

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON 26 FEBRUARY 2021 by MS TEAMS

Present: Lord Smith, Chair
Linda Hanna, Interim Chief Executive
Willie Mackie, Deputy Chair
Karthik Subramanya
Dr Poonam Malik
Professor Dame Anne Glover
Gavin Nicol
Dr Sue Paterson
Carmel Teusner
Peter McKellar

In Attendance: Jane Martin, MD Business Services and Advice
Carolyn Stewart, Chief People Officer
Douglas Colquhoun, Chief Financial Officer
Neil Francis, Interim MD, International
Kerry Sharp, Interim MD, Scottish Economic Development
Karen Hannah, Corporate Office
Irene Adams, Advisor

The Chair welcomed members to the meeting, and introduced Peter McKellar to his first meeting of the Board.

There were no new conflicts of interest declared.

STANDING ITEMS**1. Minutes of the meeting held on 04 December 2020 – SE(M)322**

The Minutes of the previous meeting were approved.

2. Matters Arising – SE(321)MA

The Matters Arising were reviewed and noted that all actions were underway.

3. Board Committee Updates/Minutes

- 3.1** Audit and Risk Committee, 30 November 2020 – SEAC(M)(20)04
- 3.2** Nominations and Governance Committee, 4 December 2020 – SEBNGC(M)42
- 3.3** Remuneration Committee, 4 December 2020 – SEBRC(M)47
- 3.4** Urgent Board Approval, 22 January 2021 – SEBUA(M)(21)01

The Minutes of the Committee meetings were noted.

4. Chairs Report

The Chair provided an update on progress of the SE CEO recruitment process.

The Nominations & Governance Committee had approved changes to Committee memberships: Gavin Nicol would take over as Chair of the Remuneration Committee and Peter McKellar would join as a new member. Peter would also join the Audit &

Risk Committee. Willie Mackie would join the Nominations and Governance Committee.

The Chair provided an update on recent meetings, which included a meeting with the Trade Unions and attendance at the Convention of the South of Scotland.

5. Interim Chief Executive's Report

Linda reflected on the Board discussions in October regarding the priorities, and of the focus over the past year with the pandemic response and focus on recovery. A key action was to engage with staff to ensure clarity on delivery of the priorities, budgets and changes to large grants. Linda provided an overview of the engagement over previous months, which included: Meet the Business sessions with staff; webinars on specific themes, such as the National Programmes, Future Ways of Working; and team talks; as well as the Winter Wellbeing campaign. Involvement of Board members in staff engagement sessions would be on-going and Linda thanked Willie for his contribution at a recent staff webinar, and highlighted that a webinar on Climate with Sue and Poonam was scheduled in March.

An update on prioritisation was provided, with the aim for investment to protect and create jobs, respond to Covid-19 and to look forward to recovery, with acceleration of large grants a key part. A new Capital Group had been established, with key operational leaders working together to deliver the capital approach.

Linda provided an update on engagement with the Scottish National Investment bank, advising that weekly operational meetings were being held and the referral process was working well.

The Scottish Investment Bank brand had been retired and rebranded as Growth Investments, and a great deal of work was underway to promote SE's role in early stage activity. Linda would involve Board members in helping with promotion.

Jane Martin provided an update on progress on the new business support model, approved by the Board in February 2020. Board members were reminded that the new model aimed to increase flexibility, deliver more digitally and to share insights and intelligence, with tools to reach and serve more businesses. Due to the focus on responding to Covid-19, the work had been delayed. Work was now ongoing to shift to the new model, involving over 200 staff members in the design, and engagement with 400 companies in user testing.

Staff consultations were due to begin in early March, with one-to-one discussions with colleagues to collate feedback. Grant scheme applications had been paused to streamline into one system which would be outcome focused rather than programme and product focused, and delivered on a calls basis, directed to specific economic outcomes. A high-level programme of communication with the marketplace was scheduled in March.

A core brief with key messages would be shared with Board Members.

In response to a question regarding decision-making on the focus of calls, Jane advised that the Board would be sighted through the Business Planning process and provided further detail on the calls-based approach.

Jane also provided an update on the Scottish Wedding Industry Fund which had closed the previous day, with 2,962 applications. Board approval would be required for additional funding.

Linda provided an update on discussions with the Cabinet Secretary.

An update was provided on Bifab. A four week due diligence process was underway and if successful, Board approval would be sought in April.

Linda also updated on the current position in relation to a site acquisition, advising that SE had now agreed the Option Terms with the company and will enter into the option contract by the end of February. Cabinet Secretary endorsement was being sought on the acquisition terms. Discussions with the inward investor on finalising their terms of acquisition were ongoing. The full business case would be brought forward to the Board for approval once Cabinet Secretary endorsement was received and finalised Heads of Terms finalised with the inward investor. This was anticipated in March.

Linda was pleased to advise that, following Board approval in December, negotiations with DSM were almost complete and had been approved through the company's decision-making board to progress for final board approval at the end of March.

Linda highlighted the positive press release in relation to Fintech.

Alan Maitland and Linda Murray joined the meeting for the following two items.

6. Finance Report as at the end of January 2021 – SE(21)02

Alan Maitland joined the meeting to provide an update on the financial results to the end of January 2021 (Period 10) and an update on the latest full year forecasts for the 20/21 financial year.

Alan confirmed that moving into the final quarter of the financial year, the budgets were balanced, however, there remained some volatility which had carried on into January, and Alan provided specific examples. More positively, the launch of the Wedding Fund had seen strong demand in excess of the original budget allocation.

There remained £154m to deliver in the final two months and this was being closely monitored.

The overall projected position across the funding streams was provided:

- Capital: the position had moved from £0.2m underspend to £6.3m underspend, with a Growth Investment exit scheduled for 31 March being the main driver. Options to allocate funding to other activities were being considered, however, the potential for slippage of deal created some challenges.
- Financial Transactions: £0.2m underspend
- Resource: the underspend position had increased from £0.5m to £3.6m, mainly attributable to the Hotel Programme and the Growth Investment exit.

The Board sought further information in relation to the Growth Investment exit, which Douglas Colquhoun provided.

The Board thanked Alan for the update.

7. Performance Report – SE(21)03

Linda Murray provided an update on the latest developments and activities which SE both leads on and delivers with Scottish Government and partner agencies in response to Covid-19 and economic recovery, and EU exit. The report also reflected SE's business as usual activities, with dashboards on finance, performance measures, corporate risk and people.

Following discussion at the previous Board Meeting, additional information had been included within the report to focus on jobs and SE's activities to support employment. The information presented included planned jobs paying at least the Real Living Wage broken down by region, sector and from FDI or indigenous. The total employment in companies supported by Covid-19 grants and other activity, such as sourcing PPE, was provided, however, it was explained that not all of the jobs would be included in the reported outcome measure, due to reporting and monitoring differences in definitions. And, finally, the jobs safeguarded through Business Resilience activities.

Linda provided an overview on Prepare For Brexit and the enquiries received over the festive period and throughout January, highlighting the common themes of enquiry in relation to exporting. The level of enquiries in relation to Covid-19 support remained much higher.

In December, conversations with 800 exporters had been held to understand how well prepared companies were for the EU exit. A similar exercise was underway with SE and partner agencies, speaking with 1400 to understand the real impacts and any additional compounding issues due to the Covid-19 restrictions. 165 responses had been received to date and the findings would be shared with the Board once further feedback had been received.

Work was ongoing with Scottish Government and partners to identify emerging issues to ensure that relevant information required by businesses was included on the website and social media.

In relation to performance measures, the latest position was included in the report and Linda highlighted that the R&D and Capex measures were forecast to exceed the target range, despite the challenging economic circumstances.

The Board discussed the jobs information in more detail and recommended further analysis to determine the number of jobs in relation to the number of companies supported.

8. One-Year Business Plan – SE(21)04

Susan Moore joined Linda Murray to present the proposed approach to developing Scottish Enterprise's 2021-22 Business Plan, including an outline of the key themes and main priorities, the proposed approach to developing a supportive performance framework, the engagement of colleagues in the Plan's development and an overview of key dates.

Linda reminded members that this was the final year of the Strategic Framework and the plan would reflect the previous year and commitments in the Economic Recovery Plan, the focus on building economic resilience, as well as shaping the future economy. The plan would also lay the foundations for the next 3-year plan for 2022 – 25.

Susan provided a summary of the work underway to consider the key priorities and how to deliver collaboratively across the organisation. The detail of the plan was being shaped with input from approximately 50 colleagues to test the language, tone and intent of the narrative. Divisional Operating Plans would also be developed to provide a line of sight to how individual teams contribute to the overall plan. A similar approach would be taken to develop the new 3-year plan. Work was also underway with the Scottish Government to ensure that SE's priorities reflected the Strategic Guidance letter in terms of Scotland's economic recovery.

A draft of the plan would be shared with the Board in early April, prior to presentation to the Board at the April Board meeting for final approval.

The Board commended the team on the paper and welcomed the approach. Points for further consideration included: inclusion of assessment of risk; development of a capacity and capability plan; articulation of partnership working required to deliver; and, clear narrative and communication on changes to delivery.

STRATEGIC DISCUSSION

9. National Programmes – SE(21)05

Stephen Ingledew and Derek Shaw presented an update on implementation of the portfolio of National Programmes which will help build Scotland's future economic opportunities. This followed on from the Future Economy and Strategic Opportunities paper endorsed by the Board in October 2020.

The paper outlined the seven National Programmes identified which support the restructuring of the future economy and which will deliver positive impact in the long term. Detail of the delivery, stakeholder engagement and next steps were provided.

Stephen advised that significant progress had been made, highlighting the approach to prioritisation and external stakeholder engagement.

The Board strongly supported the approach. Discussion focused on the importance of making asks of partners to leverage and maximise activity. The team was also asked to consider inclusivity in the approach to the digital economy and supply chain development. In response, Stephen outlined the facilitator role that SE could have with partners and stakeholders to contribute to outcomes. In terms of inclusivity, there were opportunities to use a cluster approach to bring together communities and sectors to be part of Team Scotland. Stephen also advised of work Scottish Government was undertaking in relation to supply chain opportunities, with learning taken from the response to Covid-19, and applying to public and private procurement.

Assurance was sought on delivery of the programmes in terms of management and influencing key dependencies. Derek confirmed that each programme would have a detailed programme plan which included identification of risk and dependencies and would feed into stakeholder engagement.

The Board thanked Stephen and Derek for the update and members welcomed the invitation to have a further one-to-one in-depth discussion on the programmes.

10. Net Zero Framework for Action – SE(21)06

Andy McDonald and Ewan Mearns joined the meeting to present this paper which set out the approach and specific actions being taken to ensure that Scottish Enterprise's response to climate change extends across all activities and operations.

Andy advised that following the Board's initial endorsement in February 2020, the Framework for Action had been refined with input from a cross-organisational Net Zero Working Group and the Board climate change Champions, Dr Sue Paterson and Dr Poonam Malik. This was a long-term approach, however, the Framework also detailed the key actions in the next 2 – 5 years.

Andy highlighted the advances in Scottish Government policy over the past year, as well as the opportunities arising from Covid-19 in relation to manufacturing and investment, and in international through the Trade Vision and National Investment Plan. Each of these were integral to the plan and COP26 was a crucial opportunity in terms of engagement.

The Board welcomed the Framework for Action and conveyed their continued support and endorsement. A question was raised regarding visibility and the potential for a website where businesses could access information on Net Zero. Ewan confirmed that work was ongoing with Scottish Government and partners on a business mobilisation agenda, which included the development of a website. Clarity and consistency of language was also raised, and it was acknowledged that while there were various titles used, e.g. climate opportunity, climate change, Net Zero was the global goal.

PROJECTS FOR APPROVAL

11. Change Request – SE(21)07

Michelle Kinnaird, Gail Duff and Craig Waterson joined the meeting to seek approval for a Change Request which sought to delegate the reprofiling of the outstanding loan capital and interest, to the Interim Managing Director of Scottish Economic Development. The reprofiling would enable Scottish Enterprise to further support the Company and Group through the unprecedented economic circumstances arising from the current COVID-19 pandemic and Brexit challenges, while also securing a commercially satisfactory outcome for SE at the current time. The team would revert back to the Board in April regarding the new position.

Michelle outlined the current issues faced by the Group and advised that negotiations were ongoing. Michelle also updated on discussions with Scottish Government.

The Board sought further information in relation to the provision in terms of the loan and Parent Company Guarantee.

The Board acknowledged the sensitivities and the risks outlined. The change request was approved.

12. West Riverside, Balloch – Flamingo Land Ltd – SE(21)08

Allan McQuade and Gillian Adam joined the meeting to seek approval to enter into binding conditional missives with Flamingo Land Ltd (FLL) over land extending to c.50 acres at West Riverside, Balloch in West Dunbartonshire for the purposes of a major tourism and leisure development. The disposal is under Section 8(1)(g) of the

Enterprise and New Towns (Scotland) Act 1990. Approval of the conditional sale agreement would allow SE to continue to support this significant inward investment opportunity and help to support the viability of an existing SE property asset.

Allan provided the background, highlighting the long-term intention to develop the land, originally planned as part of the Lomond Shores development. Flamingo Land's commitment to the development was outlined as well as the economic benefits to Lomond Shores.

Gillian outlined the positive engagement with Flamingo Land, highlighting the robust process and commercial approach taken to the land sale. Key milestones had been included within the contract to ensure the project remained on track, as well as obligations on an Inclusive Growth covenant.

In response to a question in relation to the opposition to the development, Allan provided further detail.

The Board noted the sensitivities, however, acknowledged the alignment with SE's role as an economic development agency. The conditional sale was approved.

13. Glasgow Science Centre – SE(21)09

Craig Watt joined Allan McQuade to present for approval cumulative capital expenditure of up to £5,500,000 including VAT towards remedial work to the building fabric of Glasgow Science Centre (GSC). Scottish Government had provided a ring-fenced capital allocation of £5.5m over 2020/21 and 2021/22 to cover this investment. The £5.5m included previously approved expenditure of up to £300,000 including VAT towards feasibility studies, professional fees and procurement costs. The works were required to allow GSC to continue its core educational purpose as a Science Centre and proposed under Section 8.1(a)(i) of the Enterprise and New Towns (Scotland) Act 1990.

Allan provided the background, advising that GSC was a wholly-owned subsidiary of Scottish Enterprise and outlining the scope of the work required. Previous discussions with GSC had resulted in a plan spanning 5 – 10 years to deal with the renewables work and a ring-fenced budget allocation of £5.5m had been provided by Scottish Government to begin this work.

Craig provided details of the work required, advising that COP26 was a significant driver, given GSC's central role in hosting the event. Governance of the project was also outlined.

The Board recognised that this was a short-term opportunity to complete the repair work required in advance of COP26. The team was asked to explore opportunities to reduce the carbon footprint of the building through the current works, including seeking sponsorship from private sector partners. A wider discussion on the business model and governance would be scheduled for a later date.

The grant was approved.

FOR INFORMATION

The following information papers were noted:

14. Legal Update – SE(21)10

- 15. Scottish Enterprise's Biodiversity Duty Report – SE(21)11**
- 16. Economic Commentary – February 2021 – SE(21)12**
- 17. Approvals within Delegated Authority – SE(21)13**
- 18. Testimonials and Complaints – SE(21)14**
- 19. Forward Events and Summary of Events in the past two months – SE(21)15**

ANY OTHER BUSINESS

Strategic discussions: Linda Hanna proposed the adoption of a series of in-year strategic discussions relating to the 3-year plan, as opposed to holding a one-day strategy session in October. A paper would be brought to the next meeting of the Board in October with further details.