

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON 25 JUNE 2021 by MS TEAMS

Present: Lord Smith, Chair
Linda Hanna, Interim Chief Executive
Willie Mackie, Deputy Chair
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
Richard Rollison, Scottish Government
Jon Pickstone, Scottish Government
Jessie Laurie, Scottish Government
Karen Hannah, Corporate Office
Irene Adams, Advisor

Apologies: Karthik Subramanya

STANDING ITEMS:

1. Minutes of the meeting held on 30 April 2021 – SE(M)324

The Minutes of the previous meeting were approved.

2. Matters Arising – SE(323)(MA)

The matters arising were reviewed.

3. Board Committee Updates/Minutes

The Minutes of the following meetings were noted:

3.1. Audit & Risk Committee, held on 19 April 2021 – SEAC(M)(21)01

3.2. Board Urgent Approval, 31 May 2021 – SEBUA(M)(21)02

4. Chairs Report

The Chair highlighted the new interest declared by Peter McKellar.

A summary of discussions from recent business meetings was provided, including, the Enterprise & Skills Strategic Board and Chairs Meeting; SOSE; and, an introductory meeting with the Cabinet Secretary and the Minister for Business, Trade, Tourism and Enterprise which was a joint meeting with HIE and SOSE.

The Chair also provided feedback from a recent Meet the Business session with staff, which he had hosted with Willie Mackie.

Lord Smith and Willie Mackie had also met with Willie Watt, Chair of SNIB and updated the Board on discussions. A follow up meeting had been arranged for 5 July.

5. Interim Chief Executive's Report

Linda updated on recent staff engagement and advised that there remained good staff morale and motivation, and, with restrictions easing, SE was aiming for a return to the offices from October. Meet the Business sessions and webinars were going well, and Linda thanked Board members for their participation which was very appreciated by staff.

In relation to staff returning to work Board members raised the potential of a third wave of Covid 19, which may impact on plans. Carolyn Stewart confirmed that a cautious approach would be taken, informed by data and Scottish Government guidelines.

Following a recent IIP assessment, Linda was pleased to advise that SE was expecting to achieve the Silver award. SE achieved the basic award in 2019. This was a testament to the work done to engage and listen to staff and respond to issues. Linda thanked Carolyn Stewart's team who led the work for the assessment. More detail would be provided in August.

Linda was also pleased to advise that SE had attained the Cyber Essential Plus accreditation, advising that this had been a huge undertaking across EIS and partners. Douglas highlighted work underway on the cyber maturity roadmap and an update on this would be provided to the Audit & Risk Committee in August.

The recent EY Attractiveness survey results had been shared with the Board and Linda commended SE staff, particularly SDI staff, on their efforts to contribute to excellent results.

Linda provided an update on discussions at the joint meeting with the Cabinet Secretary, Ivan McKee and the enterprise agencies, advising that the agencies were being asked to provide a response to their thoughts on the future economy, the partnership approach to delivery and the key opportunities in terms of job creation. A response was being developed.

Neil Francis provided an update on inward investment cases. Linda Hanna provided an update on Liberty Steel.

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

6. Finance Report as at end of May 2021 – SE(21)33

Alan presented this paper which provided an update on the final detailed 2021/22 Business Plan, a review of the financial results to the end of May 2021 (Period 2) and an update on the latest full year forecasts for the 2020/21 financial year.

Alan reminded the Board that at the last meeting the Business Plan budget for 2021/22 totalled £387.3m and was to be further increased by £17.0m to £404.3m, to reflect the sell down of shares in Fastball Holdings. The final budget had been further increased to £409.6m to reflect an increase of £5.3m due to an allocation of £5.2m from the Scottish Government for the Energy Investment Fund (EIF).

Alan highlighted that since the budget was finalised there has been a significant reduction in the income anticipated from Financial Transactions funded loan repayments, reducing the overall forecast from £23.9m to £3.3m, with three large anticipated repayments responsible for most of the reduction. As a result, the Scottish Government has confirmed that the baseline Financial Transactions budget will be reduced from £48.8m to £28.2m. 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 and this was unlikely to emerge until later in the financial year.

Alan provided an overview of the projected outcome positions across SE's funding streams for 2021/22, outlining the key risks.

It was highlighted that SE had been asked to deliver a second phase (top-up funding) of Scottish Wedding Industry Fund, which had seen £22m delivered the previous year. The further funding was anticipated to be £1.4m.

Douglas Colquhoun advised that Scottish Government had requested projections for resource budgets for the next 5 years, as part of initial steps in the Comprehensive Spending Review.

The Board sought further information on the impact of delivery of the second phase of the Scottish Wedding Industry Fund and Jane explained the process of delivery for the top-up funding which would be delivered over a 6-week period and provide one-off payments.

7. Performance Report – SE(21)34

Linda Murray presented the first report for 2021/22, highlighting that this was a lighter report which did not provide detail on previous Covid and Brexit related activity, and concentrated on key areas of the business to understand progress towards delivery of 2021/22 Business Plan priorities. Future reports would provide the full range of dashboards and would include a new dashboard on SE's reputation and reach, and others as appropriate throughout the year.

Linda highlighted key areas from the economic context in relation to company optimism, however, there were issues regarding companies facing competition for staff, particularly within the hospitality, catering and retail industries.

An overview of the measures and milestones dashboards was provided, highlighting that the R&D and Capex measures were indicating that the year-end position may not be reached. However, it was early in the year and the position may change. Commentary was provided on the action being taken to mitigate. On milestones, Linda highlighted that these were on track, apart from two milestones.

The Board asked about the potential to include additional information in the dashboards relating to Environmental, Social and Governance strategies, specifically on diversity, in relation to the companies SE supports. Linda referred to the discussion later in the agenda on the values-based approach, highlighting that this was work in progress in the current year, and she would look at what could be produced throughout the course of the year in terms of reporting. Jane Martin suggested that the information captured as part of the Green Jobs Call may be a helpful foundation.

A question was raised regarding reporting on strategic companies and Linda confirmed that a new team had been established in Scottish Government, focused on economic

recovery and strategically important companies, linked with SE's Business Response Team. Linda would speak with the team for feedback.

Willie Mackie recommended undertaking an analysis of reduction of income in relation to investment cases going to SNIB. Linda would follow up with Alan and Douglas.

STRATEGIC DISCUSSION:

8. Update from Scottish Government

Richard Rollison provided a post-election update, highlighting key changes and strategic direction.

Richard outlined the portfolios of Kate Forbes, Ivan McKee, and those for Richard Lochhead, Tom Arthur, Michael Mathieson and John Swinney, which were relevant to the work of Scottish Enterprise. Changes to senior officials were also outlined.

The sequencing of key strategies was provided, with current focus on delivery of the 100 day commitments. Work was beginning on the 10-year National Economic Transformation Strategy, and the Cabinet Secretary was keen to have private and public sector engagement to co-produce the strategy, and to focus on activities that will make a difference for the economy. This would connect with national opportunities and trade and investment plans. The strategy would also link to the Programme for Government in early September and the Comprehensive Spending Review which would be a 3-year spending review.

Threaded throughout was the emphasis on net zero and fair work, particularly on the run up to COP 26 and the need to see clear linkages between the economy, social and environmental.

Discussion focused on the role of SE and it was suggested that the Comprehensive Spending Review could be helpful to articulate SE's areas of focus and priorities to do less better.

9. Publication of Business Plan 2021/22 and Stakeholder Engagement – SE(21)35

Aileen Hotchkiss presented an overview of how the Business Plan was received and provided early insight into SE's new stakeholder engagement approach.

Aileen confirmed that the Business Plan had been very well received internally, with strong levels of interest and engagement from staff, with 96% of staff attending the briefing sessions and positive feedback on the clarity of the plan.

Externally, the Business Plan was largely reported in the media as it was presented, with volume of coverage and sentiment very positive.

Positive comments had also been received on the thought leadership piece by Linda Hanna in the Business Insider, which had been shared across social channels, with good appetite to hear more about SE's ambition, delivery and performance.

The publication of the Business Plan had also been a launchpad for the new stakeholder engagement approach, with good progress from initial meetings and key themes coming through in relation to net zero, placemaking and to align with partners to develop a more compelling economic narrative. Activity was ongoing and a further update would be provided later in the year as further intelligence was collated from ongoing meetings.

The Board was very supportive of the approach taken and commented positively on how well the stakeholder engagement had worked, in comparison with previous years.

Linda thanked the team for the work done to deliver the Business Plan and the engagement.

10. SE Strategy 2022-25 – SE(21)36

Susan Moore and Marina McIver joined Linda Murray for this agenda item.

Linda Hanna introduced the discussion advising the Board of the opportunity to develop SE's new 3 year plan and to input to the Scottish Government Economic Strategy. Work was underway through discussions with partners and stakeholders to shape the plan and this would be the first discussion with the Board as part of an iterative approach to developing the plan.

Linda Murray highlighted the timeline shared with the Board, with this first discussion providing an opportunity to consider some elements that will influence the 3-year plan and how SE can best support economic growth and recovery which is sustainable and inclusive. Linda referenced the update from Richard Rollison about Scottish Government's focus and highlighted the importance of Fair Work, Real Living Wage and Just Transition and how this aligned with discussions at the National Economic Forum on purposeful, meaningful and valuable employment, financial security for families and the desire to see Scotland leading by example on just transition to net zero.

The 3-year plan would build on the current 1-year Business Plan and the core purposes on more better jobs would not change and the fundamental building blocks, e.g. green recovery, innovation-led recovery and the wellbeing economy would remain, as well as the focus on jobs, fair work and just transition. This was particularly important due to the insecurity of the economy during the pandemic and the resulting impact that has had on people.

Linda highlighted the focus of the current discussion on the values-based approach to a sustainable economic future, reminding Board members that this approach was not new to SE and outlined examples where this has worked well. Linda outlined the advantages of such an approach to future-proof the economy. Linda also highlighted the potential risks in terms of the reaction from businesses.

The Board was very supportive of the approach. Members encouraged clarity of SE's role, focus and execution; inclusion of 'Partnership' and 'return on investment' within the 4 P's (including qualitative reporting on milestones and KPIs); disaggregation of the culture and the strategy; and, the use of examples and case studies.

It was acknowledged that there were a number of plans being developed within the same timescale and SE was working with partners and Scottish Government to ensure that plans were aligned and to identify areas of joint working to deliver for Scotland. Board members were asked for views on stakeholder engagement.

The Board provided views on continued stakeholder engagement which included listening to partners and taking a flexible approach to delivery; clearly articulating SE's USP; and, using clear messaging.

Anne Glover declared a potential conflict of interest in her role as a member of the Offshore Renewable Energy Catapult for the following discussion item.

PROJECT FOR APPROVAL:

11. Harland and Wolff (Methil) Limited Lease Assignment and Variation – SE(21)37

Derek McCrindle, Heather Morrison and Kirsty Boe joined the meeting to seek approval under Section 8 (1)(g) of the Enterprise and New Towns (Scotland) Act 1990 for the assignment of the former BiFab Engineering lease at EPF to Harland & Wolff (Methil) Limited (H&W) with a parent company guarantee from Infrastrata plc, and Variation of certain terms of the lease as detailed in the Heads of Terms.

Derek provided the background, advising that the site had been in SE ownership since 2006. The site comprises an extensive fabrication yard with associated buildings, craneage and quaysides. Infrastrata operates in the energy, fabrication, renewables and shipbuilding sectors and owns two other sites.

Heather confirmed that due diligence had been positive and that the deal was generally on the same commercial terms as with Bifab, but with removal of the break option. An initial rent-free period of 12 months was provided, and a further rent-free period of 8 months in lieu of crane repairs had been agreed. Work was also underway to relocate a sub-tenant to another site within the park.

An overview of the financial case was provided.

The Board was very supportive and approved the assignment and variation of the terms.

FOR INFORMATION

The following information papers were noted.

- 12. Notification of New Interest – SE(21)38**
- 13. A regular review of “Running the Business” Proposal – SE(21)39**
- 14. UK Build Back Better Programme/UK Relationship Management – SE(21)40**
- 15. Scottish Wedding Industry Fund Final Report and Lessons Learned – SE(21)41**
- 16. Economic Commentary – June 2021 – SE(21)42**
- 17. Approvals within Delegated Authority – SE(21)43**
- 18. Testimonials and Complaints – SE(21)44**
- 19. Forward Events and Summary of Events in the past two months – SE(21)45**

20. ANY OTHER BUSINESS

Poonam raised a matter in relation to the Royal Society of Edinburgh Enterprise Fellowship Scheme. It was agreed that Poonam would follow up directly with Linda Hanna.