

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD IN ON 28 AUGUST 2020 BY SKYPE

Present: Lord Smith, Chair
Steve Dunlop, CEO
Willie Mackie, Deputy Chair
Karthik Subramanya
Dr Poonam Malik
Professor Dame Anne Glover
Gavin Nicol
Dr Sue Paterson
Carmel Teusner
Melfort Campbell OBE

In Attendance: Jane Martin, MD Business Services and Advice
Linda Hanna, MD Scottish Economic Development
Charlie Smith, Director of SDI, Group Head of Strategy and Technology
Carolyn Stewart, Chief People Officer
Douglas Colquhoun, Chief Financial Office
Stuart Fancey, Scottish Funding Council
Kevin Quinlan, Scottish Government
Celeste Wilson, Scottish Government
Jessie Laurie, Scottish Government
Karen Hannah, Corporate Office
Elaine Woods, Corporate Office
Irene Adams, Advisor

STANDING ITEMS:

- 1. Minutes of the Board Meeting held on 26 June 2020 – SE(M)318**
- 2. Minutes of the Board Meeting held on 15 July 2020 – SE(M)319**

The Minutes of the previous meetings were approved, subject to one minor amendment.

- 3. Matters Arising - SE(318)(MA)**

There were no matters arising for discussion.

- 4. Board Committee Updates/Minutes**

**4.1 SE Board Audit & Risk Committee meeting held 13 July 2020-
SEBAC(M)(20)02**

4.2 SE Board Audit & Risk Committee Annual Report 2019/20 – SE(20)46

**4.3 Minutes of the Board Approvals Committee meeting held on 22 July 2020 –
SEBAPC(M)(20)01**

The Board noted the Audit & Risk Committee Minutes and Annual Report and the Board Approvals Committee minutes.

Willie Mackie provided a summary of discussion from the Audit & Risk Committee held on 24 August, highlighting the audits undertaken which had been Graded 2. The Committee had commended the operational teams on their performance on the grant programmes delivered in response to Covid-19, recognising the pace and quality of delivery.

Willie raised a new corporate risk which had been added to the risk register. The Board had a detailed discussion on the risk and agreed next steps.

5. Chair Report

The Chair welcomed Jessie Laurie and Celeste Wilson, Scottish Government to the meeting.

Lord Smith provided an update on recent meetings and engagements.

One to one appraisals for Board members were in the process of being arranged and a Board Effectiveness Survey would be circulated to Board members in due course.

6. CEO Report

Steve Dunlop highlighted that Ivan McKee, MSP had reported to Parliament earlier in the week and had emphasised SE's continued contribution to Life Sciences.

Steve advised that SE was due to report to the Parliamentary Committee on 22 September, alongside HIE, SOSE and COSLA to report on the response to Covid-19.

Alan Maitland and Linda Murray joined the meeting.

7. Finance and Performance Report as at end of July 2020 - SE(20)47

Alan Maitland joined the meeting to provide an update of the financial results to the end of July 2020 and an update on the latest full year forecasts and proposed allocations for the 2020/21 financial year.

Alan advised that the position was similar to that reported at the last meeting and outlined the deficits on the capital and resource budgets. The additional Scottish Government funding allocation for the PERF, Hardship, Hotel Programme and Early Stage funds were now included within the figures.

The Board was asked to approve a rebase of the budget which would allow for a reset of the figures and to move forward from the updated position.

Alan provided a breakdown of the current position across the three budget headings and highlighted the risks in relation to Income and the lack of sight of specific SIB deals. In the past week a few deals had started to emerge, however, there was still some way to go to these reaching a final stage. In relation to property, three deals were underway and had not yet concluded.

A decision was awaited from Scottish Government on the bids made for additional funding.

In summary, there still remained a number of uncertainties and the following 2 – 3 months were critical in terms of securing the necessary income and to monitor whether the natural slippage on expenditure would be crystallised. Should these elements not

be realised, next steps would include reviewing the back-end loaded expenditure to identify activities which could be deferred into the next financial year.

2021/22

Alan provided a summary of the budget position for the following financial year, assuming a flat-cash position, and highlighted the constrained position on C-del and R-del.

Douglas updated on discussions with the Scottish Government and advised that an uplift had been achieved for the Economy portfolio for the next 5 years, however, it would be at least another month before the details of any allocations would emerge. Douglas also highlighted further funding which SE may be able to access in relation to green jobs, manufacturing etc., and further detail was awaited from Scottish Government to enable SE to identify and align a portfolio of projects which would be eligible.

The Board approved the rebase of the budget.

8. Performance Report as at the end of July 2020 - SE(20)48

Linda provided a summary of performance to end July 2020. The report outlined Covid-related activity, as well as providing standard dashboards on measures, finance and corporate risk. Linda highlighted the dashboards showing the latest position on Perf and Hardship funds, the Early Stage Growth Challenge Fund and Hotel Programme. The report also included examples of how the dynamic dashboard element might look in relation to National Companies, and this was in development. Additional information had been included on sectors which had been most greatly impacted by Covid. A refreshed pan-agency approach to look at implications of Brexit on companies was underway with other agencies and Scottish Government.

An update on performance to date on business as usual activities was provided. In relation to measures, Linda reminded the Board that no target ranges had been published for the current financial year due to the focus on the Covid response. However, the paper gave an indication of the year-end position, with final out-turn figures against the previous year for comparison, which showed a downturn, which was expected given the circumstances. The Finance dashboard reflected the position reported under the Finance Report and the People dashboard included a section on the latest Covid related absences and outlined how SE continued to support staff.

Linda highlighted that an additional risk had been included in the Corporate Risk Register.

It was recommended that further detail would be helpful in relation to the top 5 risks and Linda agreed to incorporate into future reports.

The Board thanked Linda for the update and commented on the style and content of the report.

9. Change Management Board – SE(20)59

Linda presented the purpose and remit of the Change Management Board, outlining the overall aim to drive change activities for the benefit of the business and customers, to enable SE to provide the right services and improve internal processes to respond at pace. Linda updated on progress to date since the establishment of the Change

Management Board in March, including: developing change governance to provide a robust and consistent framework to develop and manage change across the business; establishment of a Change Portfolio Office; and, development of a change lifecycle process which complements the existing project lifecycle.

Linda outlined membership of the Change Management Board which included representatives from across the business. Work was underway to test with colleagues and to develop communications to build understanding among staff.

STRATEGIC DISCUSSION

10. Context for Board Strategy Session – SE(20)49

Jane Martin and Charlie Smith provided an overview of the key inputs and considerations for the Board Strategy session scheduled for 6 and 7 October.

Jane provided the context relating to the intensive programme of work being undertaken to review and deliver change to how SE delivers, particularly in the area of business support. Discussion at the Board Strategy session would provide more detail and provide an opportunity to explore different options, learning lessons from other regions and countries, and present scenarios for Board input.

Charlie outlined the other areas of focus for discussion at the Strategy session, which included in-depth discussion on the core pillars, future opportunities for indigenous and organic growth across Scotland and the future state on resources, as well as the key enablers and thematic challenges.

Charlie introduced the next agenda item, which would provide the Board with an understanding of the new approach to Inward Investment, to enable further discussion at the Board Strategy session.

11. Inward Investment Strategy

Kevin Quinlan outlined the process of co-invention of the Inward Investment Plan, highlighting the step change in terms of policy conducive to attracting investment.

Mark Hallan joined the meeting to provide an overview of the Inward Investment Strategy. Mark outlined the background to the work to develop the Inward Investment Plan with a focus on a fresh approach to the attraction of FDI, highlighting the partnership approach between DITI and SE and involvement from partners, Highlands and Islands Enterprise, Skills Development Scotland and Scottish Funding Council. The future approach and ambition were outlined, to maximise direct and indirect benefits, to attract different types of FDI and maintain Scotland's top position for FDI performance.

Mark took Board members through the approach which had a more strategic focus on a smaller number of sectors to identify opportunities that would generate maximum economic impact for Scotland. Mark detailed the nine key areas of opportunity which would form the basis of the Inward Investment approach, which had been identified as those which would provide genuine competitive advantage, would meet the global opportunity, and generate high FDI projects with high direct and indirect benefits for Scotland.

The next steps and implications for SE were outlined. Mark confirmed that the Inward Investment Plan was scheduled to be published in early October.

The Board discussed the importance of linking sector-based and regional prospectuses with individual inward investment opportunities in companies. The need for a joint systems approach was also recognised and it was acknowledged that the Action Plan was the first step to achieving this. Linda Hanna detailed other areas of activity underway which would link with this approach, such as future economic opportunities, cluster-building and regions.

The Board were very supportive of the approach.

12. Covid-19 Update

12.1 Update from CEO

Steve Dunlop highlighted the focus on economic recovery, however, acknowledged that challenges remained in relation to the continued efforts towards the covid-19 response, as well as further challenges in relation to Brexit.

12.2 Update from Scottish Government

Kevin Quinlan advised that the Programme for Government was scheduled to be published the following week, and reiterated the continued challenges of Covid-19 and Brexit.

12.3 PERF/Hardship

Jane confirmed that delivery of the PERF and Hardship Funds had concluded and awards had been published on the SE website. The final outturn position was £121.8m paid out in PERF and £23.5m for Hardship, therefore in excess of £145m paid out to companies. The lessons-learned exercise was now concluded, and the report would be completed in the next week or two and shared with the Board either at the next meeting, or circulated off-line.

The most significant lesson was the decline process and keeping lines of communication open, with a clear explanation of the reason for the decision. A number of complaints had been received in relation to the process and, or decision. This had been managed proactively and would be included in the next Complaints Report.

Jane acknowledged the Internal audit and Audit Scotland assurance and commented that the real-time audits throughout the process had been beneficial in ensuring that risks and compliance were managed.

12.4 Hotel Support Programme – SE(20)58

Jane Martin provided an update on the Hotel Support Programme which would be jointly delivered by Scottish Enterprise, Highlands and Island Enterprise, South of Scotland Enterprise and Visit Scotland as part of the Scottish Government's response to the Covid 19 crisis. SE Board approval was sought for the delivery of the Funds up to a maximum of £14m. Jane advised that the funds would flow to the three agencies, and it was not anticipated that SE would ultimately invest this amount directly. The final split across the agencies was still to be determined.

Jane outlined the delivery approach and the strong partnership working between Scottish Government and the agencies to deliver at pace. The paper set out the eligibility and prioritisation linked with safeguarding employment in the medium term, highlighting the seasonality of the sector.

In response to a question regarding eligibility, Jane confirmed that an analysis had been undertaken on the hotels in Scotland which were likely to meet the criteria and undertook to cross-reference with the strategic companies list.

The Board approved delivery of the funds.

12.5 Early Stage Fund – SE(20)60

Kerry Sharp joined the meeting for this item. Linda Hanna provided introductory comments, highlighting that an update on the progress of the Early Stage Growth Challenge Fund would be provided, as well as Board approval sought to disapply the principle of cumulation for the ESGCF.

Kerry updated that 199 applications had been received to the challenge fund, which was in line with expectations. As expected, the number of applications had reduced through the validation and information checking stages due to ineligibility or quality of the information provided. Currently, there were 174 applications going through appraisal, many of which had already been completed. A review of gradings and decisions on approvals and declines would be carried out the following week to ensure consistency of decision-making.

New-new applications had been of a lower quality than other applications and analysis would be carried out on those applications at the end of the process to try to understand whether any alternative support for those companies was needed.

Analysis to date identified that the main reasons for failure of applications was due to ineligibility. Opportunities covered a range of sectors with peaks in Technology, Engineering, Life Sciences and Low Carbon. Analysis per local authority had also been undertaken and was reflective of the current market, with a good spread across local authorities and greater numbers within Edinburgh, Glasgow and Aberdeen which was also reflective of the investment market.

The process was on track with the timeline announced by the Cabinet Secretary, with decisions on companies to be approved by Friday 4th September and offer letters to reach companies week commencing 7 September.

Following a question regarding independent input to the process, Kerry confirmed that investor panels had been established, represented by 35 – 40 investors, aligned with the Appraisal Team, which had provided input and feedback, and had been particularly beneficial for the new-new cases. For those cases where there was a viable proposition, but scoring would not lead to an award, discussions were underway with the account manager teams or Financial Readiness with regards to any support that could be provided.

The Board congratulated the team on the progress made and approved the proposal to disapply the principle of cumulation for the ESGCF.

12.6 Rapid Response Unit/Strategic Companies

Linda provided an update on progress in relation to strategic companies, advising that a number of companies of national and foundational importance had been identified. Work had also been progressed to look at strategic companies through a sectoral lens, exporting or key to future growth. These companies had been contacted via the Account Manager and insights had been gathered for input to a dynamic dashboard. The dashboard would be used to track the companies and to identify patterns to inform future interventions or to take a deep dive into a specific area to tailor a collective response. Next steps included engagement beyond SE with partners to gather wider insights.

A demo of the dashboard would be scheduled for a future meeting.

The Rapid Response Unit was also linked to this work. Currently there were 52 live cases that SE was working through of companies in distress. It was anticipated that this was likely to increase depending on the Job Retention Scheme, or payment holidays ending on loans and rentals etc. Work was underway with Scottish Government to strengthen resource in this area in order to provide help to companies and ensure relevant briefing was provided, by bringing together the expertise from SE's Business Resilience Team, sector colleagues, together with the Business Briefing Unit in Scottish Government. Mary McAllan, Scottish Government was in discussions with Ministers on the design.

Kevin Quinlan left the meeting.

12.7 SE's People Covid Response

Maria Bradshaw joined the meeting for this discussion. Carolyn provided introductory comments on the following agenda items, which aimed to provide the Board an overview of SE's response to Covid in relation to people; the steps taken to support staff and to pivot resources to respond to the crisis. The following discussion would provide an outline of the work being undertaken to design how staff will work in the future.

Maria outlined the range of early steps taken to ensure the health and wellbeing of staff, including closing offices, extending the flexibility of working hours to take account of additional caring responsibilities, and the allocation of equipment.

The range of support on offer to staff for their health and wellbeing was outlined, with support varied to suit the needs of individuals.

Maria detailed the increased communications and engagement in place to maintain connection with the organisation and other colleagues which included weekly notes from Steve, weekly staff bulletins, a webinar programme which was live and interactive, as well as focused directorate level communications with ELT members hosting regular sessions with staff. A great deal of direct contact with leaders and managers had also been introduced, with regular check-in calls to share insights and to capture feedback from staff. Social media channels and yammer were being used to foster connections and to maintain social contact.

The methods used to review and identify resource to respond to the crisis and to enable deployment of funds was outlined, included pausing business as usual activities and sourcing volunteers from across the business.

Maria highlighted the lessons learned which focused on deployment of staff, skills gaps and organisational capacity.

The Board discussed productivity levels and the ongoing wellbeing of staff.

PAPERS FOR DISCUSSION/ APPROVAL

13. Future Ways of Working

Maria advised that in line with Scottish Government guidance, staff had been advised that working from home had been extended to the end of January 2021. A great deal of activity was underway to look at future ways of working, consulting with staff and managers. Most colleagues had adapted well to working from home and overall productivity had been maintained or increased.

Feedback received had been used to inform the design of the new approach, and two workstyles would be offered to staff to choose from. Maria outlined the two options, one which would be mainly working from home and the second which would be mainly office based. Each option would be employee-led, would provide maximum flexibility and property usage and would be based on circa 60% of the working week on a rolling average.

A routemap had been developed to show staff the future direction and focus over the following couple of months would be on staff engagement and developing materials, such as policies and practices. A communication to all staff was scheduled for the following week with a series of webinars. Staff would be asked to select their preferred workstyle in November, and these would be reviewed in December, with the aim to issue contract changes to staff. Discussions with partners would also commence on options for space sharing.

The Board was supportive of the work done to date and the future direction. Long term implications, such as visibility of staff and the need to ensure that staff working from home were not disadvantaged, and the need to maintain connectivity and ability for candid discussions were discussed. Maria confirmed that an equality impact assessment would be undertaken on the approach, as well as ongoing monitoring. Organisational development interventions were also being developed to create wider spontaneous contact in order to avoid siloed interactions. Maria agreed to include the point raised on candid discussions for further consideration.

14. EIF Change Request – SE(20)50

The Board endorsed the change request, extending the end date of the Energy Investment Fund (EIF) to March 2021. The extension ensured that EIF could continue to operate in line with the current EIF governance letter (issued by Scottish Government) which provides for SE to deliver EIF on behalf of SG until the end of March 2021.

Papers for Information

The following papers for information were noted:

15. Notification of New Interest	SE(20)51
16. 2019-20 Health & Safety Annual Report	SE(20)52
17. Health Safety and Wellbeing Quarterly Report	SE(20)53
18. Global, UK and Scottish Economic Commentary	SE(20)54
19. Approvals Within Delegated Authority	SE(20)55
20. Testimonials & Complaints	SE(20)56
21. Forward Events and Summary of Events in past month	SE(20)57

In relation to item SE(20)52, a request was made for the number of fire evacuations to be added to the data.

The Board commended the team on achieving the RoSPA Gold Health & Safety achievement award for the fourth consecutive year. Carolyn advised that a further award had since been received.

22. Any Other Business

There was no further business.