

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON 29 OCTOBER 2021 by MS TEAMS

Present: Lord Smith, Chair
Adrian Gillespie 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: Linda Hanna, MD, Scottish Economic Development
Jane Martin, MD Business Services and Advice
Carolyn Stewart, Chief People Officer
Douglas Colquhoun, Chief Financial Officer
Neil Francis, Interim MD, International
Colin Cook, Director of Economic Development, Scottish Government
Karen Hannah, Corporate Office
Irene Adams, Advisor

STANDING ITEMS:

Lord Smith welcomed members to the meeting and Adrian to his first meeting as Chief Executive.

Willie Mackie declared a potential conflict of interest in relation to Mangata.

1. Minutes of the Meeting held on 27 August 2021 – SE(M)327

The Minutes of the previous meeting were approved.

2. Matters Arising – SE(325)(MA)

The matters arising were noted.

3. Board Committee Updates/Minutes

3.1 Minutes of the Audit & Risk Committee, 16 August 2021 – SEAC(M)(21)03

Willie Mackie provided a summary of discussions from the previous Audit and Risk Committee which included the most recent audit reports which had been satisfactory and the top five risks from the Corporate Risk Register.

A discussion on cyber security followed and Willie confirmed that this would be discussed at the next Audit and Risk Committee. Douglas Colquhoun advised that this was a key area of focus and updated on progress to date.

The minutes of the following meetings were noted:

- 3.2 Minutes of the Nominations & Governance Committee. 27 August 2021- SEBNGC(M)42**
- 3.3 SE Board Nominations and Governance Committee Annual Report – SE(21)63**
- 3.4 SE Board Urgent Approval, 23 September 2021 – SEBUA(M)(21)03**
- 3.5 Minutes of the SE Board Approval Committee, 30 August 2021 – SEBAPC(M)(21)02**
- 3.6 Minutes of the SE Board Approvals Committee, 08 October 2021 – SEBAPC(M)(21)03**

4. Chairs Report

Lord Smith updated on recent meetings with South of Scotland Enterprise and Highlands and Islands Enterprise, with the Cabinet Secretary, Kate Forbes and with the Enterprise and Skills Strategic Board and Agency Chairs.

The Board was also updated on the staff session, hosted by Lord Smith and Gavin Nicol.

5. Chief Executive's Report

Adrian Gillespie advised that his first two months in post had been busy but very enjoyable.

Adrian updated on key People matters, advising that Suzanne Sosna had been appointed Director of Climate and National Opportunities and would take up post prior to Christmas.

SE offices would start to open in the week beginning 17 January, with the Future Ways of Working Approach, utilising a mix of home and office working. Some offices would be open during COP26 for company engagement and business meetings. Guidance and support were being given to staff to encourage more face to face meetings with customers and stakeholders. Adrian referred to a recent meeting with PWC which was very insightful in getting the balance and configuration of office environments right to maximise team work and engagement.

Adrian had hosted a number of sessions with staff, with four sessions attended by over 700 colleagues. High levels of feedback had been received with 83% confirming that the sessions had been useful or very useful. A key theme from the sessions had been focused on interaction with companies and having a consistent approach to developing company relationships. Meetings with the Trade Unions had also been positive and a fresh look at engagement with customers had been well received. There had been a strong sense that the move to the calls-based approach had mixed results in terms of developing strategic engagement and personal relationships with customers. Staff were being encouraged to return to engaging more with customers, following the restraints with Covid 19. A strategic approach to customer engagement was being developed and an update would be provided to the Board later in the year.

Engagement with staff on development of the 3-year Corporate Plan had begun, with a positive response and strong participation.

A new employee engagement tool had been implemented which would replace the pulse surveys and would provide a consistent approach to engagement with staff. Results would be reported in the Performance Report on a regular basis.

The Board congratulated Suzanne on the appointment and sought further details on the position. Linda Hanna outlined the scope of the role in driving forward the implementation of the National Programmes and with opportunities in Place, Manufacturing, Health, Digital Adoption and Net Zero. The role would be the thematic lead on climate and ensuring a joined-up approach across the organisation.

Discussion also focused on stakeholder and partner engagement and the need to ensure that SE's role was recognised.

Adrian highlighted some key events and company meetings undertaken in the past two months, including an introductory meeting with Cabinet Secretary, Kate Forbes; a number of regional engagements, including a scheduled programme of engagements in the North East; the recent opening of the Boeing facility in Renfrewshire; the launch of the new Barclay's campus; and recent meetings with the CEO at Halo in Kilmarnock; the CEO of Prestwick International Airport and the leadership team at Ineos.

In relation to the National Strategy for Economic Transformation (NSET), Adrian advised that a strategic discussion was scheduled later in the agenda and this would be followed by further discussions at the next Board meeting on entrepreneurship and innovation, as part of the development of SE's 3-year Corporate Plan, aligned with NSET.

Discussions had also been held with Mr McKee and Colin Cook on the development of the Innovation Strategy.

Adrian updated on engagement with the Scottish National Investment Bank and recent meetings with the senior team. Further sessions were scheduled with the Executive Leadership Team.

The series of events scheduled for COP26 were highlighted and a fuller update had been circulated to the Board earlier in the week. To date there were 4,500 registrations (900 in person and 3500 virtual).

Adrian highlighted the tremendous response to the Think Scotland Campaign which had seen 21m impressions of the video content viewed over 6.4m times within the first two weeks. There had been excellent media engagement and leads were being followed up from initial enquiries.

Following approval at the previous Board meeting on BioQuarter the Joint Venture would be signed the following week and engagement would be held with bidders.

Team Scotland had hosted its first day event at Expo2020 – Scottish Space Day. This was a high-profile event to raise awareness of Scotland's space sector.

Adrian highlighted key announcements from the UK Spending Review and Autumn Budget, including the additional £150m for support to smaller businesses through the British Business Bank. Adrian had met with the Chief Executive of the British Business Bank to develop a collaborative approach.

Announcements on the first round of successful bidders in the Levelling Up Fund had included £170m for Scottish projects. This included £38.7m to develop AMIDS South region.

There was also strong commitment to R&D and Innovation. Innovate UK had received an uplift of 36%.

Inward investment had also featured strongly in terms of scale up and global mobility.

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

6. Finance Report as at the end of September 2021 – SE(21)64

Alan Maitland presented the review of the financial results to the end of September 2021 (Period 6) and an update on the latest full year forecasts for the 2021/22 financial year.

Douglas Colquhoun advised that the presentation would focus on the update issued the previous day.

Alan outlined three key factors for discussion: the change to the expenditure forecasts, primarily on the capital budget, with a significant amount of spend moving into the next financial year; a potential funding support package to a company for up to £30m; and seeking approval of the rebased business plan.

The main drivers of change to the expenditure forecasts were outlined, which included a decrease in spend in large grant programmes. Alan highlighted that in the previous financial year a great deal of grant activity had been accelerated. An inward investment opportunity was now looking more likely to progress, however this would be at a reduced forecast for the current financial year. The Green Jobs call had generated a great deal of activity, with £10m of projects approved, however, phasing of projects were largely in future years.

Alan outlined the impact of a change to the recognition methodology for income resulting from Financial Transactions investments. This had resulted in a £26m switch of income from the Capital budget into the Financial Transactions budget.

A breakdown of the projected year-end outturn position on each budget was provided.

In relation to the resource budget, Carolyn Stewart provided an update, advising that there had been a large number of retirements and leadership were currently looking at recruitment before the end of the calendar year to rebuild capacity.

Jane Martin advised that the Green Jobs call had stimulated a pipeline, with a total expenditure of £30m, however, explained the long-term nature of the projects. An update would be provided to the Board in December.

The Board discussed the challenges of stimulating a pipeline against the constraints of an annualised budget. It was suggested that consideration of a Team Scotland view of the pipeline may be helpful to utilise budget, as well as consideration of collaborative partnership investments and investment in human capital.

The Board thanked Alan for the update and the rebased budget was approved.

7. Performance Report as at end of September 2021 – SE(21)65

Linda Murray presented the Performance Report to the end of September, advising that in response to feedback from Board Members, updates on major projects had been reinstated and a new dashboard had been introduced on the National Programmes.

On Measures, similar to the previous report, this presented a positive picture with all measures forecasting to achieve, and four measures expected to exceed. This was largely due to large projects in the pipeline expecting to come to fruition during the course of the year.

Linda provided an overview of the Milestones, reporting that seven amber in Quarters 1 to 3 were expected to be achieved by the year end. Detail was provided on specific milestones and progress highlighted.

An overview of the dashboards was provided, with feedback sought from Board Members on the new National Programme dashboard.

The key risks were similar to the previous report, with the digitally enabled risk reduced from red to amber.

Discussion focused on the performance measures, with questions on the stretch and ambition. Linda advised that new performance measures were being developed alongside the 3-year plan and the National Strategy for Economic Transformation which would reflect the ambition.

The Board thanked Linda for the update and commended the team on an excellent report.

STRATEGIC DISCUSSION

8. Scotland's Economic Performance – SE(21)66

Kenny Richmond joined Linda Murray for the presentation, which was part of a series of strategic discussions to seek input from the Board to shape the 3-year Corporate Plan.

Kenny took the Board through the presentation which set out Scotland's current economic performance to provide the evidence and context for transformational change. The analysis considered Scotland's recent trend performance for a range of drivers of sustainable economic growth (including a number of National Performance Framework Indicators), how Scotland compares to other economies, and the performance shift required for Scotland to match the best in class. The evidence provided the rationale for the areas that Scottish Enterprise should focus on as the new three-year Corporate Plan was developed and to support the Scottish Government's National Strategy for Economic Transformation.

The presentation focused on areas where evidence showed that there was significant potential to achieve economic transformation: early-stage, high growth innovative businesses, inward investment and building growth assets. The Board was asked for its view on what SE needed to do differently to boost the economy and grow segments which in the next three years would lay the foundations to SE's contribution to the Scottish Government's longer term 10-year strategy.

Discussion focused on SE's role in innovation, acknowledging the shift in mindset required by companies and the need to create an entrepreneurial eco-system with a potential role for SE to help to create linkages and to provide thought leadership. Adrian outlined the strong role that SE currently has and the opportunities for the future to create hubs of innovation and to work with universities to play a leading role. SE had a number of examples of working with companies to create innovative workplace practices and innovative cultures.

The Board highlighted the opportunity to leverage the messages from COP to invigorate companies to go further, faster.

Members credited SE on its place strategy and best practices, however encouraged greater momentum in regions to engage, encourage and deliver regional coherence.

Discussion also touched on SE's role in the eco-system, e.g. as a leader or as a delivery arm. The need for policy and delivery working in alignment was also acknowledged.

The Board encouraged further trend analysis, looking at best practice in similar nations, to help inform discussion on the options for the future.

Adrian thanked Board members for their input, which would feed through into future discussions being held by the Executive Leadership Team.

PROJECTS FOR APPROVAL/DISCUSSION

9. Alexander Dennis Ltd – Strategic Case – SE(21)67

Victoria Carmichael, Norrie Cook, David Keirs and Lorna Edward joined the meeting for this discussion. Jane introduced colleagues and outlined their role in the opportunity.

Jane provided the context of the discussion, advising that this was a good opportunity to give a real-life example in terms of shift and ambitions of strategic partnerships with key businesses, e.g. progressing from R&D to leveraging to create a broader Team Scotland approach and to maximise economic impacts. Endorsement of the overall approach to progress the opportunity was sought.

Norrie Cook outlined the challenge to be addressed with Transportation deemed as the most polluting sector in the UK, representing circa 21% of the country's total greenhouse gas emissions in 2019. The Scottish Government was committed to build back better to achieve net zero. The proposal presented potential opportunities for Scotland, elevating and accelerating two of SE's National Programmes – Zero Emission HDV's and Hydrogen economy via a strategic Team Scotland partnership with ADL.

The project would position Scotland as a global centre of carbon reduction expertise and enhance partnerships to drive and mobilise activity such as supply chain development, skills development, inward investment, innovation and manufacturing, as well as contributing to the global ambition for zero emission heavy duty vehicles. An account team model would be established to draw together broader Team Scotland support to realise wider economic opportunities for Scotland, with ADL. ADL had agreed to the MOU model to confirm ADL's commitment to Scotland.

The board thanked the team for the very good paper and were very supportive of the approach, recognising the significant opportunities for Scotland's economy. Members asked about the prioritisation of this project in relation to other future opportunities and Jane explained the work undertaken to review the portfolio, to identify gaps and to consider prioritisation for the future economy. The symbiotic nature of good strategic partnerships was highlighted and the need to ensure that the opportunity was not exclusive to ADL. The Board also raised the potential for equity investment and the team confirmed that there were potential opportunities going forward for an equity model.

The Board asked about measurement of success and ensuring delivery of benefits. David referenced a previous example of the approach which was predicated by the creation of an MOU which enabled strategic engagement, co-location and investment. Shared objectives and measures for success would flow from the MOU.

The Board was very supportive, and the approach was endorsed.

10. Satellite Manufacturing Opportunity – SE(21)68

Russell Stevenson, Scott Wilson, Sarah Hume, Michelle Kinnaird and Mark Hallan joined the meeting to seek approval for expenditure of up to £31.65m towards a Satellite Manufacturing Opportunity under Section(s) 8 (1) (j) of the Enterprise and New Towns (Scotland) Act 1990. This comprised up to £27.9m (incl VAT) of equipment costs, £50k development funding and an equity investment of up to \$5m (£3.7m) into the group's US parent company. The funding would secure a satellite manufacturing facility with up to 400 jobs. Further complementary elements in R&D and operations were already in development and would add an additional 300 jobs.

Neil Francis advised that since the Board gave approval in principle, a great deal of work had been done to reach the current position. The company had signed the revised Heads of Terms and the CEO had visited Scotland which had been very positive.

Mark reiterated the intense work undertaken to secure the manufacturing opportunity for Scotland against strong competition from Florida. Following the visit by the CEO, it was believed that Scotland had preferred location status and approval was sought to conclude negotiations.

The Team Scotland package of support was outlined, which included an additional £21.2m investment by South Ayrshire Council (SAC) for the property purchase, refurbishment, and fit-out element and up to £15m for Scotland's 5G Centre to purchase backhaul capacity, working on R&D into systems, applications, and services on a live test network, over a minimum period of seven years from 2022.

The game-changing nature of the project for the Scottish Space Industry was highlighted and the direct and indirect benefits to the Scottish supply chains in the space, engineering, manufacturing, and digital sectors, as well as opportunities available to the academic sector.

Michelle Kinnaird outlined the equity aspect which was a \$5m investment in a \$35m investment round. Michelle highlighted the experience and track record of the other investors and ongoing discussions with the Scottish National Investment Bank and the potential role they could play in future debt.

The Board sought further information on the level of comfort on success of the project and the team provided more detail on the co-investment model, the track record of the management team and the investors, and novelty of the technology.

Discussion also focused on procurement of equipment and risks should the project not succeed. The team explained the procurement process and mitigation, e.g. vendor buy-back should the project fail.

A question was raised in relation to accessibility to other companies and the team confirmed that open access rights would be negotiated. It was believed that the company would be a catalyst to attract similar inward investors to Scotland and reference was made to negotiations currently underway with one such company.

Following discussion, the Board commended the team for their intensive efforts to secure the opportunity and the project was approved.

FOR INFORMATION

The following information papers were noted:

- 11. Strategic Stakeholder Engagement – SE(21)69**
- 12. Freedom of Information Annual Report – SE(21)70**
- 13. Complaints Annual Report – SE(21)71**
- 14. Economic Commentary – October 2021 – SE(21)72**
- 15. Approvals Within Delegated Authority – SE(21)73**
- 16. Testimonials & Complaints – SE(21)74**
- 17. Forward Events and Summary of Events in the past two months – SE(21)75**

18. AOB

Anne Glover provided details of the launch of the Royal Society of Edinburgh's report 'Reimagining Scotland' and would be happy to follow up with colleagues in SE to discuss.