

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON FRIDAY 29 APRIL 2022 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: Colin Cook
Jane Martin, MD Business Services and Advice
Carolyn Stewart, Chief People Officer
Douglas Colquhoun, Chief Financial Officer
Neil Francis, Interim MD, International
Rhona Allison, Interim MD, Business Growth
Karen Hannah, Corporate Office
Irene Adams, Advisor

The Chair welcomed Rhona Allison, Interim MD Business Growth to the Board Meeting. He also advised the Board that Stuart Fancey had been appointed to a position at the University of Strathclyde and would step down from his role of Observer on the Board. Lord Smith had also reflected on the need for an observer role from the Scottish Funding Council and acknowledged that the economic landscape had changed over the years and there were now a number of other touchpoints which enabled collaboration, and therefore the role was no longer necessary. On behalf of the Board, the Chair thanked Stuart for his contribution over the years and wished him well in his new position.

No new conflicts of interest were declared.

STANDING ITEMS:**1. Minutes of the meeting held on 25 February 2022 – SE(M)330**

The minutes of the previous meeting were approved.

2. Matters Arising – SE(328)(MA)

There were no matters arising.

3. Board Committee Updates/Minutes**3.1 SE Nominations and Governance Committee, 25 February 2022 – SEBNGC(M)44**

The Minutes of the Nominations and Governance Committee were noted.

3.2 SE Audit & Risk Committee, 20 April 2022

Willie Mackie, Chair of the Audit & Risk Committee, provided a summary of discussions at the meeting held on 20 April. The main focus of the meeting was on the

Internal audit progress reports, all of which had been graded 2 and covered Financial Transactions, Trade and Investment, National Programmes, Place and Partnership working. The Committee commended Adrian and the Executive Team on the robustness of the governance throughout the reporting.

A key area of discussion focused on Cyber Security, which had previously been trailed with the Committee prior to the EIS Partnership Board. The final report had now been released and was graded 4. Louis Waters, Ernst & Young had attended the Committee meeting to provide an update and had advised that significant progress had been made since the previous report two years before, which had also been graded 4. The main reason for the grading of the current report was further requirement to refine the operating model. Louis provided reassurance that he was comfortable with actions from the partnership board, and he would be engaged on how the actions were being followed through. The Audit & Risk Committee would monitor how matters were progressing.

Malcolm Cameron, Head of Digital and Technical Operations, SE, had also joined the meeting to update on the SE environment and had provided an excellent overview of progress.

It was considered by the Committee that, given the nature of cyber security, it should feature as a new strategic risk.

The Corporate Risk register was also reviewed, and Willie provided an update on the risk which had been tracking red, which had been reduced to amber following recent progress. The risk would be re-written to reflect recent changes.

A facilitated risk appetite session with the SE Board would be scheduled following completion of the strategic plan.

The Committee had also been updated on a potential fraud case from the Scottish Wedding Industry Fund which had been referred to Strathclyde Police.

4. Chairs Report

The Chair updated on recent meetings, including the Quarterly meeting with Cabinet Secretary, Ms Forbes and Mr McKee, and the final Enterprise and Skills Strategic Board.

The Chair had also met with the China Business Council which had been a very positive meeting.

The recruitment for the new Chair of Scottish Enterprise had gone live and was open for applications until 23 May. Board members were encouraged to share with their network of contacts.

4.1 Board Register of Interest Annual Review – SE(22)11

The Registers of Interest were reviewed and approved.

5. Chief Executive's Report

Adrian updated on recognition for SE in an award for Flexible Working, with SE being awarded one of Scotland's top 10 employers for embracing flexible working. The Awards celebrate forward-thinking practices with a balance between healthy work, home life and business growth. SE also received a special 'Judges Pick'

commendation for SE's exceptional approach. Further recognition was received from the British Safety Council with SE receiving a 5 star rating, scoring 96.8% in the recent audit. The Audit included the requirements of ISO 45001- Health and Safety Standard. The People Team was congratulated on the recognition of their work.

In recent communications, SE was recognised as the UK's number one investor in university spinouts by the Royal Academy of Engineering, with SE participating in the largest number of equity deals (232 deals) for spinout companies between 2011 and 2021.

A further communication in the Scotsman cited Glasgow and Edinburgh in the top 5 UK cities for investment, raising £115m technology investment in 2022, of which SE had invested £30m. This was a very good example of SE's involvement in the investment eco-system.

Adrian updated on recent meetings, including attendance at a meeting of the ONE Board where Adrian outlined SE's future direction and priorities, which was very well received. The quarterly meeting with the Cabinet Secretary for Finance and the Economy was held on 2 March where discussion focused on year-end performance and following up on discussions from the session with the SE Board.

Louise MacDonald had been appointed the new Interim DG Economy from 2 May and would lead on delivery of NSET.

The Board was updated on SE's new approach to engagement with the Scottish Parliament (Committee members and MSPs) with a series of events and surgeries planned to communicate SE's direction and impact. The first surgery would be hosted by Adrian focusing on SE's new 3 year-plan.

On NSET, SE was working closely with Scottish Government and partners to firm up on actions. A meeting had been scheduled with Colin Cook to discuss the area of productive businesses and regions. The new NSET Delivery Board was scheduled to meet in June. SE was also working closely with CEOs of HIE and SOSE on NSET and other areas, including the IT strategy, given the recent audit. Work was also underway on engagement with Industry Leadership Group and how to re-establish links in a more structured approach.

SE's 3-year plan was scheduled for publication at the end of June, however, this may need to be revisited once the NSET actions were clearer.

The Resource Spending Review was still underway and Scottish Government had advised that indication of high-level budgets should be known by the end of May, which would provide insights into resource savings required. Resource scenarios were currently being modelled in anticipation of the outcome.

A number of company and project updates were provided.

Satellite Manufacturing Opportunity: Neil Francis provided an update, reminding the Board of the original plan to refurbish a site for the satellite manufacturing opportunity, and advising that this was now not an available option, and therefore the plan had changed to focus on a new build on land owned by SE. Initial design costs were now complete and estimated at between £50 – £55m. The original approval had estimated costs for refurbishment of between £22 to £25m. The increase in the property costs was explained, and the team was currently working with colleagues in

Scottish Government, exploring all possible options for a revised funding package to deliver the property element. A potential funding stream of £29m had been identified and was being considered. However, a funding gap of £22m would remain.

Discussion with the Board was to gauge the appetite for SE to fill the gap. Board approval had already been provided for £28m for the equipment, and additional funding would take SE's commitment up to £50m, subject to further due diligence and revision of the business case. Neil advised that the original approval had been based on 400 jobs for the satellite opportunity, however, with the increased space and opportunity to bring forward another project, there was potential for the additional 300 jobs to be realised at an earlier opportunity.

The Board was supportive of further exploration and thanked the team for their efforts to bring the deal together. Further discussions with Scottish Government and other partners were encouraged to unlock the funding package and identify what more other partners could bring. Discussion with SNIB on their appetite to participate was also recommended. In relation to the building costs, the Board was advised that there was likely to be scope to negotiate a reduction in design.

Adrian also updated on a recent meeting with Land Securities, the owner of Buchanan Galleries, on the future development with plans.

Current challenges in the city centre were also highlighted, with night-time hospitality significantly improving, while the day-time economy was still significantly challenged.

Alan Maitland and Linda Murray joined the meeting.

6. Finance Report as at end of March 2022 – SE(22)12

Douglas introduced the paper which provided a recap of the financial year, an update on the projected outturn positions and the Annual Report and Accounts audit timetable.

Alan confirmed that the figures were still draft until completion of the accruals process. There was also a risk of the underspend position increasing slightly. Conclusion on the position should be known by the end of May.

The key change was highlighted in relation to the transfer of Financial Transactions activity into capital, which had been confirmed by Scottish Government in March.

C-Del continued to reflect a balanced position and Alan confirmed that the return of excess income to Scottish Government had decreased to £30m, due to the transfer of Financial Transactions into Capital. Income generated would be used to pay off the obligation to Scottish Government. Appropriate narrative for the accounts was being discussed with Scottish Government.

There had been a slight increase in the R-Del underspend which was 2.3% of the R-del budget and was a reasonable position.

Overall, it was a solid outturn position which reflected a further year of generating significant business income.

The Chair thanked Alan for the update.

7. Performance Report – SE(22)13

Linda Murray presented the Performance Report, advising that this was the final report of the year and advising that the final position in relation to the published measures and milestones would be known following conclusion of the year-end validation.

In relation to the Measures, Linda advised that the figures outlined in the dashboards were likely to reflect the final position. Performance had been very strong against a backdrop of significant uncertainty in terms of the economy in Scotland and globally due to ongoing covid restrictions, the impact of the EU exit, increasing energy prices and the war in Ukraine. The overall performance achieved had been more significant than had been expected and had further benefitted from one or two key projects.

Fourteen of the Milestones had been achieved, with four showing as amber. These would be reflected as red in the Annual Report and Accounts. Two of those not achieved were progressing well but there were issues in relation to timing to deliver within the course of the year. The remaining two milestones, relating to Entrepreneurship and business support in the AGER regions, had been superseded by NSET.

The Finance dashboards reflected the volatility in the budgets and the People Report highlighted the recognition of SE in Scotland's Flexible Working Awards.

A new dashboard on Health & Safety was included in the Running the Business section and would replace the paper previously issued separately.

Linda highlighted the key changes in the risk dashboard.

The Board suggested that it would be helpful within the Scottish economic context to differentiate the various elements of impact on the economy to better understand where there were opportunities and where there remained challenges. On the measures, the Board also requested a chart to show historical trends. In relation to milestones not achieved, it was recommended that the narrative for the Annual Accounts should clearly explain the contribution made by SE.

Discussion was held on the staff movement figures in terms of trends on the reasons for staff leaving. Carolyn Stewart provided an overview, citing the key reasons for departures was for promotional opportunities and retirement. Flexibility was also discussed in relation to challenges to culture and cohesion. A 6-month review was scheduled in October to review SE's flexible working.

The Board also commended the outstanding performance, particularly in investment, and the need to communicate success, and to track activities at every level to provide a clear line of sight to the pipeline and future performance.

FOR DISCUSSION/APPROVAL

8. 3 Year Corporate Plan Development – SE(22)14

Linda Murray presented an early draft of the 3-year Corporate Plan, outlining that the content reflected discussions at the Board strategy session and strategic discussions held throughout the year. It was anticipated that publication would take place by the end of June, published alongside the 1-year Operating Plan and refresh of the Net Zero Framework for Action. Linda highlighted that this was a high-level draft and each of the sections were still under development. Further versions would reflect the development of the National Strategy for Economic Transformation (NSET).

The Board was asked for feedback on the overall direction of travel, the high-level messaging and endorsement of SE's purpose. Delegation to Adrian and the Chair on the final plan was also sought.

The Board confirmed it was content with the purpose. Comments on the content included being bolder in the narrative, setting out SE's track record of success and expertise and the role it will play in delivery of NET. The inclusion of examples and visuals, e.g. dashboards or maps was also encouraged.

Members sought an update on the governance and structure behind NSET and Colin Cook provided an overview, advising that discussions would be held with Adrian on how SE plays into the governance structure of the central board as well as delivery. The key work would be done in the six programmes in NSET and there was a commitment to develop delivery plans over the following months.

The Chair thanked the team for sight of the early draft and acknowledged that there was still significant work to be done to refine and develop the plan further.

9. Low Carbon Manufacturing Challenge Fund – SE(22)15

Jillian Moffat and Wendy Hanson joined the meeting to seek Approval for expenditure of up to £25.5m under Section 8(1) (a) (i) of the 1990 Enterprise and New Towns (Scotland) to operate the Low Carbon Manufacturing Challenge Fund (LCMCF) on behalf of the Scottish Government. Projects to deliver the programme objectives would be approved using the normal grant delegated authorities.

Jillian updated on the fund, which was a key component of the Scottish Government's 'Making Scotland's Future' and aimed at helping manufacturing companies transition to net zero. This was a pan-Scotland programme and would be administered by SE using existing powers and processes. Appraisals would be carried out by SE, in discussion with HIE and SOSE. Funding would be tranced over the 4-year period, with an anticipated range of grant interventions, with the minimum individual grant of £150,000. The programme would launch in May 2022, and it was anticipated that up to 10 companies would be supported in the first year of operation, with the potential to support 35 – 50 projects over the lifetime of the programme.

Discussion focused on the potential to leverage funding and for follow on funding, as well as promotion and education. The team outlined how SE's current grant funding leveraged private funds and explained how the programme fits within SE's wider business support approach and company engagement.

The Board was very supportive and approved the programme.

10. Delivering the Offshore Wind Opportunity for Scotland – SE(22)16

Sue Paterson raised a potential conflict of interest due to her role on the Board of the Renewable Energy Catapult.

Suzanne Sosna, Andy McDonald and Mark Hallan joined the meeting to outline SE's response to the economic opportunity of ScotWind and to consider SE's role within a broader public / private sector effort to build an industry that will capture the full value of offshore wind for Scotland's businesses, communities and people.

Suzanne outlined the significant economic opportunity to develop the Scottish offshore wind manufacturing industry following the outcome of the ScotWind leasing process

which saw a total of 17 projects offered development rights for just under 25 gigawatts (GW) of offshore wind generation capacity – including 15GW of floating wind – representing a combined investment value in excess of £70bn. Suzanne highlighted the significant challenges in relation to manufacturing facilities, supply chain and infrastructure, and outlined the important role that SE had to work with developers, investors, supply chain and other stakeholders to maximise the potential for Scotland.

It was recognised that the right structure and resources were critical and Scottish Government was putting in place structures to provide co-ordination and governance, however, this would take a few months to be operational. Regular discussions were being held with Scottish Government and partners to form a new core team with exclusive focus on offshore wind.

The Board discussed the links between hydrogen and offshore wind and the need for dual focus and presentation. The significant opportunity for Scotland was recognised, as well as the need for sufficient capacity and capability to realise the potential. The Board encouraged leveraging resource and expertise where required. The need for strong project management and governance was also highlighted and mapping out of supply chain and key players to identify gaps and implications, as well as consideration of SE's role. The Board also encouraged wider collaboration out with the public sector.

Colin Cook advised that an Offshore Wind Transformation Programme Board had been established which would engage with SE and the other agencies on collaboration.

The Board also discussed past experience in offshore wind in Scotland and Adrian outlined the previous key factors, advising that the same risks were not evident currently and there was a strong sense of increasing ambition. With SE's expertise and capabilities in this area, SE had a strong role to play.

The Board acknowledged the significant resource required and sought assurance on any risks to delivering SE's Business Plan. Adrian advised the key risk would be to timing and managing the national programmes to deliver in the near term and longer term, with a core team linking with operational teams.

On behalf of the Board, the Chair thanked the team for the presentation and conveyed the Board's support for the approach and direction.

FOR INFORMATION

The following information papers were noted:

- 11. Notification of New Interest – SE(22)17**
- 12. Economic Commentary – SE(22)18**
- 13. Approvals Within Delegated Authority – SE(22)19**
- 14. Testimonials and Complaints – SE(22)20**
- 15. Forward Events and Summary of Events in the past two Months – SE(22)21**

ANY OTHER BUSINESS

There was no further business.