FOI 202300385487 – information supplied

From: Mactaggart E (Eilidh) Eilidh.Mactaggart@thebank.scot
Sent: 08 February 2021 17:24
To: Cabinet Secretary for Economy, Fair Work and Culture <CabSecEFWC@gov.scot>; Cabinet Secretary for Finance CabSecFinance@gov.scot
Cc: [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@thebank.scot>; Willie Watt ([REDACTED]) <[REDACTED]>; Feldinger K (Katrine) <Katrine.Feldinger@gov.scot>; DG Economy <DGEconomy@gov.scot>; McCaig C (Callum) <Callum.Mccaig@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; Roughead S (Sarah) <Sarah.Roughead@thebank.scot>; McGowan W (William) <William.Mcgowan@thebank.scot>; Hunt K (Kay) <Kay.Hunt@thebank.scot>; Ritchie D (David) (SNIB) Head of Partnerships & Engagement David.Ritchie@thebank.scot

Subject: Bank Investment Update: PfP Capital MMR Fund

Dear Cabinet Secretaries

I hope you are both well.

As mentioned on my recent calls with both of you, I am pleased to confirm the Bank's second investment details. We will update our website portfolio page shortly to include reference to this investment.

I think this is a great example of how the Bank can invest commercially alongside grant or sub-commercial funding from wider Government to contribute to enhanced investment in the economy and support the delivery of the Bank's missions.

I would like to call out the hard work done by [REDACTED] and [REDACTED] in our investment team here, it is not easy going into a fund as a 'later investor' and they not only managed that well but also sought to improve mission alignment and reporting on mission impacts for the Bank which is a significant achievement.

Kindest regards

Eilidh

Eilidh Mactaggart
Chief Executive Officer
Scottish National Investment Bank

TheBank.Scot

Executive Assistant: [REDACTED]
[REDACTED]@thebank.scot

Please note that we are all working remotely at this time.

Investment Summary: PfP Capital MMR Fund

Mission Alignment
Place and Net Zero

Investment Summary
- £40m Limited Partner investment in Places for People Capital, Mid-Market Rent Fund, [REDACTED].

- Places for People (PfP) is one of the largest Housing Associations and Social Residential Landlords in the UK ([REDACTED]), PfP Capital is a subsidiary fund management business.
- PfP Capital MMR Fund is an existing fund, established to deliver mid-market rental (MMR) homes (apartments and family houses) to qualifying individuals and families on modest incomes within commuting distance of Scotland's main cities.
- Initial investors in the Fund were: Strathclyde Pension Fund, Nationwide Pension Fund, Castle Rock Edinvar (a subsidiary of PfP).
- The Fund is already supported by the Scottish Government by way of a sub-commercial loan offered under its MMR Invitation, this loan subsidises the homes to allow them to be offered at lower rent levels.
- The Fund is seeking to develop up to 1,500 new affordable rent homes near major city centres, allowing key workers and those on lower incomes to access high quality rental housing close to work, family and schools.
- The Bank's investment takes the total Fund size to £183m, with a target of £240m. It is anticipated that the Bank's investment will assist PFP Capital in raising further funds to allow it to deliver 1,500 homes.
- The Fund has already completed 109 homes and has another 730 under development.
- Over the life of the investment, the homes managed will improve the quality of accommodation and quality of life of thousands of people on modest incomes, including key workers.
- The Fund has committed to build homes to a high level of energy efficiency and for them to remain priced at affordable levels. The Fund manager will provide the Bank with information to assist its reporting on mission impacts. [REDACTED].

From: Willie Watt <[REDACTED]>
Sent: 24 May 2021 18:36
To: Cabinet Secretary for Finance and Economy <CabSecFE@gov.scot>
Cc: Willie Watt <[REDACTED]>; Mactaggart E (Eilidh) Eilidh.Mactaggart@thebank.scot
Subject: The Scottish National Investment Bank

Dear Ms Forbes,

I wanted to write personally to congratulate you on your election victory, and to say how much we are looking forward to working with you as our new Cabinet Secretary. We very much see the logic in combining the finance and economy briefs, and your familiarity with the Bank is welcome.

Since we last spoke the Bank has been busy building its team and investment pipeline. I am enthusiastic about both and look forward to an opportunity to brief you. The Bank was created to make quality investments that meet both our missions and which are commercially credible, within our state aid permissions. The challenge of achieving these aims is one we willingly embrace.

In my most recent meetings with the First Minister she reiterated that she sees the Bank project as one of the most important of her leadership in the business and economy space. I was struck by her ambition for the Bank to be the preeminent institution in our public private sphere, and we are determined to see the Bank fulfil its full potential.

There are however significant risks to the fulfilment of our vision and I would be keen to explain these to you. We have an important job to continually explain our strategy and business model to both public and private stakeholders if we are to secure our position as a vital part of the business and government ecosystem in Scotland.

We very much look forward to working with you. In the meantime, if you think there is anything I can help with, either to do with the Bank or more widely please do get in touch.

Best wishes in your new role.

Willie Watt
Chair Scottish National Investment Bank

Cabinet Secretary for Finance and Economy
Kate Forbes MSP

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Scottish Government
Riaghaltas na h-Alba
gov.scot

Willie Watt [REDACTED]

Our Reference: 202100206766
Your Reference: FW: The Scottish National Investment Bank

4 June 2021

Dear Mr Watt,

Thank you for your email of 24 May asking for a meeting with the Cabinet Secretary for Finance and the Economy to brief her on the Scottish National Investment Bank.

You will be aware that an initial quarterly meeting with Eilidh Mactaggart, yourself and the Cabinet Secretary has now been set up for Wednesday 16 June.

The Cabinet Secretary looks forward to meeting you.

Yours sincerely

[REDACTED] **Private Secretary**

Cabinet Secretary for Finance and Economy
Kate Forbes MSP

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Eilidh Mactaggart
Chief Executive Officer
Scottish National Investment Bank
1-North Waverley Gate
2-4 Waterloo Place
Edinburgh
EH1 3EG

By email: eilidh.mactaggart@thebank.scot

23 August 2021

Dear Eilidh

Fair Work Direction under section 23 of the Scottish National Investment Bank Act 2020

I am writing regarding the requirement to issue this Fair Work Direction to the Bank. I am

grateful for the Bank's support in developing the Direction, set out in Annex A to this letter.

Fair Work First and the principles and criteria are relevant for all employers; as with other Scottish Government policy any change to these would be informed by consultation with a range of stakeholders, including the Bank.

Scottish Ministers established the Bank with the key aim of making a contribution to addressing key societal challenges through its mission-led approach to investment, and shaping Scotland's future markets while delivering environmental, societal and economic returns.

Our vision is for Scotland to be a leading Fair Work Nation by 2025 and the Bank has an important role in helping to achieve this. I firmly believe that a commitment to Fair Work for employees of the Bank, as well as for promoting and supporting Fair Work principles within businesses that the Bank works with and invests in, must be at the heart of this. These principles underpin and enhance the work of the Bank, both as an employer and a lender, and can support it to put Fair Work and sustainability at the core of its functions.

Your current Letter of Guidance includes that the Bank will contribute to delivery of Scotland's Fair Work Action Plan; this Direction further affirms that expectation.

I understand that the Bank is doing much already to embed Fair Work within its own practices and is looking at how to take forward and implement Fair Work principles when working with and investing with others. The Bank's commitment to Fair Work and the priority you are already giving to it is very welcome.

Both the Bank and other respondents have observed that how this Direction is implemented and how Fair Work First criteria and principles are applied is crucial. Should the current Fair Work criteria be altered subsequent to this Direction, it would be for the Bank's Board to implement these as appropriate. I look to you to engage with the Shareholder on what will be tracked in relation to Fair Work and how it will be reported on by the Bank.

It is important that businesses are not restricted or prevented from accessing crucial investment from the Bank and we recognise that some SMEs in particular are likely to take some time to fully adopt the Fair Work First criteria. For this reason the application of the Fair Work First criteria should be proportionate and relevant, not putting them at a disadvantage in terms of access to investment.

The Fair Work Convention – the independent body which advises the Scottish Government on Fair Work – is keen to engage further with the Bank about this and I encourage you to include bodies like this in your implementation planning. Their insight and knowledge will undoubtedly be valuable to you.

Whilst the Direction does not place a requirement on the Bank to recognise or promote the recognition of trade unions, it is critical that employees have an effective voice in the workplace. This is why Fair Work First places a commitment on the Bank to adopt and promote appropriate effective voice channels which are reflective of the unique circumstances of individual business.

Similarly, whilst there is a presumption against the use of zero hours contracts by both the Bank and those it invests in, there may be exceptional circumstances where zero hours contracts might be appropriate and where it could be important to invest. If a business uses zero hours contracts they should have a clear and credible rationale for doing so and should be prepared to commit to providing secure employment contracts wherever possible.

My thanks to you once again for engaging in the development of the Fair Work Direction. Please also pass my thanks on to the Board for their commitment to Fair Work and I

hope that the Direction and this letter are helpful as the Bank develops its approach to implementation.

I look forward to progress reports and would ask that you keep the Shareholder team updated about the Banks plans as well as discuss with them your future reporting arrangements.

Yours sincerely

KATE FORBES

Annex A

Fair Work Direction

This Fair Work Direction has been developed in consultation with the Scottish National Investment Bank (the Bank) and organisations who represent the interests of employees and employers in Scotland.

The Bank should act in accordance with the ambitions and expectations of Scottish Ministers in delivering Fair Work, as set out in the Scottish Government's Fair Work Action Plan. The Bank should seek to promote Fair Work in all of its functions as Scotland's development bank. It should be embedded in the policies and practices of the organisation, driving a culture of high quality and fair work, in line with Fair Work principles.

This means that the Bank should apply the Scottish Government's Fair Work First approach. As this policy evolves, the Bank will be consulted on any proposed changes and will seek to adopt any new or amended Fair Work First criteria.

Ministers have made clear their expectation that those in receipt of public funding will be supported to embed fair working practices in their organisations , including Fair Work First Guidance.

The Bank is expected to apply the Fair Work First approach:

- in its role as an employer, by ensuring all of its workers experience fair work; and
- in the award of investments and contracts to support the embedding of fair work practice across the Bank's clients and customers.

In support of this Direction, Ministers may provide further guidance on the Scottish Government's Fair Work priorities, and their expectations of the Bank. The Bank will be required to report on its progress in adopting and promoting the Fair Work First criteria to the Scottish Government.

From: Eilidh Mactaggart eilidh.mactaggart@thebank.scot
Sent: Monday, November 15, 2021 4:43 PM
To: Cabinet Secretary for Finance and Economy CabSecFE@gov.scot
Cc: Willie Watt ([REDACTED]) <[REDACTED]>; [REDACTED]< [REDACTED]@thebank.scot>; David Ritchie <david.ritchie@thebank.scot>; [REDACTED] <[REDACTED]@thebank.scot>; [REDACTED] <[REDACTED]@thebank.scot>; Dobson L (Leanne) <Leanne.Dobson@gov.scot>; Feldinger K (Katrine) <Katrine.Feldinger@gov.scot>; Director of International Trade and Investment DirectorDITI@gov.scot
Subject: Bank Investment: Iona Wind Partnership

Dear PS/Cab Sec

We will be announcing our latest investment tomorrow in an onshore wind development fund.

We have committed £13m to the Iona Wind Partnership Fund which will invest in the development of onshore wind farms in Scotland. Asper Investment Management will manage the fund [REDACTED]. This new approach to onshore wind, should unlock the development of more onshore wind assets and it is a utility development / financing strategy I am personally very familiar with from my work overseas in power generation assets throughout my career. I am pleased to see it launched here in this format/context.

The Bank's investment has also helped to crowd in other investors alongside to complete the fund raising. Funds typically need a certain scale to be financially viable so completing a target fund raising is important.

SG comms, shareholder team etc have been informed.

This will make it to press tomorrow morning. Press release attached which is embargoed until midnight.

Kindest regards

Eilidh

PS the Fund is called Iona, [REDACTED] it came in to us already named!

Eilidh Mactaggart
Chief Executive Officer
Scottish National Investment Bank

TheBank.Scot

Executive Assistant: [REDACTED]
[REDACTED]@thebank.scot

Please note that we are all working remotely at this time.

Attachment to email

The Scottish National Investment Bank ASPER

15 November 2021

Asper Iona Fund secures £13m investment from Scottish National Investment Bank

A £13 million pound investment from the Scottish National Investment Bank, awarded to the Iona wind partnership, will accelerate the delivery of the Iona onshore wind pipeline in Scotland.
The Iona wind partnership, managed by Asper Investment Management, is focussed on building 800MW of onshore wind capacity by 2026.
Once fully operational, the project will be capable of generating clean, renewable energy and support the decarbonisation of Scotland's energy sector, estimated to save 600,000 tonnes of carbon dioxide per year.

Onshore wind is a key element to the renewables mix in Scotland and the Bank's £13m investment aligns with its mission to support Scotland's transition to net zero carbon emissions by 2045.

Eilidh Mactaggart, CEO of the Scottish National Investment Bank said:

"The Iona wind partnership has the potential to deliver renewable energy for up to 850,000 homes and significantly reduce emissions and supports the Bank's net zero mission.

"The development of onshore wind in the UK has stalled since the removal of subsidies in 2015. The Bank's investment has allowed Asper IM to reach the required scale to make the fund a reality.

"We are pleased to be working with Asper Investment Management who are committed to investing in businesses that develop, build and operate sustainable infrastructure and assets and have a track record in developing onshore wind projects.''

Luis Quiroga, Head of Investor Relations at Asper said:

"We are delighted to have the Scottish National Investment Bank's support for Iona. Asper's expertise is to "build the new" infrastructure for the energy transition. And Iona's investments will make a crucial contribution to Scotland's future - helping to decarbonise its energy supply and boosting the Scottish economy."

Asper estimates 12,800 kilotons of carbon dioxide will be saved by Iona's assets in their lifetime, sufficient to power 850,000 homes with green energy. Asper's sustainability goals for its investments also include building sustainable, durable and efficient assets, to respect and foster the natural habitats around projects, to use only truly sustainable sources of fuel and to sustain local communities around projects.

Ends

For Scottish National Investment Bank media enquiries please contact:
Katrine Pearson / Hannah Baird
3x1 Group
T: 0141 221 0707 / 07575 737 272
E: **TheBank@3x1.com**

For Asper media enquiries please contact:
investorrelations@asper-im.com

Notes to editors

The Scottish National Investment Bank is Scotland's first development investment bank, wholly owned by Scottish Ministers on behalf of the people of Scotland.

The Bank is an impact investor, focussed on delivering both commercial returns and mission impacts with its investments. The Bank is a PLC and operationally independent from the Scottish Government and Ministers.

The Bank invests in business and projects connected to Scotland to deliver long term, patient debt or equity investment where the private market is failing to provide the support businesses and projects require to grow.

The Bank's missions are:

- Supporting Scotland's transition to net zero
- Building communities and promoting equality
- Harnessing innovation to enable our people to flourish

The Scottish Government has committed to capitalising the Bank with £2bn in its first 10 years. Over time as the Bank's initial investments are repaid, the Bank will reinvest those funds in businesses and projects creating a perpetual investment fund to support the Scottish economy in the long term.

The Bank was established in November 2020 and is led by Chief Executive, Eilidh Mactaggart.
www.thebank.scot

Asper Investment Management is an independent investment management firm specialised in sustainable real assets. Its investments and commitments managed by Asper total in excess of €1.6 billion and since 2019 it has raised three new co-investment partnerships dedicated to energy transition investments in Ireland, the Netherlands and the UK.

For more information go to https://asper-im.com/

From: [REDACTED] <[REDACTED]@gov.scot> **On Behalf Of** Cabinet Secretary for Finance and Economy
Sent: Tuesday, December 14, 2021 1:46 PM
To: [REDACTED]
Cc: Cabinet Secretary for Finance and Economy <CabSecFE@gov.scot>; Eilidh.mactaggart@thebank.scot; sarah.roughead@thebank.scot
Subject: Note from Ms Forbes, Cabinet Secretary for Finance and the Economy - Tuesday 14 December

Dear Willie,

I enclose a note that captures our conversation on Friday 10 December. I will continue to give the Bank priority especially if budget flexibility arises in advance of the next financial year. I remain fully committed to supporting the Bank, and [REDACTED]. We discussed how important it is to understand the options available and implications for the Bank to manage within the allocation provided – which will also impact on your updated 2022-26 business plan. Please keep in touch with officials when working up the options so that these can be jointly reviewed and discussed. I wish to use the upcoming re-scheduled quarterly meeting with you and Eilidh on 27 January to understand the progress made with options, the shape of the Bank's updated business plan and the Shareholder's expectations around the LTIP criteria for 2022-23.

KF
14 December 2021

[REDACTED]
Deputy Private Secretary to Cabinet Secretary for Finance and Economy – Kate Forbes
The Scottish Government | St Andrew's House, Regent Road, Edinburgh, EH1 3DG
T: [REDACTED] | M: [REDACTED] | E: CabSecFE@gov.scot

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Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See **www.lobbying.scot**

Note of a phone call between Willie Watt, Chair of the Scottish National Investment Bank plc (the Bank), and Kate Forbes, Cab Sec for Finance and Economy; 1.00-1.30 pm, Friday 10 December 2021

The call was to discuss the 2022-23 draft budget allocation for the Bank that had been introduced to parliament on Thursday 9 December. [REDACTED].

The Cab Sec outlined the overall context in which the budget had been prepared, the choices that had to be made corporately, and that that it is not possible to re-look at the draft budget for the Bank. She explained that the FTs usually become available in-year but the Resource position would remain very challenging. [REDACTED]

[REDACTED], and that the Bank had looked very closely at their requirements in order to ensure their ask for [REDACTED] was reasonable. The current position would not be painless –

it could impact severely on areas that need to be developed like reporting - and the issue is whether the Bank can find substitute income.

[REDACTED]

The Cab Sec asked Mr Watt to look at all the options for managing with the draft budget allocation and to work with officials on this. If officials can understand the options and implications from the Bank's perspective, they can help identify what might be done to help manage or improve the situation and give some priority in terms of further budget availability. [REDACTED]

Mr Watt acknowledged the constraints that the Cab Sec has to manage and confirmed that **the Bank's ExCo would work with the Shareholder**.

The Cab Sec assured Mr Watt that the allocation made to the Bank by no means indicated any downgrading of the importance given to it and the important role it has in keeping the economy firing on all cylinders. They agreed that the Bank and the SG would remain close – **the next quarterly meeting scheduled on 27 January is a point at which to review the options to be developed by the Bank.**

[REDACTED] ***– 13 December 2021***

From: Eilidh Mactaggart <eilidh.mactaggart@thebank.scot>
Date: Friday, 24 Sep 2021, 2:00 pm
To: Cabinet Secretary for Finance and Economy <CabSecFE@gov.scot>
Cc: DG Economy <DGEconomy@gov.scot>, Feldinger K (Katrine) <Katrine.Feldinger@gov.scot>, Director of International Trade and Investment <DirectorDITI@gov.scot>, 'Willie Watt ([REDACTED])' <[REDACTED]>, David Ritchie <david.ritchie@thebank.scot>, [REDACTED]< [REDACTED]@thebank.scot>, [REDACTED] <[REDACTED]@thebank.scot>, [REDACTED] <[REDACTED]@thebank.scot>
Subject: Bank: Annual Accounts and Report & Strategic Documents published on the website

Dear PS / Cab Sec

I just wanted to let you know that the following documents have now gone live on the Bank's Publications page of our website, which hopefully you will find of interest, you will have seen earlier versions of these as part of various approvals:

- ***Annual Accounts and Report***: A summary of our financial results in the 'stub' period Nov 2020 – March 2021, including reporting from the different board committees and case studies of our first two investments
- ***Mission Report:*** An overview of our missions, where we anticipate investing in order to achieve these and some initial guidance on how we will be reporting the impact assessments of our investments
- ***Business Plan:*** An overview of our approach and priorities, with a definition of our Corporate Goals and Objectives
- ***Investment Strategy:*** An outline of how we approach making investments, the types of investment services we offer and the nature of the clients and projects we seek to invest in
- ***Risk Management Framework:*** A description of how we approach the management, mitigation and reporting of risk
- ***Ethical Investment Standards:*** As an ethical investor, a document to explain what this means to us, including sectors that we will not invest in

If you have any queries on any of the above please let me know.

Kindest regards

Eilidh

Eilidh Mactaggart
Chief Executive Officer
Scottish National Investment Bank

TheBank.Scot

Executive Assistant: [REDACTED]
[REDACTED]@thebank.scot

Please note that we are all working remotely at this time.

Rùnaire a' Chaibineit airson Ionmhas agus na h-Eaconamaidh
Cabinet Secretary for Finance and Economy
Ceit Fhoirbheis BPA
Kate Forbes MSP

T: 0300 244 4000

Scottish Government
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gov.scot

Willie Watt
Chair
Scottish National Investment Bank
willie.watt@thebank.scot

29 June 2022

Dear Willie

SCOTTISH NATIONAL INVESTMENT BANK GROUP (the Bank) STRATEGIC GUIDANCE LETTER FOR 2022-23

This Strategic Guidance letter sets out my strategic priorities for and expectations of the Scottish National Investment Bank (the 'Bank) for 2022-23. It reflects the status of the Bank as a public body and the Government's role as sole Shareholder in the Bank.

At the outset, it is important to recognise the progress the Bank has made since its establishment in November 2020 – a strong team has been recruited; operational structures and systems put in place; key strategies and policies such as the Bank's Investment Strategy, Ethical Investment Policy and Risk Management Framework have been developed; and the Bank has committed over £200m in investment to a range of exciting and ambitious projects and businesses in line with your missions. I am grateful to you, the Board and the Bank's Executive Team and staff for the progress that has been made over a relatively short time. The recruitment of a new Chief Executive with the right skills, experience and attributes to build on this and lead the Bank over the coming years will be critical.

The purpose of the priorities and expectations set out in this letter is to support our shared ambitions for the Bank over the next 5-10 years. Whilst the current economic challenges and uncertainty may impact on those ambitions in the short term it is important that the Bank remains focussed on becoming a catalytic investor which demonstrates economic, social and environmental impacts in line with its missions and which public, third sector and private partners, especially the investment community, choose to work and engage with in support of the National Strategy for Economic Transformation (NSET) and the transition to net zero. I also want the Bank to be an open and active partner with Government, our enterprise agencies and wider public sector and with the business and investment community –

working together and sharing market analysis, insights and intelligence to achieve common aims.

National Strategy for Economic Transformation

As you know, NSET sets out how, over the next ten years, we aim to deliver economic growth that significantly outperforms the last decade so that the Scottish economy is more prosperous, more productive and more internationally competitive. The Strategy identifies five key transformational programmes of action to drive improvements in Scotland's economy - stimulating entrepreneurship; strengthening Scotland's position in new markets and industries; increasing productivity; developing the skills we need for the decade ahead; and ensuring fairer and more equal economic opportunities. In how it works with others and in making investments and delivering its missions, I expect the Bank to play an important role across all five programmes but especially on entrepreneurship and new markets.

On entrepreneurship, NSET identifies the scaling up of successful companies as an area where data shows the greatest gap between current performance and Scotland's potential. I therefore expect the Bank to have a strong focus on businesses with high growth, 'scale up', potential.

On strengthening Scotland's position in new markets and industries, NSET highlights a range of areas, particularly around the transition to net zero, where Scotland has the potential to build world-leading industries and associated supply chains. These include the nearer term opportunities from the ScotWind programme of offshore wind farm developments and the decarbonisation of heat and transport as well as emergent opportunities such as the development of a hydrogen economy and investment in natural capital. I recognise that the Bank's net zero mission already provides a strong focus on these opportunities and expect the Bank to focus even more sharply in 2022-23 and beyond, especially where it can contribute to broader strategic efforts to realise the full benefits of the transition.

Communication, engagement and collaboration

As well as contributing to NSET through delivery of its Missions, I expect the Bank to continue to widen and deepen its communication, engagement and collaboration with businesses and projects which best fit the Bank's focus and ambition; with the investment community in Scotland, the UK (including the British Business Bank and UK Infrastructure Bank) and internationally; and with the Government, our enterprise agencies and, where relevant, wider public sector. On this latter point, whilst it is, of course, for the Bank to independently determine (or not) the investments it makes and the terms of those investments, I expect the Bank to work closely with policy teams and our enterprise agencies to reinforce our shared policy objectives and achieve maximum collective impact, especially in respect of NSET. The Bank can also bring useful market analysis, insights and intelligence to this work.

Levering private capital

Although the Government's support of £2bn to capitalise the Bank over its first ten years is substantial, we recognise that £2 billion is not sufficient in and of itself to meet the scale of our ambition and the challenges and opportunities of the transition to net zero. The Bank therefore has a critical role in leveraging and crowding in, private investment. I welcome the fact that the Bank's existing investment commitments of over £200m are expected to lever in over £450m of additional private financing. In 2022-23 and over the next few years, I expect the Bank to increase its leverage ratio, including through the management of third party funds, year on year. The Bank's plans to become FCA regulated are central to this. [REDACTED]

Demonstrating Impact

Across all the above and in delivering its Missions as a long term investor, it is vital that the Bank is able to measure and transparently demonstrate its impact and value for money to the public purse. I was heartened to see that the Bank's Mission Report 2022 begins to set out and explain its mission impact objectives and the associated development of an Impact

Framework against which investment performance can be determined, over and above a financial rate of return. It will be important to continue this work, including the development of appropriate KPIs, in 2022-23 and to consider how this can be aligned with and/or incorporated in to the other reporting requirements on the Bank. This includes the requirement to produce a balanced scorecard which, as set out in the legislation, outlines the economic, social and environmental impacts of the performance of its investments over time.

Equality and fair work

I welcome the Bank's commitment to ensuring its investment activity and engagement with businesses and projects supports equality and fair work and encourage the Bank to use its role and influence within the wider investment community to promote a culture that values equality, diversity and inclusion. Throughout 2022-23, it will be important to continue to translate this commitment in to practical action through the Bank's role as an employer, investor and partner. I expect the Bank's upcoming Equality Strategy to set out firm plans to do this and to lay the foundations for ambitious progress over the coming years.

Sponsorship

The Scottish Government relationships with public bodies: progress review contains fourteen recommendations for improving how the Scottish Government manages its relationships with public bodies. The recommendations look to strengthen existing policies, address concerns, and allow for consistently effective sponsorship. In the context of the nature and functions of the Bank, I expect the Bank to work closely with the Sponsor Team to consider the recommendations.

Advisory Group

As you are aware, the legislation for the Bank requires Scottish Ministers to establish an Advisory Group to provide them with advice on the Bank's objects, conduct and performance. My officials will be taking this forward during 2022-23 and will work with the Bank to ensure the Advisory Group complements and adds value to the Bank's wider governance arrangements.

I hope this letter provides clarity on my strategic priorities for and expectations of the Bank for 2022-23 and look forward to working with you over the year ahead.

Yours sincerely

KATE FORBES

Cabinet Secretary for Finance and Economy
Kate Forbes MSP

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Scottish Government
Riaghaltas na h-Alba
gov.scot

Willie Watt
Chair, Scottish National Investment Bank

Lord Smith of Kelvin
Chair, Scottish Enterprise

18 July 2022

Dear Willie and Lord Smith,

I am writing to set out my expectations for working together to ensure that our policy

ambitions in regard to the supply of growth capital for Scotland's most innovative companies, as set out in the National Strategy for Economic Transformation, the Scottish Technology Ecosystem Review and the Global Capital Investment Plan, are realised.

Firstly, I would like to thank you both for your commitment to collaborative working to date. Our policy landscape and delivery system have changed as we have dealt with challenges from Covid-19 and EU Exit. We must now look to how we move forward and build an innovative, future-facing economy. Together, Scottish Enterprise and the Scottish National Investment Bank will play a central role in the decisive decade ahead, using your expertise and knowledge to create a start-up and scaling ecosystem in which our most innovative companies are able to access capital to grow and flourish in Scotland.

As you know, the 'Higgins Agreement' was put in place prior to this new policy landscape and was aimed at setting out how the newly established Bank and SE would work together. The Agreement indicated that "*A review of the framework will take place during the third year of the operation of the Bank. This will incorporate a view on the transfer of assets of SE to the Bank. The review will be focused on the circumstances that prevail at that time*".

Given the changed policy landscape and recent progress in joint working between the Bank and SE, I do not consider that such a review in 2023 is the most constructive course of action for achieving our policy ambitions. A review in this form will therefore not go ahead. I can also confirm that, apart from the potential transfer of a limited number of large investments from SE to the Bank as set out in the Agreement, there is no expectation that assets ([REDACTED]) will transfer from SE to the Bank during this Resource Spending Review to 2026/27.

I wish to stress that the rest of the Higgins Agreement remains in place and that it is important that both organisations adhere to the spirit and substance of the Agreement, including the investment parameters it sets, at both a strategic and operational level. I expect that this will be managed as part of the ongoing approach to collaborative working between the two organisations. Sponsor teams will stand ready to provide guidance on any outstanding matters if required. A copy of the Agreement is attached for ease of reference.

The economic ambitions described in NSET and forecast budgetary constraints require us to reconsider the way in which the public sector works together and with the private sector, and how it intervenes in and interacts with the wider economy. The availability of growth capital as part of a fully integrated, cross sectoral approach to supporting businesses across Scotland to start and scale is a key part of this. I have therefore asked my officials to lead some work between now and Summer 2023 to ensure our interventions, especially for early stage companies, have maximum impact. They will be in touch to seek your views on the scope of this work which I trust both Scottish Enterprise and the Bank will engage fully and constructively with. For clarity, this work will not re-examine the interface between SE and the Bank set out in the Higgins Agreement.

In the meantime, I have instructed SG officials to ensure that we have a process in place to track delivery of growth capital policy, and evaluate how the system as a whole is performing.

I trust the above is clear and helpful. Officials will be in touch in the coming weeks to discuss and make a start on the work programme outlined.

Yours sincerely,

KATE FORBES

ANNEX A

Text of Higgins Agreement

The Relationship between The Scottish National Investment Bank and Scottish Enterprise

It is paramount that The Scottish National Investment Bank (the Bank) evolves in a manner that is consistent with the vision set out in the Implementation Plan that was delivered to and accepted by Scottish Government (SG) in February 2018. In particular, it is essential that the Bank is both additive to the apparatus of economic development and a catalyst for necessary improvement in how SG pursues its economic objectives of growth, resilience, fairness, sustainability, and wellbeing. This includes creating markets where possible and effective. Furthermore, at the heart of the rationale for the Bank was the focus on 'mission' first articulated to SG by Mariana Mazzucato, and subsequently at the centre of the Implementation Plan and the legislative process. The draft 'missions' which are expected to be approved in the coming weeks are those related to NetZero, Place, and Demographics. From the outset it was anticipated that it would take time for the Bank to develop its capability in order to fulfil its role in economic development and a pathway was envisioned. However, the flight path of development of the Bank and its relationship with other actors must be reconsidered in light of the economic consequences of Covid-19 and a likely hard Brexit. There has never been a time that is more demanding of agile, pragmatic decision making. It is vital that we deploy our resources effectively to support economic recovery.

The Bank's operating relationship with the agencies, and Scottish Enterprise (SE) in particular, must be considered from this perspective. The primary focus of the Bank is to tackle the grand societal challenges that require a risk appetite that differs from many market participants. These 'missions', however, now lie at the heart of SG's economic objectives. It is logical, therefore, that every aspect of the economic architecture is focused on this central theme. The need for collaboration has never, therefore, been greater. Effective collaboration requires, above all else, strong relationships, but some ground rules matter too. A key relationship is that between the Bank and SE. This note sets out the high level basis of complementary investment operations.

It is unrealistic to draw hard lines around the operations of either organisation. It is better to embrace the value of grey areas in the spirit of achieving more. Nevertheless, clear guidelines are crucial. Early stage investment should be the natural preserve of SE, albeit the Bank may invest there on occasion. The aggregate debt/equity thresholds for initial investments should be as follows: SE will engage below £1m, the Bank will engage above £2m, and both organisations will participate in the £1-2m range. Given these guidelines it is anticipated that early stage investment will usually be the preserve of SE. There will be a joint operational investment forum attended by senior executives to review the investment pipeline and determine sensible allocation. This forum will include other enterprise agencies and be an opportunity for broader cooperation. The primary focus of the forum will be discussing investment opportunities that lie in the overlap territory or are outliers. It should be the intention, however, to make the most of the sessions to share insight and plans. The cumulative threshold for SE investment will be £5m with respect to portfolio that exists prior to the launch of the Bank, and it will lower at £3.5m or those investment that are initiated following the launch of the Bank. Needless to say, guidelines will subject to exceptions, but the guidelines will underpin necessary discipline. Exceptions should be discuss at the joint forum ahead of investment.

Similar guidelines and practices will need to be established for the other agencies. The brand 'Scottish Investment Bank' should disappear in a controlled, sensible manner as a symbolic gesture and to avoid confusion.

SE will lead, in conjunction with the Rapid Response Unit of SG, when there is necessary intervention in relation to turnarounds and businesses in crisis. There will, again, be agreed exceptions where the Bank views the potential recovery being consistent with long term patient capital.

It will paramount that there is a strong spirit of open and transparent cooperation and collaboration between the two organisations. In particular, it is vital that it is clear to all stakeholders and those seeking investment how to engage with the system that includes the Bank and SE. There has been consistent criticism from many quarters that the public apparatus economic development is confusing and difficult to navigate. This must be remedied, and certainly not reinforced.

A review of the framework will take place during the third year of the operation of the Bank. This will incorporate a view on the transfer of assets of SE to the Bank. The review will be focused on the circumstances that prevail at that time. Prior to then, however, there will be a determination to transfer a limited number of large investments from SE to the Bank. The precise process of valuation and transfer will be agreed between the two bodies in due course.

This agreement will allow the operation of SE, which is much wider than solely investment, alongside the Bank. Needless to say, there will be many issues to resolve over the next few months and beyond. This will include the Scottish Growth Scheme and SE's Energy Investment Fund. The important step now is to move forward with sufficient focus on what matters most – supporting the Scottish economy – and resolve any further outstanding matters as we travel.

To: Chief Officers of Public Bodies

17 December 2020

FAIR WORK FIRST IN PUBLIC BODIES

Dear Chief Officer,

As the Scottish Government embarks on the critical vaccination programme as part of our COVID-19 response, we want to re-state the Scottish Government's commitment to Fair Work as part of our on-going response to the pandemic and as a central element of our economic recovery and renewal.

Throughout the pandemic we have pressed the importance of Fair Work to protect the health and livelihoods of workers across Scotland and our economy. We wrote to you in September promoting the statement of fair work practices, highlighting the high standard of fair work expected by the Scottish Government, STUC and key partners across the public, private and third sectors. We are grateful for the action our public bodies have taken to respond to the crisis, including working in partnership with workers and their representatives, such as trade unions, to ensure effective decisions are taken on workplace matters, and workers are treated fairly.

The former Cabinet Secretary for Economy wrote last August, highlighting the important role for the Scottish Government and public sector partners in leading the way embedding Fair Work in our organisations and through supply chains. We also recognised the dual role for the majority of public bodies in promoting Fair Work: both as employers, and the stewards of public funds. We encouraged bodies – learning from the enterprise and skills agencies' early adopter experience – to adopt our Fair Work First approach appropriately in these roles. We also highlighted the Fair Work Agreement between the civil service sector and relevant trade unions. This set out how the civil service sector will work to meet fair work expectations, and

encouraged other bodies to adopt the terms of the agreement.

We appreciate other Covid priorities may mean fair work has not progressed as originally planned. However, Ministers are clear that Fair Work is more important now than ever and must be at the heart of employment practices, funding and procurements. Therefore, our expectation is for you to adopt the Fair Work First criteria as an employer by the end of the current financial year, and apply it to grants, other funding and contracts being awarded from April 2021. Specifically, this means:

- appropriate channels for effective voice, such as trade union recognition;
- investment in workforce development;
- no inappropriate use of zero hours contracts;
- action to tackle the gender pay gap and create a more diverse and inclusive workplace; and
- payment of the real Living Wage.

It will be for each body to determine how Fair Work First can be applied to the organisation's priorities and you should monitor delivery within normal sponsorship/funding and contract management arrangements. In doing so, it will be important to maintain constructive engagement with your workforce and/or their representatives. Officials are currently considering a mechanism for gathering information about implementation and the impacts for workers and the organisation, and will communicate with you on this in due course. In the meantime we would welcome hearing about the work you have done to implement Fair Work First to date, and your plans for the year ahead. This will enable us to highlight progress and good practice in our Fair Work annual report due to be published in February. Please send this information to: [REDACTED]@gov.scot by 29 January 2021.

Officials have engaged extensively to develop Fair Work First Guidance to support implementation, and we appreciate the input from your organisations. The guidance will be published in January and provides examples of good practice which can enhance workers' experience of fair work and improve service delivery, including through public bodies' support for the Young Person's Guarantee, as part of your broader workforce development. We would also encourage you to use the Fair Work Employer Support Tool to assess your work practices and access support to help you improve; details about how to access the tool will be provided when it is launched in January. Finally, we would urge you to encourage your staff to use the Fair Work Employee Tool to assess their experience of Fair Work, and to share these resources with your networks.

Ministers will continue to communicate with you on the Scottish Government's Fair Work expectations as the policy develops, to help ensure that Fair Work is embedded within your organisation's planning and operational structures and governance arrangements. We are grateful for your continued support, and are confident the steps we take together will help us achieve the vision – shared with the Fair Work Convention - for Scotland to be a world leading fair work nation by 2025.

FIONA HYSLOP KATE FORBES

To: Chief Executives of Public Bodies
09 September 2021

FAIR WORK FIRST UPDATED CRITERIA

Dear Chief Executive,

The past eighteen months has been a time like no other, with the coronavirus pandemic impacting upon every area of life in Scotland. The action the Scottish Government and our public sector partners have taken to tackle the pandemic has been necessary and as we continue to lead the country out of the pandemic, we must also focus on our economic recovery and renewal and progress our ambition for Scotland as a wellbeing economy.

Therefore, we write to you now to re-state the Scottish Government's commitment to Fair Work. Throughout the pandemic we have continued to press the importance of Fair Work to protect the health and livelihoods of workers across Scotland and the collaboration between employers, workers and unions has been key to ensuring workers have been treated fairly. Now, we must continue to build momentum and focus in driving fair work practice across the public sector and wider labour market.

Ministers have made clear the public sector must lead the way on Fair Work and the Scottish Government remain committed to progressing fair work across the Civil Service sector, working in partnership with our public sector partners and the relevant trade unions. We will also apply Fair Work First in relevant grant and public contract funding as a priority.

In this regard, last December I wrote to you jointly with the former Cabinet Secretary for Economy, Fair Work and Culture, outlining the Government's expectation for public bodies to adopt our Fair Work First approach. We are grateful for your commitment to this important agenda as we continue to roll Fair Work First out across the wider public sector.

This letter is to advise you that two additional criteria are being included within our Fair Work First approach, focused on supporting flexible and friendly family working and opposing fire and rehire practice. The full set of criteria that should be adopted is now:

- appropriate channels for effective voice, such as trade union recognition;
- investment in workforce development;
- no inappropriate use of zero hours contracts;
- action to tackle the gender pay gap and create a more diverse and inclusive workplace;
- payment of the real Living Wage;
- offer flexible and family friendly working practices for all workers from day one of employment; and
- oppose the use of fire and rehire practices.

The criteria for flexible working and fire and rehire practices are being introduced as part of our Manifesto commitments and should be applied to your workplace policies and new procurement, grant and other funding decision making processes with effect from October 2021. Our Fair Work First guidance is being updated to support the implementation of the new criteria and will be published in September; it is being developed with input from the STUC, COSLA, the Fair Work Convention, and business, public and third sector partners. Revised procurement policy advice will also be published in line with this update.

Public bodies will be best placed to determine how Fair Work First can be applied to their priorities, and delivery can be monitored within normal funding and contract management arrangements. Effective worker voice is the cornerstone of Fair Work and it will be important to maintain constructive engagement with workers and relevant trade union or other representatives as you progress fair work across your organisation. In this regard, the Fair Work Employer Support Tool can be used to self-assess fair work practice against the Dimensions of Fair Work; the tool will be enhanced to incorporate the new criteria. You may wish to encourage workers in your organisation and local area to use the Fair Work Employee Self-assessment tool to assess their own fair work experiences. Data gathered from these tools help to inform our understanding of the successes and challenges in providing fair work.

Thank you for your continued support in helping us to realise our vision for Scotland to be a leading Fair Work Nation by 2025.

Yours sincerely,

TOM ARTHUR **KATE FORBES**

For the attention of Chief Executives

23 March 2022

Public Sector Pay Policy 2022-23

As you are aware the 2020-21 and 2021-22 pay rounds implemented the guaranteed elements of the Public Sector Pay Policy as an interim award. This approach was agreed in consultation with trade unions for specific reasons related to COVID-19.

Conditions for the 2022-23 pay negotiations have changed. I am pleased that employers and trade unions are ready and able to engage in robust and meaningful dialogue to deliver improved outcomes for staff. It is therefore my expectation that normal pay negotiations will take place for the 2022-23 pay round, reducing the need for an interim award.

Where negotiations have not already commenced for 2022-23, given the prevailing cost of living pressures I would urge that they start as soon as possible to allow swift progress – ensuring pay is affordable within available budgetary envelopes for 2022-23 and beyond. Trade unions will have the opportunity to present their pay claim and you will have the opportunity to discuss and consider local workforce issues; for example, wider terms and conditions issues and the potential distribution of the flexibilities that can be used to provide a top-up payment to address inflationary pressures and to address evidenced inequality.

I would encourage you as part of your deliberations to actively consider the pay reform option within the policy. This enables you to go beyond the basic award elements in taking a strategic, multi-year approach to pay underpinned by a clear business case based, for instance, on principles of person-centred service delivery, well-being and value for money. I also expect to see greater progress on moving towards a 35 hour working week and on the Right to Disconnect. With regards to consideration of a four-day working week, my officials will respond to you separately with details regarding public sector pilots shortly.

As ever, I appreciate your leadership and service delivery ambition as part of our shared agenda of ensuring strong, responsive public services that promote wellbeing and opportunity.

KATE FORBES

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Ceit Fhoirbheis BPA
Cabinet Secretary for Finance
Kate Forbes MSP

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12 June 2020

To Chief Officers in the public sector,

My colleague Fiona Hyslop, Cabinet Secretary for Economy, Fair Work and Culture, wrote to you on 27 March setting out new procurement guidance on options for public bodies to provide supplier relief to support the continuity of public contracts and supply chains.

The Scottish Government's Framework for Decision Making, Scotland's route map through and out of lockdown, sets out how we will carefully and gradually seek to lift restrictions across four phases. Where public health evidence allows sectors to restart in line with relevant Safer Workplace guidance, see Phase 1: returning to work safely, public contracts will also be able to restart.

As markets begin to open and it becomes safe to return to workplaces, I would like to confirm that, as part of our wider economic response package, we are extending the availability of supplier relief options for those contracts which continue to be affected by the restrictions and ask public bodies now to start transition planning. Please see supplementary guidance, which sets out actions focusing on the Recovery and Transition from COVID-19 - Scottish Procurement Policy Note 8/2020.

I understand from my officials that public bodies have been turning focus to the recovery from COVID-19. I would ask that as part of this you should now review your contract portfolios and work in partnership with suppliers in an open and transparent manner to develop transition plans as soon as possible to restart contracts aligned to Scottish Government's Route map through and out of lockdown where it is safe and sustainable to do so.

I would like to thank you for your resilience and ongoing support to maintain public services during these very challenging times.

KATE FORBES

Cabinet Secretary for Finance and Economy
Kate Forbes MSP

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Linda Hanna
Linda.Hanna@scotent.co.uk

Our Reference: 202100205675
Your Reference: FW Congratulations

4 June 2021

Dear Linda,

Thank you for your email on 21 May to the Deputy First Minister and Cabinet Secretary for Covid Recovery about Scottish Enterprise's continued commitment to supporting Scotland's economic recovery and attaching Scottish Enterprise's Business Plan and Supporting Economic Recovery document. I am replying as I have portfolio responsibility for Scottish Enterprise.

You are correct that there are still challenging times ahead, and the Scottish Government and our agencies must now channel the same urgency that was taken to protect public health during lockdown into securing fair and just recovery as we emerge from the pandemic. I am very grateful of the efforts of Scottish Enterprise in helping the Scottish Government to deliver much-needed grant funds to businesses.

Looking ahead, Scottish Enterprise will play an essential part in our economic recovery and I am eager to meet with you and Lord Smith to discuss. I understand my officials have now agreed with your office for an introductory meeting on 22 June, and to then establish a series of regular engagements following recess.

I look forward to meeting you then.

Yours sincerely

KATE FORBES

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Adrian Gillespie
CEO
Scottish Enterprise

By Email: Adrian.gillespie@scotent.co.uk

10 March 2022

Dear Adrian,

Thank your recent paper setting out proposals for future collaboration with the Scottish National Investment Bank.

I have read the paper with great interest and, as discussed when we met recently, I am encouraged by the positive and productive way in which both Scottish Enterprise and SNIB have approached this. The proposals set out are very welcome and I am happy with the recommendations you have suggested to me in terms of how to take these forward.

Now that the National Strategy for Economic Transformation has been published, it is imperative that all public bodies, including SE and SNIB, start to take the necessary steps to play an active part in its delivery. The type of collaboration and forward thinking set out in your paper will undoubtedly fit well with those ambitions and I was particularly pleased to hear that your most recent discussions with SNIB have continued in this positive manner.
I'm also keen to see where SE, SNIB and others can make progress to support growing and scaling up business across Scotland in a collaborative way and in line with the ambitious vision set out in the NSET.

I look forward to hearing how your work with SNIB is progressing. In order to ensure we continue to communicate on this, I have asked both Colin Cook and Richard Rollison to meet with both you and SNIB officials on a regular basis to receive updates on progress and offer any support you feel may be beneficial.

Yours sincerely,

KATE FORBES

17 May 2022

Kate Forbes, MSP
Cabinet Secretary for Finance and the Economy St Andrew's House
Regent Road Edinburgh EH1 3DG
By email: CabSecFE@gov.scot

Dear Ms Forbes

LETTER FROM THE CHAIRS OF: HIE, SDS, SE, SOSE AND VS

We welcome your openness at the meeting with CEOs on 11 May to considering further options for a governance structure that ensures collaboration and alignment in the successful delivery of the National Strategy for Economic Transformation (NSET), as we move to a wellbeing economy. We also welcome the very positive discussion around the need to work collaboratively on a few priority areas such as digital, offshore wind and hydrogen and our work with companies, to ensure we make early impact in delivering on NSET ambitions.

Discussions on our respective guidance letters reinforce your commitment to the agencies playing an active role in the governance of the NSET programmes, and rightly you are looking to us to collaborate further across the public and private sectors. We very much want to help shape that effective governance, one that maintains a focus on delivery and that demonstrates, from the outset, collaboration is a key principle in the way we work.

In doing so, we support your ambition to establish a governance structure that provides Cabinet with the assurance and confidence that, collectively, we are making the progress at the pace required to deliver. Successfully delivering a wellbeing economy is central to the vision of NSET and requires a system-wide effort across the public, sector. Clearly, this is not just across agencies working together, but is also right across local and national government in an aligned effort that must include, for example, planning, digital, housing and transport. We also welcome the explicit expectation that the public sector will work together with the third- and private sectors to achieve this vision.

As you highlight, clarity of purpose is vital. To get off to the very best start we need governance that supports clear communication and removes any doubt or confusion, one that brings the right people together to maintain the relentless focus on critical delivery priorities to effect transformation.
While we have not seen the detail behind the remit of the Delivery Board, we appreciate that considerable thought will have been given to the approach you shared with us. We believe, through further engagement, we can develop a stronger governance and assurance structure that will lead to better outcomes for Scotland.

As your key economic and skills delivery bodies, we are fully committed to working collaboratively and being accountable, building on our experience over a number of years, including working with the Enterprise and Skills Strategic Board, to ensure we contribute to the Board's successful operation and depth of understanding of Scotland's economy and the role that we can play collectively in driving transformation.

We are mindful we are at a critical point in time in establishing the governance structures to oversee the successful delivery of NSET and would like to request a further meeting with you to explore in more detail how the governance model can be refined to reflect the importance of collaboration.

Yours sincerely

[SIGNATURES REDACTED]

Alistair Dodds CBE
Chair
Highlands and Islands Enterprise

Lord Thurso Chair
Visit Scotland

Frank Mitchell Chair
Skills Development Scotland

Lord Smith of Kelvin KT CH
Chair
Scottish Enterprise

Professor Russel Griggs OBE
Chair
South of Scotland Enterprise

Cabinet Secretary for Finance & Economy
Kate Forbes MSP

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Riaghaltas na h-Alba
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Personal

By Email: [Redacted]

23 May 2022

Dear Lord Smith,

National Strategy for Economic Transformation (NSET)

Thank you for your letter of 17 May 2022 regarding the governance of the National Strategy for Economic Transformation (NSET). We are committed to a new culture of delivery and as such, it is important that we get the governance structures right to

ensure that we are, collectively, held accountable for the delivery of this national endeavour.

Your agencies, as well our wider delivery partners, will have an integral role to play in the delivery of NSET. I have been grateful for your contribution to date which have helped shape the delivery programmes and priority actions within the national strategy. Indeed, during that engagement spanning several months, we discussed governance structures, before settling on the final proposal as published in the NSET. Accountability for delivery of NSET does not replace the governance arrangements or autonomy of each agency.

As I set out during our meeting on the 11th May, the NSET Delivery Board will hold all delivery partners (including the Scottish Government) to account for the implementation of NSET. As the Cabinet Secretary for Finance and Economy, I am responsible for overseeing delivery and implementation of the NSET which is why I will co-Chair the NSET Delivery Board. Any proposals for changing or enhancing delivery will be developed at the individual programme level and then shared with the NSET Delivery Board for sign-off.

Given this remit, it would be inappropriate for Agency Chairs or Government Officials to be represented on the board. Please refer to the draft terms of reference for the NSET Delivery Board in Annex A which clarifies the focus of the Delivery Board.

However, agency CEOs will be members of the NSET Portfolio Board, chaired by DG Economy, Louise Macdonald. The Portfolio Board will play a key role in ensuring programmes are on track, make cross-programme connections and resolve issues, including funding from different accountable officer areas, before progress is reported to the NSET Delivery Board.

Furthermore, agency CEOs will be involved in the individual governance arrangements for each of NSET programme, and in some cases will be either the programme director or SRO. These arrangements will not undermine the agencies' own boards but I would expect the delivery of NSET to dominate the strategic priorities of the agencies.

Ensuring clear communication throughout the NSET governance structure is essential. That this why Barry White, the co-chair of the NSET Delivery Board, will regularly engage with the agency chairs. In addition, at official level there will be short sessions immediately following the NSET Delivery Board meetings to provide a readout from the Board to those involved in delivering the programmes, which will include agency leads.

I would also like to let you know that the NSET Delivery Board and its membership will be announced by us tomorrow.

I hope this clarifies the ways in which your agencies can feed into the delivery of NSET. If you would welcome another meeting to discuss this, I ask that you contact my officials at NSETSecretariat@gov.scot.

Yours sincerely,

KATE FORBES

National Strategy for Economic Transformation (NSET) Delivery Board Terms of Reference

Purpose	The National Strategy for Economic Transformation (NSET) Delivery Board will support the government's commitment to maximising Scotland's economic potential and delivering a greater, greener and fairer prosperity by overseeing the successful delivery of the 10 year National Strategy for Economic Transformation. The NSET delivery board will focus on supporting the delivery of six programmes **(1)** Entrepreneurial People and Culture, **(2)** New Market Opportunities, **(3)** Productive Businesses and Regions, **(4)** Skilled Workforce, **(5)** A Fairer and More Equal Society and (6) New Culture of Delivery. A robust governance structure (Annex A), co-led by business, will hold the public sector and industry directly to account for delivery.
Background	The National Strategy for Economic Transformation (NSET) included an action to restructure the Enterprise and Skills Strategic Board so that it becomes the National Strategy for Economic Transformation (NSET) Delivery Board. The NSET Delivery Board will be co-chaired by the Cabinet Secretary for Finance and Economy and Barry White. It will include worker representatives and will hold to account the public sector, business and third sector partners for the delivery of this strategy.
Remit	The NSET Delivery Board will ensure the successful delivery of the interconnected policy programmes of action set out in the national strategy. The role of the delivery board will be to challenge and adapt any aspects within the identified programmes that do not deliver on the ambitions of the national strategy. It will all ensure accountability across all programmes in which objectives are shared and responsibilities clearly allocated across the public, private and third sector. The role of Board members will be to: • provide strategic leadership and ensure that those responsible deliver against the vision, strategic direction and specific operational milestones set by NSET and the detailed delivery plans; • help set and agree the operational milestones for the NSET programmes, regularly review progress towards these and seek input from programme leads

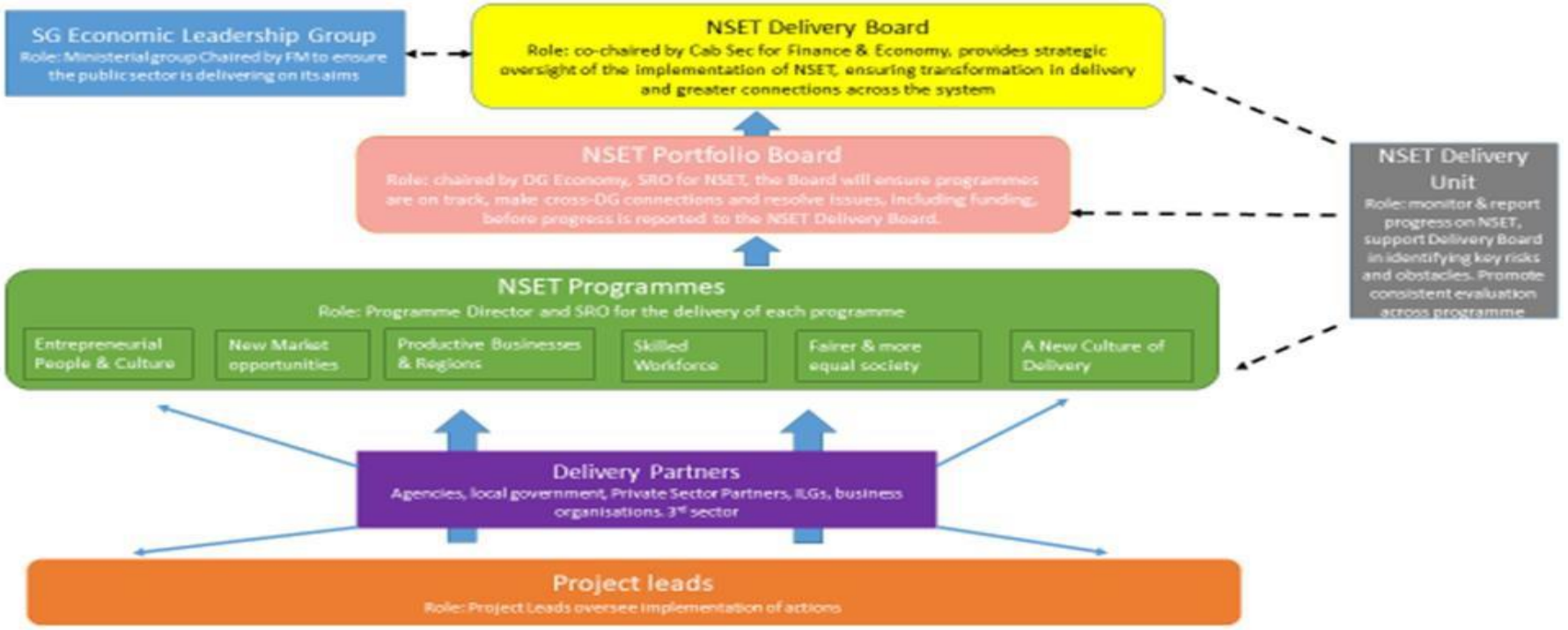
	on delivery; • have the power to escalate/take action where it judges performance has slipped to an unacceptable level; • review the appropriateness of NSET actions in terms of delivering the impact on Scotland's economy which we seek. • actively promoting a positive culture of delivery with respect to NSET, demonstrating and demanding accountability at the highest levels; • bring their independence, external skills and perspectives, and make a creative and informed contribution to the delivery of strategy and policy - providing constructive challenge and support to the objectives and plans developed by the programme leads; • improve performance in delivery, ensuring challenging objectives are set and performance is scrutinised; and • ensure that the Board acts in the best interests of Scotland's business and workers as beneficiaries of the activity described in NSET. In addition, some members will also act as champions for specific programmes where they would be available to assist the Programme Director through being available as a critical friend.
Vision	To support the delivery of the change programmes described in the National Strategy and transform the way we support Scotland's economy, through an efficient, collaborative Team Scotland approach. The Delivery Board will have a key role in ensuring that delivery partners work efficiently to implement the national strategy. The strategy will succeed or fail based on how the efforts of all the players across the economic landscape are aligned.

Organisation	The NSET Delivery Board will meet on a bi-monthly basis. • The meeting will be co-chaired by the Cabinet Secretary for Economy and Finance and Barry White. • A record of meeting minutes, decisions and actions and the tracking and management of these will be provided by the NSET Delivery Board Unit. • Minutes of the NSET Delivery Board will form part of the official SG assurance record and will be published on the 'NSET Delivery Board' section of the Scottish Government website.
Governance	**The NSET Delivery Board will be co-chaired by the Cabinet Secretary for Finance and the Economy and Barry White**. A common accountability framework will be established with key milestones and agreed metrics of success which will be regularly reported to the NSET Delivery Board [see Annex A]. This includes the **SG Economic Leadership Group**, to be **chaired by the First Minister**, which will be a Ministerial group tasked with ensuring political accountability and drive for delivering the strategy. The **NSET Portfolio Management Board**, **Chaired by the Director General for Economy** and sitting beneath the NSET Delivery Board, will track the progress of programmes, resolve delivery issues before they are escalated to the Delivery Board, and help make cross- organisation connections between the different programmes. The **6 NSET Programmes** will have an **SG Director accountable for the delivery of each programme.** The NSET Delivery Unit will monitor and report progress to the NSET Delivery Board and promote consistent evaluation across the programme.

Membership	Co-chairs of the NSET Delivery Board, Cabinet Secretary for Economy and Finance & Barry White Douglas Millican Sir Simon Lister Ellis Watson Gillian Docherty Nora Senior Roz Foyer Ewan Aitken Audrey Cumberford Colette Cohen Jamie McGowan Uzma Khan
Terms of Office	Members to serve initially for 2 years on the Board We would look to refresh the membership incrementally in order to maintain continuity and the expertise of the Board.
Secretariat	Provided by the NSET Delivery Board Unit who will help the NSET Delivery Board to remain focused, strategic and able to successfully oversee the delivery of the actions in NSET.

ANNEX A

NSET GOVERNANCE STRUCTUR



27 May 2022

Kate Forbes, MSP
Cabinet Secretary for Finance and the Economy
St Andrew's House
Regent Road
Edinburgh EH1
3DG
By email: CabSecFE@gov.scot

Dear Ms Forbes

I would like to thank you for taking the time to visit to MiAlgae last week. I hope you found the visit interesting and a useful opportunity to see first-hand how Scottish Enterprise's investment and wider advisory support is helping innovative young businesses access the assistance they need to grow and scale.

I was struck by your recent encouragement to be bolder in sharing our success and last week's visit provided the ideal platform for us to mark the significant milestone of £2 billion in private sector funding leveraged through our investment activities.

The visit's accompanying announcement was the first of a series that we plan to make over the summer months and beyond where we will shine a spotlight not only on our achievements, but on the critical importance of delivering against the ambitions of NSET.

In addition to the communication of our new three year strategic plan, we will roll out our annual 'Delivering Results' campaign which will showcase progress in areas such as innovation, international trade and investment. Our announcements will be augmented by a comprehensive range of internal and external stakeholder engagement activities that will make the most of our extensive network of staff, partners, customers and GlobalScots both at home and overseas.

We will also continue to deliver our domestic marketing campaign which aims to increase awareness of Scottish Enterprise's products and services by sharing the experiences of the many businesses we work with, and who benefit from our support.

We will work closely with your Communications Team to share opportunities for future collaborative marketing and communications work, and appreciate your ongoing support in amplifying our communication efforts.

Yours sincerely

Adrian Gillespie
Chief Executive

Rùnaire a' Chaibineit airson Ionmhas agus na h-Eaconamaidh
Cabinet Secretary for Finance and Economy
Ceit Fhoirbheis BPA
Kate Forbes MSP

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Scottish Government
Riaghaltas na h-Alba
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Lord Smith of Kelvin
Chair, Scottish Enterprise
By email: robert.smith@scotent.co.uk

30 May 2022

Dear Lord Smith

SCOTTISH ENTERPRISE - 2022-23 STRATEGIC DIRECTION

I am writing to set out my expectations of Scottish Enterprise (SE) for 2022-23. In doing so, I wish to express my gratitude for the way in which SE responded during 2021-22 to the ongoing challenges presented by the pandemic.

As you know, we published our National Strategy for Economic Transformation (NSET) on 1 March 2022, setting out our vision for strengthening the Scottish economy and ensuring that the benefits of success are shared by all. I would expect that both your strategy and operational business plan will focus effort and resources on delivering the actions and benefits of that strategy. In particular, I expect you to work with partners to:

Be entrepreneurial, support entrepreneurs and the development of an entrepreneurial mindset across the country in order to:

- increase the total number of successful new businesses created in Scotland, with a particular focus on supporting more women and other under-represented groups into entrepreneurship;
- increase the percentage of Scottish start-ups and existing mid-sized businesses that grow to scale;
- support alternative business models such as cooperatives, social enterprises and community-owned businesses;
- attract international entrepreneurs to Scotland; and
- build strategic partnerships with key entrepreneurial ecosystems in other countries.

Strengthen Scotland's position in new markets and industries and help build successful businesses in areas where our human and natural capital and technology and research capabilities provide the basis of global competitive advantage. This will require focused action by you to:

- support innovation and business R&D in key industries and sectors with the greatest economic opportunity;
- shape and deliver the benefits of the forthcoming Innovation Strategy;
- promote strategic clusters to attract inward investment and strengthen local supply chains; and
- drive work to increase Scotland's exports.

Address the longstanding productivity gap in Scotland by supporting businesses to transform their business models through the application of data and digital technology, and focussing support on improving the productivity of businesses operating in internationally tradeable sectors.

Enable Scottish businesses to plan for, and realise the opportunities associated with a just transition to a net zero and the development of a climate resilient Scotland. This will require action to:

- support the growth of net zero investment and supply chains, prioritising the areas of greatest opportunity;
- help businesses baseline their climate risk and adapt their business models, in order to improve their climate resilience, protect critical domestic supply chains and future-proof productivity;
- contribute to the development of just transition plans for individual sectors and regions; and
- work with Scottish Government and other partners to develop proposals on how future funding for businesses can be linked to advancing the transition to net zero, in accordance with the Bute House Agreement.

Support Scotland's economy to promote wellbeing and fair work. I am aware of the progress that SE has made in this regard both as an employer and in the way in which you have applied Fair Work First criteria to your grants, procurements and other funding. The Bute House Agreement commits to strengthening our approach to conditionality and I therefore ask that you continue to show leadership in this space and require more companies to commit to fair work practices across their organisation when they work with you as grant recipients, project partners or contractors.

Governance

Where appropriate, I expect SE to play an active role in the governance of each of the programmes described in NSET and be accountable to the new NSET delivery board for the delivery of specific actions included within these programmes.

Reform

NSET commits the Scottish Government to establish a programme to radically transform the way in which economic development activity is delivered across Scotland. I am encouraged by the support you provide to the Business Support Partnership and would expect you to build on that success and provide the staff and other resources required to shape and deliver a more comprehensive approach to reform that:

- is based on a thorough understanding of the needs of your customers;
- extends across and enables greater collaboration amongst all organisations that support economic development in Scotland;
- embeds digital technology at the very centre of your operating model through greater data sharing and the use of common operating platforms;
- reduces operating costs, particularly in areas that do not deliver front line benefits to service users;
- increases the accessibility of online information and services to Scottish businesses;
- provides robust mechanisms for measuring, reporting and making subsequent improvements to customers' experience.

In summary, I expect SE and its partners to develop a new target operating model that fully embraces the opportunities provided by digital technology to provide services that meet clear user needs in a cost efficient and measurable way.

Spending Review

I expect SE to maintain a strong commitment to identifying and achieving efficiencies by maximising the impact of your interventions and ensuring that they deliver best value for public spending, as set out in the Scottish Public Finance Manual. In doing so, I expect SE to ensure that your business plan for 22-23 is deliverable within the budget allocated to SE.

I am also looking for your full participation in the preparation of the Scottish Government's Resource Spending Review. The reform programme described above will enable SE to refocus its activities in line with the anticipated resource allocation during the spending review period and I would therefore expect early action during 22-23 to enable SE to prepare for the challenges and opportunities this will bring.

Sponsorship

The Scottish Government relationships with public bodies: progress review contains fourteen recommendations for improving how the Scottish Government manages its relationships with public bodies. The recommendations look to strengthen existing policies, address concerns, and allow for consistently effective sponsorship. I expect SE to work co-operatively with the Sponsor Team to consider the recommendations.

Conclusion

I hope this letter is helpful in setting out my expectations of SE. I look forward to seeing SE's strategy and annual business plan in due course and to further discussion on NSET delivery at our quarterly strategic engagement meetings.

Yours sincerely,

KATE FORBES

Cabinet Secretary for Finance and the Economy
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Our Reference: 202200303786
Your Reference: Scottish Enterprise

14 June 2022

Dear Adrian,

Thank you for your letter of 27 May. I greatly enjoyed the visit to MiAlgae. It was great to see such a strong example of an innovative early stage company and I was really pleased to see how it's work is helping to build Scotland's thriving industrial biotechnology sector.

I am pleased to hear of the thought you have given to how best to celebrate Scottish Enterprise's successes and look forward to hearing more about your plans when we next meet. As I mentioned previously, I think it is important that we celebrate our achievements and I and my officials stand ready to continue to help you do so.

I look forward to meeting both you and Lord Smith on 23 June where we can discuss

further.

Kind Regards

KATE FORBES

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

Tha Ministearanna h-Alba, an luchd-comhairleachaidh sònraichte agus Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG

20 June 2022

Kate Forbes
Cabinet Secretary for Finance and
Economy Via e-mail:
CabSecEFWC@gov.scot

Dear Kate

SCOTTISH ENTERPRISE - 2022-23 STRATEGIC DIRECTION

Thank you for your letter of 30th May 2022 providing strategic direction to Scottish Enterprise (SE), for the 2022-23 financial year.

The letter helpfully sets out your expectations and priorities for SE as we develop our corporate plan. SE is committed to playing a strong role in delivering the **National Strategy for Economic Transformation** and we will work alongside others to develop and deliver impactful activity with strong economic outcomes across the 5 programmes for action.

Our plan will reflect the priorities set out in the guidance letter and you will see a focus on **innovation, international and investment**, which we consider the areas of greatest opportunity and challenge for Scotland's business base. Success across these areas will drive the transformation needed to boost business sustainability and productivity to secure a fairer, wealthier and greener economy. They are also the areas where SE can make the biggest difference, where our expertise and capabilities lie and where we can most usefully support the transformation of Scotland's national and regional economies by focusing on delivering a few things exceptionally well.

On **entrepreneurship**, we are committed to working across the business-support ecosystem, including collaborating with tech scalers, to ensure complementary offerings and streamlined support is available to innovative, high-growth potential companies to start and scale. We will offer business growth and financial readiness advice, and investment tailored for start-up and early-stage businesses, including support for initiatives focused on diversity in companies, such as Women Enterprise Scotland, Mint Ventures and YES Female Boss Programme. We will also use our international networks to attract entrepreneurs to Scotland and encourage the development of peer-to-peer engagement, building connections to allow high-growth businesses to share best practice.

As part of our investment focus, we will help reform the way business support is offered across Scotland, working seamlessly with the Business Support Partnership to improve the collective culture of delivery through a more collaborative Team Scotland model of business engagement. In this way, we can deliver a joined-up customer support model that allows us to drive collective competitiveness and improved productivity.

Our plan will set out how we will strengthen **Scotland's position in new markets and industries** such as offshore wind, hydrogen, space and life sciences. It will show how we aim to improve **Scotland's innovation performance** and reputation, making Scotland the leading innovation nation in the UK, by providing thought leadership,

partnership opportunities and an integrated approach to delivery, built around economic opportunities and the creation of innovative places across Scotland.

As part of our integrated delivery model, we will share learning and proactively engage in the global community of innovation leaders, while working with partners and stakeholders to help shape and deliver Scotland's Innovation strategy.

We will offer support to improve productivity and **transform business models** through the application of data and digital technology. We will employ a digital first approach with more targeted services delivered through 1-2-1, and cohort approaches. This includes digital support for internationalisation, where we will support companies to increase their use of e- commerce platforms and strengthen our use of digital channels to go wider and deeper with existing resources, building awareness of trade support to companies in tradeable sectors such as decarbonized energy.

We will also support companies to improve their business performance and boost competitiveness, by helping them to adapt to changes emerging from the **transition to Net Zero** and development of a climate resilient Scotland. Targeting fast-growing green market opportunities, decarbonizing supply chains, and adopting new, low-carbon technologies will deliver improved productivity and competitiveness. And we will work with companies to promote wellbeing and encourage them to actively embed **fair work**, engaging with workers to improve performance and remain attractive to employees, customers and investors.

As part of good governance, SE will work alongside Scottish Government and partner agencies, reporting to the NSET Delivery Board against the priorities set out in the National Strategy for Economic Transformation. I recognise the importance of actively collaborating with our partner agencies and the opportunity to reinforce this collective effort through our forward plans. SE will also work with the Sponsor Team to consider the recommendations made in the Scottish Government's review for improving how it manages its relationships with public bodies.

As requested, we will participate in implementing the Scottish Government's Resource Spending Review, maintaining a strong commitment to achieving efficiencies and maximising the impact of our interventions to ensure they deliver the best value. Alongside our corporate plan, we are developing **SE's finance strategy** which will reflect the scale of our ambition over the next 3 to 5 years. It will reflect the multi-annual budget settlements in place or planned from the Scottish Government together with SE's own business income strategy. The finance strategy will allow us to provide indicative multi-annual budget allocations across the business that will support the development and delivery of our current and future project and programme pipeline. We will be working through the summer to review SE's operations and face into the tough choices we will need to make to ensure we maintain high delivery on substantially lower resource budget.

SE is fully committed to driving progress across the areas set out in your letter, and I have asked my colleagues to continue to work closely with your officials, as part of Team Scotland, to deliver Scotland's economic transformation.

We are all agreed that this is a significant and important opportunity to showcase Scotland and the work we are collectively doing to support the transformation of Scotland's economy.

Scottish Enterprise looks forward to our continued positive dialogue and partnership working.

Yours sincerely

[SIGNATURE REDACTED]

Robert

Lord Smith of Kelvin, KT
CH Chair, Scottish
Enterprise