

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON 27 AUGUST 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
Stuart Fancey, Scottish Funding Council
Colin Cook, Scottish Government
Richard Rollison, Scottish Government
Karen Hannah, Corporate Office
Irene Adams, Advisor

STANDING ITEMS

The Chair welcomed everyone to the meeting.

Conflicts of interest were noted for Anne Glover, Poonam Malik and Lord Smith of Kelvin in relation to Fraunhofer, as this was hosted at Strathclyde University.

1. Minutes of the meeting held on 25 June 2021 – SE(M)325

The Minutes of the meeting were approved.

2. Minutes of the meeting held on 23 July 2021 – SE(M)326

The Minutes of the meeting were approved.

3. Matters Arising – SE(324)(MA)

There were no significant matters arising.

4. Board Committee Updates/Minutes

The following were noted.

- 4.1 Minutes of the Remuneration Committee meeting, 25 June 2021 – SEBRC(M)48
- 4.2 SE Board Remuneration Committee Annual Report – SE(21)48
- 4.3 Minutes of the Audit & Risk Committee, 21 July 2021 – SEAC(M)(21)02
- 4.4 SE Board Audit & Risk Committee Annual Report – SE(21)49
- 4.5 Minutes of the SE Board Approvals Committee, 04 August 2021–SEBAPC(M)(21)01

5. Chair's Report

The Chair highlighted the new declarations of interest from Poonam Malik and Willie Mackie.

Lord Smith updated on recent discussions with Willie Watt, SNIB and Linda Hanna provided an update on progress.

Linda updated on discussions held at the recent Enterprise and Skills Strategic Board Meeting, which included two key discussions: the 10-year Economic Strategy and an update from Willie Watt on the bank, with strong messaging on collaboration, and recognising the challenges experienced in the start-up phase of the bank, made particularly difficult due to Covid-19.

The Chairs of SE, HIE and SOSE met with Scottish Government and SNIB where focus of discussion was the Economic Strategy and discussions held at the Enterprise and Skills Strategic Board. It was helpful for HIE & SOSE to talk about their expectations.

The Chair advised that this was Linda's last meeting as CEO and, on behalf of the SE Board, he conveyed his thanks for everything Linda had done over the past 10 months, recognising that this had been a particularly challenging period of time, and acknowledging the particular efforts with staff engagement and positive changes in morale.

Interim Chief Executive's Report

Linda updated on staff engagements which had continued over the summer, advising that colleagues were taking the opportunity for a break over the summer months. Feedback was that staff were feeling hopeful coming out of covid restrictions, however, there were still some reservations on getting fully back to normal. The results of the recent IIP assessment resonated with the work done over the previous 10 months in terms of a shift in approach, and a great deal of positive feedback had been received from staff. The report provided a good baseline and actions that can be taken forward.

Webinars had continued to lift colleagues' sights and minds, to look outward and ahead particularly with climate change and other work. Staff were very appreciative of the sessions.

Everyday Flexibility was being introduced, following through from the recent Future Ways of Working and Linda commended Carolyn Stewart and her team for the work done on the hybrid model.

Linda updated on her meeting with the Trade Unions the previous day, which had been very positive.

Engagement with stakeholders continued, with regular meetings with SOSE and HIE focused on joint working. Linda had recent discussions with the UK Government and Scotland Office, particularly on building relationships and on the Innovation Strategy.

Over recent months, a key focus of attention had been the National Strategy for Economic Transformation and thematic groups had been established to share insights. SE would be contributing a written response. Internally work was ongoing in relation to how this informs and shapes SE's own 3-year plan.

Neil Francis updated on a potential change of venue for the programme of economic, investment and innovation activity at COP26. The original plan was to use the Scottish Innovation and Investment Zone at Cessnock Quay, delivered in partnership with Climate

Action. Following an assessment of current take-up of expected sponsor, exhibitors and attendees, Climate Action had advised that it was no longer able to proceed in partnership and was considering cancelling all activities. Following discussion, a revised proposal had been put forward to allocate one week to SE and the second week to Climate Action, reducing the physical footprint of the pavilion by two thirds. An alternative proposal and option to integrate with activities at the Lighthouse was being considered. Further discussions were scheduled with Climate Action and a final decision was expected the following week

Sue asked about opportunities to live stream to allow wider access and Neil confirmed that this was part of the plans.

Jane Martin provided an update on Green Jobs, reminding the Board that as part of the Business Plan it was agreed that two Green Jobs calls of £4m each would be undertaken. The first call had been initiated in May with a closing date of end July. This was an opportunity to test a number of factors such as ability to run the calls, to be open around outcomes and to carry out work behind the scenes on State Aid, R&D. The trial team was also testing job roles, processes and new technology. A total of 225 applications had been received and the front end of the system had been successfully achieved. Level 1 appraisal had been completed, taking 64 applications forward and communications to the companies that applied would be undertaken by the end of August. For those unsuccessful applications, work was underway to refer to Opportunity Management where appropriate. It was anticipated that over £5m would be committed, generating £15.7m from projects, some spanning more than one year. As part of capital work undertaken, £24m had been allocated from Scottish Government from the Green Jobs Fund and further consideration was being given to other activities.

Jane advised that there were some integration issues with the technology for the appraisal side, therefore more manual resource was provided to carry out appraisals of the applications received. It had been agreed to take the opportunity to take a step back and reset the programme, looking at lessons learned and the overall blueprint in terms of the change plan.

Linda confirmed that the Annual Report and Accounts would be laid in Parliament on 31 August. Media content was scheduled and Lord Smith was filming a video communication to thank staff. Board members were asked to help communicate the results through their networks.

6. Finance Report as at end of July 2021 – SE(21)50

Alan Maitland joined the meeting to provide an update of the financial results to the end of July 2021 (Period 4) and an update on the latest full year forecasts for the 2021/22 financial year.

Alan provided an overview of the projected outcome positions across SE funding streams, advising of a slight overspend in Capital and Financial Transactions and outlining the key risks. On C-Del the overspend was primarily due to pressures on the large grants area, and uncertainty of a planned inward investment, which would result in £17m coming out of the plan. To mitigate, there was a potential option to defer the sell down of shares from Fastball Holdings and this was being discussed.

Alan advised of a further exit through the Growth Investments team, which would provide a significant return and was likely to conclude over the following two months. This was

being closely monitored and a review of the portfolio would be undertaken to try to identify activities to utilise the income generated.

The Board was reminded that the Financial Transactions budget had been reduced at the start of the year. Discussions were ongoing with Scottish Government, however restoring the Financial Transactions budget would be dependent on underspends emerging from within the wider Financial Transactions budget held by the Scottish Government.

R-Del was projecting a balanced position.

In relation to the 2022-23 budget, the Comprehensive Spending Review was underway and it was hoped that this would lead to a multi-year settlement for R-Del. An initial informal submission had been made to Scottish Government and feedback was awaited.

Discussion focused on short and long term investment, and Linda advised that this had been part of a recent discussion with Ms Forbes and Mr McKee in relation to balancing short and long term economic development coming out of the pandemic.

7. Performance Report – SE(21)51

Linda Murray presented the performance report which covered the period up to the end of July and focused on the Business Plan. Linda highlighted some changes to the dashboards, particularly the finance dashboard.

An overview of progress on the measures and milestones was provided, advising that all measures were forecasting to achieve year-end target ranges, with three expected to exceed: growth funding, international exports and Co2. The Co2 measure was a new published measure which took some time to understand how to capture activity. As part of the next 3-year plan further consideration would be given to measures, around Co2 and net zero.

In relation to milestones, at the end of July, four were amber and one red. Linda provided an update of anticipated progress on each.

The Finance dashboard included more detailed analysis, providing the balance of spend by year-end and highlighted over and underspend.

The Reputational dashboards were still being refined. The first summarised key activities over the past two months and provided a snapshot of upcoming activities. The second provided a summary of recent media engagement.

The Risk dashboard reflected changes made at the clean sheet exercise, highlighting the top five risks. The top two risks were currently red even after mitigating but were part of on-going everyday discussion in the business.

Sue commented that there had been a significant improvement in the report over recent years, however, requested that changes to format were restricted to provide continuity and requested that the overview of the project risks were reintroduced for future reports.

STRATEGIC DISCUSSION

8. Placemaking – SE(21)52

Elaine Morrison joined Linda Murray for this item.

Linda Hanna provided the background to the discussion, advising that this was part of the series of strategic discussions as part of development of SE's 3 year plan.

Linda Murray outlined the context, advising that in both the UK and Scottish Governments, the focus on place and the connections with economic development was increasing and outlined that this was an opportune time, with the development of the 3 year plan and the Scottish Government's 10 year strategy. Linda provided an update on the key themes of the 10 year strategy, advising that transition to net zero and biodiversity were threaded throughout.

Elaine Morrison stressed the importance of language, advising that place and placemaking represented different things to different people. The Scottish Government had written to all public agencies to adopt the place principles in designing and delivering their services.

Elaine referenced current examples of SE's place activities and outlined the focus of discussion which was to articulate the role SE should have in place and placemaking and the approach required.

Through discussion, the Board provided their views on SE's role, acknowledging that SE is uniquely placed with its engagements with companies and stakeholders to help facilitate, stimulate and broaden conversations across partners. Willie Mackie referenced an approach he had developed with Ayrshire College to encourage more collaborative regional conversations with organisations and stakeholders to generate greater coherence across regions.

The Board advised taking a strategic approach and to clearly articulate within our strategy what SE would and would not do. Anne Glover referenced an approach being taken by the Nordic countries which encouraged co-creation and innovation.

Discussion also focused on the use of assets to stimulate growth opportunities in a targeted approach. Linda Hanna advised that a discussion on strategic sites was being scheduled for a future Board meeting. Linda also highlighted the importance of enabling infrastructure, which was critical to placemaking and economic development, and the importance for SE to help join up conversations to help demonstrate where there are gaps.

The Board thanked Elaine and Linda for the presentation.

PROJECTS FOR APPROVAL

9. Edinburgh BioQuarter – Development of Edinburgh's Health Innovation District – SE(21)53

Derek McCrindle joined the meeting to seek approval for the phased disposal of Scottish Enterprise's land at Edinburgh BioQuarter to a private sector developer to facilitate the transformation of Bioquarter into Edinburgh's Health Innovation District. The disposal falls within Section 8(1)(g) of the Enterprise and New Towns (Scotland) Act 1990.

Derek provided the background, advising that the scale and complexity of the procurement process, and the COVID pandemic, had delayed the launch from 2020 to autumn 2021. SE's holding at BioQuarter is SE's largest single infrastructure asset which includes commercial buildings and c61 acres of undeveloped land. The project would deliver a world leading commercial space for Life Sciences.

Derek advised that development costs were uncertain and there could be a significant funding gap, however, discussions were underway on alternative sources to fill the gap, including discussion with Scottish Government to explore support through the Green Growth Accelerator Fund.

The Board sought further clarification on the land value and return for SE; the approach taken to attract investors; and conditionality of development.

Derek explained that the land would be sold to the private sector to develop, however, further clarity on the masterplan and land use could not be given until engagement with the private sector partner. The land would increase in value as the phases were developed, therefore future phases would deliver profit. Derek advised that this is not a traditional property deal and there were very few development partners who could deliver, and all had been contacted and had expressed interest. In relation to conditions, should the private sector partner not adhere to the conditions on placemaking, net zero or community benefits there would be an option to terminate the agreement. SE would also have separate land rights with the private sector partner which again would not be progressed on failure to adhere to conditions.

At conclusion of the discussion, approval was granted.

10. Fraunhofer Centre for Applied Photonics (fhCAP) – Phase 3 – SE(21)54

Mark Western and Lindsay McIvor joined the meeting to seek approval for expenditure of up to £5,500,000 to support the five-year core operating costs for Fraunhofer Centre for Applied Photonics (FhCAP) Phase 3 under Section 4 (1) (d) of the Enterprise and New Towns (Scotland) Act 1990. This comprised Scottish Enterprise (SE) expenditure of £2.75m, with Scottish Government (SG) match funding of £2.75m transferred to SE. This phase will bring SE cumulative expenditure on FhCAP to £10.4m (net SE expenditure £7.645m) and is intended to be the last phase with core funding from SE.

Lindsay provided background, advising that this was the third request for funding since 2012 when the centre was established, with SE supporting each phase. The current phase (Phase 2) was due to complete in December, with the intention of Phase 3 spend commencing from 2022/23 onwards.

The Board commented on the great progress made and sought clarification on future KPIs. Lindsay confirmed that there was potential for an additional £1m funding from Scottish Government and, if forthcoming, the smart objectives would be revisited and proportionately increased where possible.

The Board discussed the intention that this would be the last phase that SE would core fund and the team confirmed that other sources of future funding support were being pursued which aligned with Fraunhofer's German model. SE and Scottish Government strongly support this approach, which will position Glasgow as the hub of a thriving UK photonics/quantum industry.

The Board was very supportive, and the further funding was approved.

FOR INFORMATION

The following papers for information were noted.

11. Broomielaw: SE's Role in Placemaking – SE(21)55

12. Notification of New Interest – SE(21)56

13. Scottish Enterprise Annual Health & Safety (H&S) Report – April 2020 to March 2021 – SE(21)57

14. Scottish Enterprise Health Safety and Wellbeing Board Report – March 2021 to June 2021 – SE(21)58

- 15. Economic Commentary – August 2021 – SE(21)59**
- 16. Approvals Within Delegated Authority – SE(21)60**
- 17. Testimonials & Complaints – SE(21)61**
- 18. Forward Events and Summary of Events in the past two months – SE(21)62**

Sue congratulated the Health & Safety team on the award of a Gold medal from the Royal Society of the Prevention of Accidents (RoSPA).

Willie also advised that the Internal Audit Team had won the award of Outstanding Team in the public sector at the Institute of Internal Audit awards.

The Board conveyed their congratulations to both teams.

Lord Smith left the meeting

Any Other Business

Willie Mackie took over as Chair.

Kerry Sharp provided an update on Liberty Steel and sought an early discussion with the Board on next steps.

It had been agreed with Willie Mackie, as Chair of Audit and Risk Committee and the Board Approvals Committee, that a paper would be brought to the Board Approval Committee early the following week for a fuller discussion.

Board members were in agreement.