

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD IN GLASGOW ON 29 NOVEMBER 2019

Present: Lord Smith, Chair
Steve Dunlop, CEO
Willie Mackie, Deputy Chair
Karthik Subramanya
Dr Poonam Malik
Professor Dame Anne Glover
Dr Sue Paterson
Carmel Teusner
Melfort Campbell OBE

In Attendance: Jane Martin, MD Business Services and Advice
Linda Hanna, MD Scottish Economic Development
Charlie Smith, Director of SDI, Group Head of Strategy and Technology
Karen Hannah, Corporate Office
Irene Adams, Advisor

Apologies: Gavin Nicol
Stuart Fancey, Scottish Funding Council
Carolyn Stewart, MD People Services

1. STANDING ITEMS:

1.1 MINUTES OF THE BOARD MEETING HELD ON 30 AUGUST 2019 – SE(M)314

The Minutes of the previous meeting were approved.

1.2 MATTERS ARISING – SE(314)(MA)

The matters arising were noted.

1.3 BOARD COMMITTEE UPDATES

SE Board Audit & Risk Committee meeting held on 25 November 2019 – *Verbal Update*

Willie Mackie provided a summary of discussions held at the meeting. An update on the EIS Partnership Audit was provided, confirming that significant progress had been made since the review was undertaken. Willie also highlighted the live Transformation Audit, commenting that this was a well-written, timeous report and commending ELT for their management response.

SE Board Urgent Approval meeting held on 22 November 2019 – *Verbal Update*

The minutes of the Approval meeting were noted.

1.4 CHAIR'S REPORT

Lord Smith provided a summary of key meetings and events attended over the previous two months. This included, the Brexit Leadership Group and the Agency Chairs. A meeting had taken place with the President of Talgo and Steve Dunlop updated that the MOU had been signed and a paper would be coming to the Board outlining our approach to helping to secure a site for Talgo. Other business meetings included meetings with Sir Ian Wood, Chris Van Der Kuyl and Charles Hammond, Chair of Forth Ports.

The Chair provided feedback from the staff engagement session held before the Board meeting; commenting that staff had been enthusiastic and had participated openly. Some good examples of supporting companies had been provided and there was an appetite for more delegated authority.

Jane Martin updated on the work undertaken over the past 18 months on improving business processes, which had been paused to accelerate the work needed on the digital entry point. A lab had now been created and Deloitte appointed to work with staff to develop a prototype and map out processes. A paper would be coming to the Board in February with the business case. Between January and March work would be progressing on a new model for small grants, which would help to satisfy staff's appetite for quicker processes.

1.5 CHIEF EXECUTIVE'S REPORT

Steve highlighted the significant opportunity for Glasgow to shape and influence COP26. It was acknowledged that SE would need to create capacity and the Board's input would be required to articulate SE's role in shifting from climate emergency to climate opportunity.

The Board agreed that this would be a great opportunity for SE to help bring partners and other organisations together as a nation around the event and examples of work already underway were provided, such as in the Education sector with schools undertaking projects and exhibitions in libraries, and the Royal Society of Edinburgh bringing groups together.

A discussion focused on the Muscatelli Report, which was welcomed by SE, and which had a number of recommendations which resonated with SE's ambitions. Discussions had begun with the Scottish Funding Council on aspects of the report, particularly in relation to university spin-outs and internationalisation.

Jane Martin provided an update on the Single Entry Point which was scheduled to go live the following week. This would be a soft launch using partnership channels to promote the site and get businesses using it. Increased communications were planned from the end of January onwards. The SEP would include around 200 services offered by SE, HIE, SDS and Business Gateway, as well as some products offered by Interface and VisitScotland initially. Open events and workshops were also being delivered by these organisations.

Linda Hanna updated on progress with the South of Scotland Enterprise (SOSE). An Interim CEO had been appointed for the first year. Work was ongoing on service delivery to outline which services would be delivered by SOSE, and which services SE would continue to deliver, or deliver for a period of time until the agency was fully established. Discussions continued regarding staff resource, and options were being explored, e.g. secondments. A paper would come to the Board in February.

Linda also updated that discussions in relation to the Scottish National Investment Bank (SNIB) were progressing well. Agreement had been reached with the Programme Board that the transition of SIB to the Scottish National Investment Bank would be extended to no less than one year and could be up to 3 years. The Bank will continue to open as scheduled in July and would focus on large, complex investments and mission-based activities. Going forward SE would be represented on the Programme Board and regular discussions would be held to focus on the pipeline and roles and structure of deals. Internally discussions would be held with staff in the following week or two.

1.6 FINANCE & PERFORMANCE REPORT AS AT END OF OCTOBER 2019 – SE(19)72

Douglas Colquhoun a review of progress on measures, financial results to October 2019 (Period 7) and an update on the latest full year forecasts for 2019/20.

All five of the published measures were expected to be within, or to exceed, their target range for the financial year. One measure, **Growth funding raised by businesses**, had now achieved its target range for 2019-20.

Expenditure to the end of October totalled £161.4m which was 120% of profile and Douglas provided a breakdown of expenditure for Resource (R-del), Capital (C-del) and Financial Transactions (FTs), confirming that there had been a strong performance in capital and FTs which was driven by the potential investment deal pipeline through Scottish Investment Bank.

On income, there had been an improvement in projected income due to anticipated SIB exits. However, until conclusion of the deals, it was recommended that no further budget allocations should be made at this point.

Douglas highlighted the key issues/risks and confirmed that discussions were ongoing with Scottish Government on retention of business income and guidance on changes from the UK Treasury in relation to use of Financial Transactions. Both of these had the potential to negatively impact on the budget position.

2. PAPERS FOR APPROVAL

1. 2.1 ALEXANDER DENNIS LTD – SE(19)73

- a. Suzanne Sosna, Andrew Ingram and David Keirs joined the meeting to request approval of expenditure of up to £10,000,000 to Alexander Dennis Limited (ADL) towards a 24-month project to develop zero and ultra-low emission buses.
- b. Suzanne provided the background to ADL which was an indigenous company with global ambition and global reach. The company was acquired by NFI Group, a Canadian-based bus and coach manufacturer, earlier in the year. SE's engagement with ADL was ongoing, with support provided to ensure the business remained globally competitive, and more recently to safeguard its position within the group. The R&D project had been brought forward to ensure the company remained at the technological leading edge of the industry, and would be part of a concerted series of measures to support the anchoring of ADL within Scotland.

- c. Members asked about the impact on the risk profile with potential implications from Brexit, particularly in relation to location of the R&D project within the group. Andrew Ingram explained the conditions of the R&D grant in relation to profitability, retention at the site and headcount. The team also highlighted the track record of success of the company to date.
- d. Discussion focused on the scale of ambition vs market opportunity and the low carbon opportunities available to the company were outlined. The team highlighted the wider investment for Scotland in low carbon and hydrogen and the creation of a Centre of Excellence which would maximise opportunities for the supply chain.
- e. The Board thanked the team for the further context provided and recommended that a supplementary paper to include the additional information was provided.

The project was approved.

3. PAPERS FOR DISCUSSION

3.1 SE BOARD STRATEGY DISCUSSION – SE(19)74

Linda Murray presented this paper which summarised the key themes from the 2019 SE Board Strategy discussion and how these would be used to inform SE's 2020/21 Operating Plan.

Linda advised that outputs of the Board Strategy discussion would help to shape the annual operating plan for 2020/21, and this would be developed in collaboration with the Strategic Board partners to ensure alignment.

Work would continue across the organisation to develop the outcome statements and a draft Operating Plan would be shared with the Board in February.

Members noted that there may be implications on publication of the Operating Plan due to the delay in announcement of the budget.

The Board thanked Linda for the summary.

3.2 SE PROPERTY PORTFOLIO

Allan McQuade and Michael Wright joined the meeting to provide an overview of the property portfolio and current management priorities and to seek input from the Board on how best to align this with the place making and sustainability agenda in the new Strategic Framework.

Allan highlighted the site locations which covered the central belt, Dundee and Aberdeen and outlined the sites which would be transferred to SOSE. The current operating principles and key drivers were outlined, and examples of current projects which helped deliver towards SE's business plan objectives.

Members highlighted the implications and opportunities arising from Community Land Reform and COP26 and encouraged a fresh look at the properties to ensure strategic alignment. Opportunities for the development of smart cities was also discussed.

A further paper would be brought to the February Board meeting to focus on place-making and how to transition to where SE wants to be and the different models which would be adopted.

3.3 SE PENSION & LIFE ASSURANCE SCHEME – SE(19)83

Alistair Gray, Scheme Chair joined the meeting to provide an update on progress of SE's Pension and Life Assurance Scheme. The presentation provided a review of the Trustee and Company objectives and an update on the Scheme's funding position and integrated Risk Management Strategy. Alistair confirmed the compliance with the ESG Strategy, advising that this was being adopted in its widest context to deliver positive change by contributing to the sustainability agenda. Work had progressed throughout the year to modernise the scheme and key objectives for 2020 were outlined.

The Board thanked Alistair for the update.

4. PAPERS FOR INFORMATION

The following information papers were noted.

Halo Enterprise and Innovation Centre, Kilmarnock	SE(19)76
Strength in Places Fund	SE(19)77
Scottish Enterprise Health, Safety and Wellbeing Quarterly Board Report – July to September 2019	SE(19)78
Global, UK and Scottish Economic Commentary	SE(19)79
Approvals within Delegated Authority	SE(19)80
Testimonials & Complaints	SE(19)81
Forward Events and Summary of Events in past month	SE(19)82

5. ANY OTHER BUSINESS

Hong Kong: Charlie Smith provided an update on the situation in Hong Kong.