

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD IN EDINBURGH ON 28
FEBRUARY 2020**

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
Stuart Fancey, Scottish Funding Council
Carolyn Stewart, MD People Services
Mary McAllan, Scottish Government
Karen Hannah, Corporate Office
Irene Adams, Advisor

Apologies: Gavin Nicol

The Chair welcomed members to the meeting asked if there any conflicts of interest. None were declared.

STANDING ITEMS:

1. MINUTES OF THE BOARD MEETING HELD ON 29 NOVEMBER 2019 – SE(M)316

The Minutes of the previous meeting were approved.

2. MATTERS ARISING – SE(315)(MA)

The Matters Arising were noted.

3. BOARD COMMITTEE UPDATES

The following Minutes were noted.

3.1 SE Board Urgent Approval meeting 22 November 2019

3.2 SE Board Audit & Risk Committee meeting 25 November 2019

3.3 SE Board Remuneration Committee meeting 29 November 2019

3.4 SE Board Urgent Approval meeting 11 December 2019

4. CHAIR'S REPORT

The Chair updated on key meetings and events he had attended, particularly noting the Convention of the South of Scotland recent sessions with SE staff.

5 CHIEF EXECUTIVE'S REPORT

Steve reported that he had met with the new Cabinet Secretary, Fiona Hyslop and that he and the Chair had a joint meeting with her later in the day.

Carolyn Stewart provided an update on Covid 19, advising that a team was in place and a full pandemic plan was being submitted to ELT the following week. The Health & Safety team were liaising with the Scottish Government and FCO on a week basis, particularly in relation to international travel. Named contacts in the Health & Safety team were available for staff to contact with any concerns. Two members of staff had recently returned from Italy the previous week and were unwell. They had both been advised to self-isolate.

Mary McAllan advised that the Scottish Government Emergency Board was in situ and business continuity plans were being developed.

The Board suggested other steps which could be taken, such as increased signage; providing advice on steps to take if returning from international trips, and options to work from home. Carolyn confirmed that advice to staff was being communicated electronically; posters and hand sanitisers had been put in every office, and the option to work from home was available to staff.

6 FINANCE & PERFORMANCE REPORT AS AT END OF JANUARY 2020 – SE(20)01

Douglas Colquhoun presented a summary of the financial results to the end of January 2020 and an update on the latest full year forecasts for the 2019/20 financial year.

Forecasts were ahead of profile and the projected outturn position was included within the paper. The total budget for 2019/20 was £348m and there was a projected underspend of £2.2m overall. The excess business income which had been generated had been discounted from the figures following the decision from the Scottish Government regarding retention.

Douglas reported that there was a further potential property disposal where the tenant had raised an interest in exercising the option to purchase. However, at this point the timing for this was uncertain. A further £1.8m additional income would be generated from the sale should this conclude before the year-end.

There had been a significant improvement in the project C-Del outturn position due to the inclusion of three major new investments. There was one further significant expenditure opportunity which could be accelerated should any additional budgetary head-room emerge.

An Income risk was highlighted relating to outstanding SIB deals amounting to £2.6m.

In relation to the changes to the UK Consolidated Budget Guidance, this had now been finalised by the Scottish Government and it was expected that any credit losses within Financial Transactions and Capital would be charged to the Resource budget. Liaison with Scottish Government had provided assurance of cover for the current year and potentially for 2020/21.

7. PERFORMANCE REPORT – SE(20)02

Linda Murray presented the latest performance against published outcome measures, noting the change to the format of the report and seeking feedback from the Board.

Linda highlighted the inclusion of and in-depth look at the planned jobs measure which provided a breakdown of jobs associated with FDI and domestic.

Also included was a summary of major projects approved by the Board, key risks a people dashboard and a reputation and engagement dashboard. Linda advised that the content would be developed further, particularly in relation to the people dashboard, to include trends.

In relation to the measures four of the five published measures had been achieved. One measure 'Planned new and safeguarded jobs paying the living wage' had not been achieved yet but there was confidence that this would be achieved by the year-end.

The Board responded positively to the new-look report and provided feedback, including: reporting of trends within the People dashboard, inclusion of base information on targets, inclusion of impact vs risk in relation to jobs, clearer forecasting information and more visibility of the status of the investment portfolio.

8. 2020/21 DRAFT BUDGET – SE(20)03

Douglas Colquhoun presented the draft budget that would support the delivery of a one-year Operating Plan for 2020/21. It was highlighted that given the current economic uncertainty, and mis-alignment between the UK and Scottish Government (SG) budgetary cycles, SE may have to react quickly to changing circumstances potentially resulting in significant revisions to the expenditure plan over the course of the year.

Douglas advised that the allocation for 2020/21 was £338m and provided a breakdown against the three budget headings and outlined the projections for the income generated through SIB, property disposals and EU funding. The presentation outlined the sources of income and comparison across the key budget areas for 2019/20 and 2020/21.

Douglas outlined the key expected dates in the budget process and advised that assurance on in-year transfers was awaited from Scottish Government and expected by the end of the following week.

The Board had a detailed discussion of the implications and expressed concern on the ability to deliver against key priorities vs the budget allocated. Discussion also focused on continuing to stimulate the pipeline and working in collaboration with other agencies and partners in the wider system to leverage resource.

It was agreed that a sub-group of the Board would convene for a fuller discussion prior to approval of the draft budget.

9. 2020/21 OUTLINE OPERATING PLAN

Charlie Smith presented the outline Operating Plan for 2020/21 highlighting that this was year 2 of the 5-year Strategic Framework which had been launched 10 months previously.

The next financial year would see a deeper consolidation of the Strategic Framework and the restructure. There would be stronger focus on Climate Opportunity and managing the transition of products, people, property and technology and moving away from activities which did not align with SE's future direction.

Charlie presented how this would align operationally, driving productivity and aligning priorities with Strategic Board partners. There would be a strong focus on the National Performance Framework and milestones would be introduced in the next financial year to reflect in-year budget and highlighting key deliverables.

The proposed published measures were presented which would be tracked by supporting measures to monitor progress across Planned jobs, turnover, Fair Work, Climate Opportunity and Exports. Management information would include data and analysis to support running the business and this was currently being developed.

The timeline to publication included a final draft Operating Plan to the Board for approval in April with submission to Scottish Government thereafter, and publication aimed for end of May.

10. FROM CLIMATE EMERGENCY TO CLIMATE OPPORTUNITY – A FRAMEWORK FOR ACTION – SE(20)04

Linda Murray, Andy McDonald and Martin Valenti joined the meeting to present the Framework for Action which outlined SE's proposals for embedding an effective response to climate change. Following the Board's initial discussion on climate opportunities in August 2019, a strategic action plan had been developed to help reorient SE's activities, including SE's contribution to COP26.

Andy McDonald highlighted that the Framework for Action which set out SE's priorities for climate opportunities now and over the period to 2025, was in the process of delivery in conjunction with Transport Scotland and Scottish Government. There were a number of projects underway and in the pipeline with opportunities in areas such as energy storage, hydrogen and recycling. SE was working to bring together key public partners with industry and academia to develop policy and was working with SEPA, SNH and others to promote Scotland's economic and environmental opportunities. SE was also supporting the Scottish Government to create a new low carbon economy project board to coordinate a Scotland-wide response across government, agencies, local authorities and business organisations.

The Board highlighted the work being done with the Oil & Gas sector through the Industry Leadership Groups and recommended that SE aligns with this to ensure clearer communications and messaging. It also asked for clearer messaging on circularity with a focus on reuse, recycle and repair.

Mary McAllan referenced the work being done in the Scottish Government on climate change and the Green Economy and encouraged close alignment and sequencing with this work.

The Board thanked the team for the update on progress and endorsed the approach.

PAPERS FOR APPROVAL

11. PLACE

Allan McQuade and Derek McCrindle joined the meeting to outline SE's role in place and to work being done to create more vibrant communities across Scotland.

Allan presented an overview of the relative performance of regions which showed the regions which had driven business and economic growth and the gaps, together with an overview of the health and progress of the Growth and City Deals. Allan highlighted the progress in SE's increasing involvement in the ambition set out in the Strategic Framework to develop regional investment prospectuses.

Derek presented a sample of three regions, outlining the opportunities, challenges and SE's involvement in each.

Allan outlined the internal changes to build a team to focus on this agenda, detailing the change in approach and focus to engage with regional economic strategies and increasing wealth and wellbeing, highlighting the ambition to work with partners to leverage resources.

The Board discussed opportunities to unlock funding and the team advised that capacity was a key issue, however SE was working with partners and discussing ways to unlock funding to accelerate activities

The Board thanked the team for the overview and were encouraged by the approach and direction being taken.

12. EDINBURGH BIOQUARTER – SE(20)06

Allan McQuade and Derek McCrindle presented a paper which provided an update on the ambitious proposals at Edinburgh BioQuarter (BioQuarter) to create a globally recognised innovation district; a vibrant economic community that will spread increased health and wellbeing across Scotland. The paper also advised on plans to formalise the public sector partnership between SE; the University of Edinburgh; the City of Edinburgh Council and NHS Lothian. This was the first step in the partner's plans to establish a public-private Joint Venture (JV) to drive the next phase of commercial development at BioQuarter.

The Board was asked to endorse SE entering the Joint Venture, subject to completion of legal and financial diligence; to delegate formal approval of SE engagement in EBQ4 Ltd to the Executive Leadership Team; and, to endorse Partners plans to engage in an Official Journal of the European Union (OJEU) procurement process to secure a private sector partner.

The proposed approach did not require additional SE capital investment but would make use of SE land assets to lever private sector investment and accelerate development. A more detailed paper on the BioQuarter JV paper would be submitted to the SE Board in August for formal approval in advance of the OJEU process scheduled to start in Oct 2020.

The Board asked about the value of job creation in relation to the investment and the team advised that more details on this would be included in the fuller paper coming in August.

The Board endorsed the proposals in the paper.

13. INWARD INVESTMENT OPPORTUNITY – SE(20)07

Allan McQuade and Derek McCrindle were joined by Mark Hallan to seek approval for expenditure of up to £7.542m (including recoverable VAT), as part of a wider SE package of support, to secure a major inward investment in Dundee alongside the creation of a FinTech hub. The outline business case was approved by the SE Board in October 2019 and a total SE investment of £13.95m was set out, which included property, training, R&D and RSA support. This paper focused on the property support and Derek McCrindle provided a breakdown of the funding requested, which included £5,370,000 to acquire the building in Dundee, £733,660 financial assistance towards refurbishment costs within the building (including a £400K loan with the remainder in the form of non-repayable grants) and £38,035 (plus VAT at £7,607) towards the cost of financial due diligence and pre-acquisition building diligence. (Previously approved under delegated authority but included in cumulative value).

Mark provided background to the company and to the package of support developed to secure the inward investment. The economic benefits were also outlined, including, high value jobs, with a significant number allocated for graduates and apprenticeships, payment of above average salaries and the creation of a Fintech hub.

The Board were very supportive of the project and asked for clarification of the funding package developed. Mark provided a breakdown of this and advised that this had been developed in negotiation with the company. Linda Hanna highlighted the opportunities to leverage for the wider economic benefits.

The Board approved the project.

PAPERS FOR DISCUSSION

14. SITE DEVELOPMENT AND ACQUISITION – SE(20)08

Allan McQuade, Euan Dobson and Stuart Wilson presented this paper which set out the strategic and market opportunity cases that justify the acquisition of the site as a key strategic site for Central Scotland and a hub for the development of a cluster of activity to support low carbon rail. Dependent on Board views, in order to meet key project milestones, it was intended to quickly bring forward a Board Approval paper.

Euan and Stuart outlined the opportunities in low carbon rail, highlighting that the site was strategically placed given its rail connection, the size of the developable land and high capacity utility connectivity. Acquisition of the site would support a high value inward investment opportunity which would create 760 high value manufacturing jobs, provide wider economic benefits in the local area and create opportunities in the supply chain.

The Board were advised of the key risks and of discussions with the land owner on the acquisition and Heads of Terms.

The Board sought confirmation on the merits of acquiring the site should the inward investment opportunity not be realised. The team confirmed that challenges existed in Scotland around availability of large strategic sites ready for industry and the site offered excellent potential for Scotland to address this.

The Board was supportive, and a fuller discussion would be held when the approval paper was brought forward for consideration.

15. BUSINESS SERVICES TRANSFORMATION – SE(20)

Pauline Howie joined Jane Martin to present the new service proposition for SE. Jane outlined the key objectives which included: responding to a broader range of economic outcomes, such as Net Zero, Place and Fair work as well as business growth; to simplify and clarify the customer experience; to deliver a clear framework which could be flexed for different outcomes which would reach and service more businesses and to maximise value of staff.

Pauline provided an insight into the approach taken to date, working with staff across SE and customers and provided an overview of the new proposition, particularly the first areas targeted for delivery: Fund and Matchmaking.

The Board was very supportive of the new model and acknowledged the intelligence and insights SE had to deliver on matchmaking opportunities. The importance of capturing the asks from companies was highlighted and Jane confirmed that the Single Entry Point would provide a database which would, over time, allow more tailored support offering. The Board agreed to provide input where required.

PAPERS FOR INFORMATION

The following papers for information were noted.

16. South Of Scotland Enterprise	SE(20)10
17. Global, UK and Scottish Economic Commentary	SE(20)11
18. Approvals within Delegated Authority	SE(20)12
19. Testimonials & Complaints	SE(20)13
20. Forward Events and Summary of Events in past month	SE(20)05

ANY OTHER BUSINESS

There was no further business.