-up approach between networks of public agencies, local authorities and third sector organisations).
- Scotland is fortunate to have such a vibrant ecosystem of SME support in which many private and third-sector organisations were able to provide additional support – beyond funding –

which contributed to the preservation and recovery of SMEs. It is important to consider how to maximise this potential.

- Efforts to innovate and recover have been somewhat put aside. New businesses attempting to respond to changing market demands due to the pandemic have been somewhat neglected from support.

Recommendations

- with respect to recovery – making sure SMEs in all sectors are incentivised to innovate and grow is important. A narrow focus on certain sectors, with businesses with specific attributes, will lead to another reactive focus on preserving SMEs during the next pandemic or crisis.
- The long-term sustainability of many SMEs in the hardest hit industries is precarious. It is important not to leave these SMEs behind moving forward when the public narrative turns from preservation to recovery, innovation and growth.
- Joined-up approaches, with collaborative and shared governance arrangements, appear to be the best means to achieve long-term sustainability and recovery. Focusing on the wrap-around support which can be delivered by multiple organisations and agencies should be a predominate position going forward.
- Ensure that networking is appropriate in terms of business life cycle, sector specific, funding required and after-care.
- Provide seed funding for those SMEs who were ineligible but were trading.

Call for further evidence

- The Figures in part 1 are approximates, and there is a need to continue reporting on up-to-date accurate figures on pandemic spending. There is also a need to provide detailed breakdowns of the allocation of funding to understand who received funding, in what contexts, and why.
- Understanding more about the impact of various initiatives, across the short- and long-term, through impact evaluations is important. However, these evaluations need to take account

of context and specificity in the design and delivery of initiatives to attribute key lessons, as opposed to merely reporting 'results.'

- Further consideration should be given to wider evaluation of initiatives to understand what initiatives and incentives can play a greater role in the recovery post-pandemic. Evaluation synthesis of large bodies of evidence can help to achieve this.
- It is important to work together with the grassroots support organisations who play vital linkage roles between government agencies and the SME base.

Acknowledgements

We would like to thank the participants of this study – the entrepreneurs who took part as the case studies and the enterprise support organisations. Everyone gave up valuable time to the study and shared their experiences and knowledge with us.

We would also like to thank Panagiotis Kyriakopoulos and Victoria Chukwudum who assisted us in collecting and analysing the data.

Appendices

Appendix 1: List of COVID-19 funding initiatives included in our sample

Table 6: Summary of COVID-19 funds included in our sample

Fund	Fund purpose	Target Sector	Distribution body	Fund size
Aquaculture Hardship Fund (September 2020)	Loss of sales	Agriculture	Marine Directorate, Scotland Scottish Government	£3,000,000
Bed and Breakfast Hardship Fund (July 2020)	Inclusive	Hospitality	Local Authorities	£3,000,000
Business Rates Relief	Rates relief	All sectors	Local Authorities	£972,000,000
Business Ventilation Fund	Health, safety & care	Creative and cultural; Hospitality; Personal services; Travel and tourism; Professional services	Local Authorities	£25,000,000
Campervan and Motorhome Rental Operators Fund (March 2021)	Stay in business	Hospitality	Visit Scotland	£1,000,000
Community and Third Sector Recovery Programme	Community	Social, health and care	SCVO	£40,000,000
Community and Third Sector Recovery Programme - Adapt and Thrive Programme (July 2021)	Community	Social, health and care	SCVO	£25,000,000
Community and Third Sector Recovery Programme - Enabling Neighbourhoods and Communities Fund (February 2021)	Community	Social, health and care	Corra Foundation	£1,000,000
Community Response Recovery and Resilience Fund (February 2021)	Community	Social, health and care	Foundation Scotland	£7,000,000
Contingency Fund nightclubs and soft play centres (December 2020)	Loss of sales	Hospitality	Local Authorities	£11,000,000
Coronavirus (COVID-19): funding for brewers, travel agents and indoor football centres	Rates relief	Manufacturing and construction; Hospitality; Travel and Tourism	Local Authorities	£7,300,000
Coronavirus Resilience and Recovery Fund for Legal Aid (March 2021)	Loss of sales	Professional services	Scottish Legal Aid	£6,700,000
Coronavirus Scottish Zoo and Aquarium Animal Welfare Fund (March 2021)	Health, safety & care	Agriculture	Scottish Government	£2,500,000
COVID-19 Business Improvement District Resilience Fund	Community	All sectors	Scottish Government	£1,000,000
COVID-19 Cancellation Fund for Creative Freelancers	Loss of sales	Creative and cultural	Creative Scotland	£10,000,000
COVID-19 Cancellation Fund for Cultural Organisations	Loss of sales	Cultural and cultural	Creative Scotland	£25,000,000
COVID-19 Marine and Outdoor Tourism Restart Fund Round 2 (September 2021)	Stay in business	Travel and Tourism	Visit Scotland	£800,000
Covid-19 Residential Outdoor Education Centre Recovery Fund	Stay in business	Social, health and care	YouthLink Scotland	£2,000,000
COVID-19 Self-Catering Business Grant (January 2021)	Inclusive	Hospitality	Local Authorities	£1,000,000
Creative Communities (August 2020)	Community	Creative and cultural	Inspiring Scotland	£900,000
Creative Scotland Open Fund - Sustaining Creative Development	Innovation	Creative and cultural	Creative Scotland	£7,500,000
Creative Scotland Open Fund for Individuals - Sustaining Creative Development	Innovation	Creative and cultural	Creative Scotland	£5,000,000

Creative, Tourism and Hospitality Enterprises Hardship Fund (May 2020)	Stay in business	Creative and cultural; Travel and Tourism; Hospitality	Scottish Enterprise, Highlands & Islands Enterprise, South of Scotland Enterprise	£20,000,000
Culture Collective Fund (December 2020)	Innovation	Creative and cultural	Creative Scotland	£1,500,000
Culture Organisations and Venues Recovery Fund (September 2020)	Protect jobs	Creative and cultural; Travel and Tourism; Hospitality	Creative Scotland	£15,000,000
Culture Organisations and Venues Recovery Fund: Round 2 (June 2021)	Protect jobs	Creative and cultural; Travel and Tourism; Hospitality	Creative Scotland	£25,000,000
Days Out Incentive Fund (October 2021)	Stimulate	Travel and Tourism	Visit Scotland	£4,000,000
Early Stage Growth Challenge Fund (July 2020)	Innovation	Technology and science	Scottish Enterprise	£25,000,000
Emergency loan funding for SME housebuilders (June 2020)	Protect jobs	Manufacturing and construction	Scottish Government	£100,000,000
Events Industry Support Fund 2 (February 2021)	Stay in business	Hospitality; Personal services	Visit Scotland	£3,900,000
Events Top-Up Funding	Loss of sales	Hospitality; Personal services	Visit Scotland	£19,800,000
Exclusive Use Grant (April 2021)	Loss of sales	Hospitality	Local Authorities	£7,000,000
Grassroots Music Venues Stabilisation Fund Round 1	Stay in business	Creative and cultural	Creative Scotland	£2,200,000
Grassroots Music Venues Stabilisation Fund Round 2 (February 2021)	Stay in business	Creative and cultural; hospitality	Creative Scotland	£2,200,000
Hardship Fund for Creative Freelancers (March 2021)	Stay in business	Creative and cultural	Creative Scotland	£9,000,000
Hospitality and leisure: Business Support Top Up	Loss of sales	Hospitality	Local Authorities	
Hospitality: Business Support Top Up	Loss of sales	Travel and Tourism; Hospitality	Local Authorities	
Hostel COVID-19 Business Support and Continuity Fund - Strand 1 and 2 (March 2021)	Stay in business	Travel and Tourism; Hospitality	VisitScotland	£2,800,000
Hotel Support Programme (September 2020)	Protect jobs	Travel and Tourism; Hospitality	Scottish Enterprise, Highlands and Islands Enterprise, South of Scotland Enterprise and VisitScotland	£14,000,000
i-Con COVID Challenge Fund	Innovation	Manufacturing and construction	Construction Scotland Innovation Centre	£250,000
Inbound Operator Collaborative Marketing Fund (October 2021)	Stimulate	Travel and tourism	VisitScotland	£1,500,000
Independent Cinema Recovery and Resilience Fund (September 2020)	Stimulate	Creative and culture; Hospitality	Creative Scotland	£3,500,000
Large Self-Catering Grant (April 2021)	Loss of sales	Hospitality	Local Authorities	£3,028,000
Legal Aid Business Support and Recovery Fund (August 2021)	Stay in business	Professional services	The Scottish Government	£6,795,599
Local Authority Discretionary Fund	Stay in business	All sectors	Local Authorities	£120,000,000
Low Carbon Energy Project Capital Funding (November 2020)	Stimulate	Technology and science	Enterprise Agencies	£50,000,000
Marine and Outdoor Tourism Restart Fund: Round One (February 2021)	Stay in business	Travel and tourism	Visit Scotland	£4,000,000
Marine and Outdoor Tourism Restart Fund: Round Two	Stay in business	Travel and tourism	Visit Scotland	£800,000
Marine Scotland Sea Fisheries Hardship Fund (January 2021)	Stay in business	Agriculture	Scotland Government	£3,000,000
Mobile And Home Based Close Contact Services Fund (March 2021)	Loss of sales	Personal services	The Scottish Government	£60,000,000
Museums Galleries Scotland Digital Resilience COVID-19 Fund (August 2020)	Innovation	Creative and cultural; Hospitality	Museums Galleries Scotland	£115,000

Museums Galleries Scotland Recovery and Resilience Fund (October 2020)	Stay in business	Creative and cultural; Hospitality	Museums Galleries Scotland	£4,000,000
Museums Galleries Scotland Recovery and Resilience Fund Round 2 (February 2021)	Stay in business	Creative and cultural; Hospitality	Museums Galleries Scotland	£1,000,000
Museums Galleries Scotland Urgent Response COVID-19 Fund (August 2020)	Stay in business	Creative and cultural; Hospitality	Museums Galleries Scotland	£700,000
Newly Self-Employed Hardship Fund (July 2020)	Stay in business	All sectors	Local Authorities	£11,300,000
Newly Self-Employed Hardship Fund 2 (March 2021)	Stay in business	All sectors	Local Authorities	£34,600,000
Nightclub Closure Fund	Loss of sales	Hospitality	Local Authorities	
Performing Arts Venue Relief Fund (August 2020)	Stay in business	Creative and cultural; hospitality	Creative Scotland	£12,500,000
Performing Arts Venues Relief Fund: Round 2 (June 2021)	Stay in business	Creative and cultural; hospitality	Creative Scotland	£12,000,000
Pig Producers Hardship Support Scheme (September 2021)	Loss of sales	Agriculture	Scottish Government	£715,000
Pivotal Enterprise Resilience Fund (May 2020)	Stimulate	Other	Scottish Enterprise	£90,000,000
Pivotal Event Businesses Fund (January 2021)	Stay in business	Creative and Cultural, Hospitality, Travel and Tourism	VisitScotland	£19,000,000
Public House Table Service Restrictions Fund	Innovation	Hospitality	Local Authorities	
Retail Hospitality and Leisure Support Grant (July 2020)	Rates relief	Hospitality	Local Authorities	
Scotland Coach Operators COVID19 Business Support and Continuity Fund - strand 2 (June 2021)	Stay in business	Travel and tourism	Visit Scotland	£1,600,000
Scotland Coach Operators Covid-19 Business Support and Continuity Fund (February 2021)	Stay in business	Travel and tourism	Visit Scotland	£10,000,000
Scotland Tour Operators Fund - COVID-19 (March 2021), includes Scotland Day Tour Operators and Scotland Inbound Tour Operators funds	Stay in business	Travel and tourism	VisitScotland	£12,000,000
Scotland's Tour Guides Fund (March 2021)	Stimulate	Travel and tourism	VisitScotland	£3,000,000
Scottish Country Sports Tourism Restart Fund (March 2021)	Stay in business	Travel and tourism	VisitScotland	£1,000,000
Scottish Wedding Industry Fund (February 2021)	Protect jobs	Personal services	South of Scotland Enterprise, Scottish Enterprise and Highlands and Islands Enterprise	£25,900,000
Scottish Wedding Industry Fund	Loss of sales	Personal services	Highlands and Islands Enterprise, Scottish Enterprise or South of Scotland Enterprise	£25,000,000
Scottish Wholesale Food and Drink Resilience Fund	Stay in business	Wholesale and retail	Scottish Government	£15,000,000
Scottish Wholesale Food and Drink Resilience Fund (December 2020)	Loss of sales	Wholesale and retail	Scottish Government	£15,000,000
Screen Hardship Fund (March 2021)	Loss of sales	Creative and cultural	Screen Scotland and Creative Scotland	£17,000,000
Screen Scotland Bridging Bursary Programme (June 2020)	Stay in business	Creative and cultural	Creative Scotland and Screen Scotland	£1,500,000
Seafood Producers Resilience Fund (April 2021)	Loss of sales	Agriculture	Marine Scotland	£6,450,000
Self Isolation Support Grant	Loss of sales	All sectors	Local Authorities	
Small Business Bonus Scheme	Rates relief	All sectors	Local Authorities	
Small Business Support Grant (July 2020)	Stay in business	All sectors	Local Authorities	£1,020,000,000

Social Care Workforce Payment (August 2021)	Protect jobs	Social, health and care	Shared Lives schemes	£180,000,000
Strategic Framework Business Fund (March 2021)	Loss of sales	All sectors	Local Authorities	£40,000,000
Support for Business Water and Sewerage Bills (June 2020)	Rates relief	All sectors	Water supply providers	£60,000,000
Support for Indoor Football Centres (March 2021)	Loss of sales	Hospitality	Local Authorities	£7,300,000
Support for Small Accommodation Providers Paying Council Tax Fund (SAP-CTF) (March 2021), formerly called Support for Bed and Breakfasts Paying Council Tax Grant	Loss of sales	Hospitality	Local Authorities	£8,800,000
Support for Travel Agents (March 2021)	Stay in business	Travel and tourism	Local Authorities	£7,300,000
Sustainability Certification Scheme Fund for Tourism Recovery	Stimulate	Travel and tourism	Visit Scotland	£75,000
Taxi and Private Hire Driver and Operator Support Fund 2022	Loss of sales	Travel and tourism	Local Authorities	£28,000,000
Taxi and Private Hire Driver Support Fund (March 2021)	Stay in business	Travel and tourism	Local Authorities	£28,000,000
Temporary Restrictions Fund for Childcare Providers (May 2021)	Loss of sales	Social, health and care	Local Authorities	
The Close Contact Services Fund	Loss of sales	Personal services	Scottish Government	£60,000,000
The National Lottery Community Fund - Scotland	Innovation	Social, health and care	Not announced	
The Scottish Brewers Support Fund	Loss of sales	Manufacturing and construction	Local Authorities	£1,000,000
The Scottish Food and Drink Producers Fund	Loss of sales	Manufacturing and construction	Scottish Government	£2,000,000
Third Sector Resilience Fund	Stay in business	Social, health and care	Firstport, Social Investment Scotland and Corra Foundation	£22,652,823
Top-up payments to licensed bingo clubs and casinos (March 2021)	Loss of sales	Hospitality	Local Authorities	£2,900,000
Touring Fund for Theatre and Dance (October 2021)	Stimulate	Creative and cultural; travel and tourism	Creative Scotland	£2,095,000
Tourism top-up funding	Loss of sales	Travel and tourism	Visit Scotland	£9,000,000
Transitional Support Fund for childcare providers (October 2020)	Health, safety & care	Social, health and care	Local Authorities	£11,200,000
Travelling Showpeople Fund (February 2021)	Loss of sales	Creative and cultural; travel and tourism	Corra Foundation	£1,500,000
Visitor Attractions Support Fund (February 2021)	Stay in business	Travel and tourism	VisitScotland	£10,000,000
VisitScotland Destination and Sector Marketing Fund (July 2021)	Stimulate	Travel and tourism	VisitScotland	£3,000,000
Wellbeing Fund (May 2020)	Community	Social, health and care	Councils, charities, businesses and community groups	£350,000,000

Appendix 2: Category definitions for strategic purpose of funds

Strategic purpose	Definition
Stay in business	Support to remain solvent during the pandemic.
Rates relief	Support for fixed business costs.
Community relief	Funds for organisations supporting the hardest hit people in certain communities
Loss of sales	Funds to make-up shortfalls in loss of sales due to covid regulations and restrictions.
Protect jobs	Funds to prevent employers from letting employees go.
Health & Safety	Help meet the costs of compliance for new health regulations.
Inclusive	Funds directed at people and businesses excluded from other funding initiatives.
Stimulation	Funds that look to stimulate sales and incentivise people to return to purchase from business.
Community Building	Funds for community organisation to develop new initiatives, come out of lockdown, and delivery wellbeing activities.
Innovation	Funds to explore new ways to work, creating new opportunities, and adapt business models.



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