

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON 4 December 2020 by MS TEAMS**

**Present:** Lord Smith, Chair  
Linda Hanna, Interim Chief Executive  
Willie Mackie, Deputy Chair  
Karthik Subramanya  
Dr Poonam Malik  
Professor Dame Anne Glover  
Gavin Nicol  
Dr Sue Paterson  
Carmel Teusner  
Melfort Campbell OBE

**In Attendance:** Jane Martin, MD Business Services and Advice  
Carolyn Stewart, Chief People Officer  
Douglas Colquhoun, Chief Financial Officer  
Stuart Fancey, Scottish Funding Council  
Neil Francis, Interim MD, International  
Kerry Sharp, Interim MD, Scottish Economic Development  
Mary McAllan, Scottish Government  
Karen Hannah, Corporate Office  
Elaine Woods, Corporate Office  
Irene Adams, Advisor

**STANDING ITEMS:**

The Chair welcomed members to the meeting and conveyed his thanks, on behalf of the SE Board, to Melfort Campbell, who was attending his last meeting.

Thanks were also conveyed to Charlie Smith on his last day with Scottish Enterprise.

Kerry Sharp and Neil Francis were welcomed to their first meeting in their new Interim roles.

**1. Minutes of the Board Meeting held on 30 October 2020**

The Minutes of the previous meeting were approved.

**2. Matters Arising**

The matters arising were noted.

**3. Board Committee Updates/Minutes**

The following minutes were noted:

**3.1** Nominations & Governance Committee, 29 October

**3.2** Nominations & Governance Committee, 05 November

**3.3** Urgent Approval Meeting, 12 November 2020

**3.4** Audit & Risk Committee, 30 November – *Verbal Update*

Willie Mackie provided an update on discussions at the Audit & Risk Committee meeting held on 30 November, which included, the Internal Audit Plan for 2020/21, a

review of audits undertaken, which were positive results, and the positive progress of the real time audits. The Corporate Risk Register was reviewed and Willie updated on the new risk. It was agreed that a real-time audit would be undertaken, and wording of the risk was reviewed to reflect recent progress.

#### **4. Chair Report**

The Chair provided an update on progress with the Board Member and CEO recruitment.

#### **5. CEO Report**

Linda provided an update on recent staff engagement and feedback received, which had focused around clarity of future focus. Staff were very appreciative of the support given throughout the pandemic, and Linda highlighted the increased focus on wellbeing throughout the winter months.

There had been good media coverage on large grants approved by the Board at the last meeting, and it was recognised, that despite the challenges of Covid-19, that SE was able to deliver grants to support companies and economic growth.

Linda advised that work was ongoing with SNIB to ensure a seamless operating model and a project team and workstream was in place. A meeting to discuss the pipeline was scheduled prior to Christmas to review the ongoing pipeline and to discuss larger assets.

The Board raised the potential for confusion in the market with removal of the SIB brand. Linda advised that communications had been issued to the investor community and a communications plan for the organisation was being developed and wider communications with partners and stakeholders would follow in the new year.

Linda highlighted the news that Bifab was now in administration and the process to appoint an Administrator was underway. Scottish Government and UK Government had sent out a joint statement on how best to utilise the sites. A joint working group was being established, and it was expected that SE would be involved.

Linda updated on a proposed site acquisition, advising that, following approval of the Board on the option agreement to go discuss acquisition of the site, endorsement was sought from Scottish Government to progress as Special Purchaser. Feedback had been received and there were some challenges on the compatibility in relation to the Scottish Public Finance Manual. The team was working through the detail and an exemption would be sought and resubmitted to Scottish Government. Discussions continued with the inward investor and it was anticipated that an option would be in place by end December. An urgent Board approval may be required should this need to be accelerated.

It was unlikely that the site acquisition would progress in the current financial year which would impact on the budget position. However, steps were being taken to reallocate funding to other activities.

Confirmation had been received that Flutter had announced its intention to accelerate planned acquisition of SE's shares in Fanduel by end December. Linda highlighted that this was a very good example of SE's investment in an early stage company that had come to fruition.

The UK Spending Review had been announced and Linda highlighted that funding had been awarded to the Global Underwater Hub Project, a partnership project which had been ongoing for some time, focused on accelerating transition to net zero.

ELT had approved a sub-commercial loan for Spirit Aerosystems towards R&D work to deliver elements of the Tempest programme, to help the company diversify and move into new markets.

## **6. Finance Report as at end October 2020 - SE(20)74**

Alan Maitland joined the meeting to present a review of the financial results to the end of October 2020 (Period 7) and an update on the latest full year forecasts for the 2020/21 financial year.

The format of the paper had been revised to provide a stronger focus on the key financial risks and factors which may impact on achieving full utilisation of available resources and identified specific management action required.

Alan updated on the implications of SE's exit from Fanduel, advising that this would alter the budget position outlined.

A summary of the current position across each of the budget headings was provided. In relation to Capital, due to slippage of a key project, this had resulted in an additional £8.5m headroom. Other activities to utilise the funds were being explored. A further £4m additional income was also expected from SIB exits, which had not yet been captured within the forecasts. The resource budget was showing a marginal deficit of £0.2m

Financial Transactions remained stable at £1m and there was a marginal deficit of £0.2m on the Resource budget. The key driver was the holiday pay accrual, however, the expenditure forecasts at the beginning of November had reduced, which had offset the impact on the resource budget.

Alan provided an overview of the expected 2021/22 allocation, advising that Capital would be a five-year allocation and was the backdrop to the prioritisation discussions, and Resource was expected to be a one-year settlement, with confirmation expected at the end of January.

The Board complimented the team on the new format, and, asked that consideration is given to simplifying the spreadsheets included with the paper.

## **7. Performance Report –SE(20)75**

Linda Murray presented the performance report which provided an update on the latest developments and activities in response to Covid-19 and economic recovery, and in preparation for the EU exit. The report also included business as usual activities in relation to finance, performance measures, corporate risk and people.

Linda highlighted the work to produce new material for the Business Support Campaign and updated on the figures of the current live cases in Business Resilience, and referencing new developments in Aerospace, supply chain development and Oil and Gas transition to low carbon.

In relation to Brexit, the number of individuals accessing the PrepareForBrexit website had doubled. Further information on SE's response would be included in the next agenda discussion.

An overview of the business as usual dashboards was provided. The presentation of the Corporate Risks had been revised, however, there were no changes to the risks since the last meeting.

Linda advised that at the beginning of the year, an interim Strategic Guidance letter had been received from Scottish Government which focused on the immediate issues of Covid 19. A further Strategic Guidance letter was in draft to cover the remainder of the financial year. A response was being issued to Scottish Government later that day and early engagement with Scottish Government colleagues would be sought for next year.

In answer to a question regarding the figures reflected in the performance slide, Linda advised that numbers were in the process of being verified, particularly in relation to the PERF and Hardship Funds in terms of companies supported and jobs safeguarded. These would be included at the year-end and included within the Annual Report and Accounts.

In relation to support to the hospitality sector, a question was raised regarding investment in innovation for the future. Jane Martin advised that work was currently underway on a Tourism Recovery Plan, particularly in relation to resilience and recovery.

## **8. Brexit – SE(20)76**

Suzanne Sosna joined Linda Murray to provide an update on the work underway to help businesses prepare for the EU Exit

A number of key actions for business to take immediately had been identified and were being communicated to as many businesses and business organisations as possible. Cabinet Secretaries, Mike Russell and Fiona Hyslop were writing to MSPs to remind constituent businesses of the existence of PrepareForBrexit as an excellent resource for information.

Key risks were identified in relation to lack of preparedness on customs paperwork and this was likely to increase in the new year once businesses realised the implications which could result in reduction in exports or increased costs in supply chains. This was being constantly monitored, with new information updated regularly to help business to take the actions needed.

Some positives were highlighted with some businesses diversifying into different markets and reshoring elements of the supply chain which would create opportunities for companies in Scotland and the UK.

Suzanne provided an update on increased activity through the PrepareForBrexit website, the increase in enquiries being received and outlined the specific efforts to connect with those companies most vulnerable to the impact of Brexit and areas of specific concern. Preparations were being made for the quick turnaround of information required once negotiations had been completed and an operating plan had been developed to resource the increase in demand, particularly over Christmas and into the new year.

The board discussed the implications for exporters and Suzanne outlined the approach being taken to engage with those vulnerable companies, and the importance of the partnership approach with business organisations.

The board also raised the issue of State Aid and careful monitoring was being given to how this developed.

The Board thanked the team for all of the work underway.

## **9. Project Bovaer (DSM Nutritional Products) – SE(20)77**

Suzanne Sosna, Tricia Wilcock, Ken Maxwell and Jonathan Simpson joined the meeting to seek approval for expenditure of up to £10.82m, of which £8.5m is for capital to develop the manufacturing facility through Aid for Environmental Protection, and £2.32m is towards R&D which will develop the next phase of this product in Scotland. Approval was sought under Sections 8(1)(o) of the Enterprise and New Towns (Scotland) Act 1990.

Suzanne highlighted that this was an exciting opportunity for Scotland, not only with significant capital investment in an area of Scotland that will benefit, but which aligned with priorities around climate change. It was hoped that the launch of the project would feature highly in COP 26. The spill-over benefits were outlined, including direct and indirect jobs, and supply chain benefits. Suzanne outlined the huge effort made to attract the project to Scotland, highlighting that Scotland's values as a country was an important factor and aligned with DSM in terms of fair work, equality, impact on place, regional equality and climate. Suzanne also highlighted the company's approach to animal welfare which adhered to the most stringent standards.

Suzanne updated the Board that since the paper was drafted, there was some uncertainty about locating to Scotland due to the EU transition and the implications of import and export tariffs. Work was underway to review the impacts on the business and to look at mitigating factors to reduce additional costs.

The Board asked about the incentive for farmers to adopt the product and the team advised that work was ongoing with Scottish Government on carbon accounting and what this means for legislation going forward. The National Farmers Union had placed reducing the industry's carbon footprint high on its agenda and this was the first product that would enable that to happen globally. A letter of endorsement had been received from the NFU in support of the product and work would continue with Scottish Government in relation to a potential incentivised scheme. On a related point, the Board asked about the potential to impact on Scotland's agricultural greenhouse gases and align with broader net zero targets. The team agreed look at this further.

The export targets were discussed, and the team confirmed that, in light of the implications of Brexit, the company was considering selling within the UK and exporting the remainder.

The Board discussed animal welfare and were assured that the company was committed to minimising animal testing and had an Animal Welfare Ethics Committee in place which looked at study protocols to ensure that these conformed to all international standards. In relation to the R&D project, all academia had been selected based on strict criteria to ensure alignment with the company's own policy and standards. A specific work package of the R&D project was focused on the health and performance of the calves.

The Board also welcomed that there was significant potential for further follow on R&D projects with opportunities for Scotland's academic base.

The Board was very supportive of the project and this was approved.

#### **10. Clyde Mission – SE(20)85**

Allan McQuade, Derek McCrindle and Gillian Cay joined the meeting to present and seek endorsement for SE's approach to support the Scottish Government-led Clyde Mission.

The team outlined the background and originations of the Clyde Mission, highlighting the partnership approach with public and private sector to address the challenges that are barriers to sustainable and inclusive economic growth along the Clyde Corridor. The strategic fit with SE's Strategic Framework, Place Plan and Strategic Programme approach was outlined, and the opportunity for SE to play a central role in shaping the outcomes of the Clyde Mission.

The five areas of focus were explained, with the proposition that SE leads Mission 3, Inclusive Economic Growth, which would be fully aligned and integrated with SE's current activities in this area. It was recognised that resource would be required going forward and a pipeline would be developed for co-investment to maximise and leverage funding sources. In the early stages, a moderate revenue would be required to fund studies.

The Board acknowledged the need to leverage resources and encouraged engagement with communities through partnerships. The team confirmed that economic partnership was critical, and SE would continue to develop and build on current relationships to align with other partners for a coordinated, integrated effort. Engagement with the private sector was also important to make them aware of the opportunities through prospectuses.

The Board were very supportive and endorsed the approach outlined in the paper.

#### **Papers for Information**

The following papers for information were noted.

#### **11. Scottish Enterprise Health, Safety and Wellbeing Quarterly Board Report July 2020 to October 2020 – SE(20)80**

Carmel and Karthik commented on the absence figures, acknowledging that despite Covid, SE absence figures remained significantly below the public sector average.

#### **12. Net Zero Framework for Action – SE(20)81**

The Board discussed this paper which provided an update on developments since the Board's approval of Scottish Enterprise's (SE) Net Zero Framework for Action in February 2020. The Board sought further information on activities and resourcing.

Linda Hanna advised that a further paper would be coming to the Board in February which would provide detail on progress made in implementing the Net Zero Framework for Action and contributing to preparations for COP26. The current

paper also sought Board Champions to support the development of our evolving approach to achieving net zero objectives.

She also updated on some of the activity SE was currently engaged in on the lead up to COP26, e.g. business engagement, advocacy and linking with the youth element. Linda assured the Board that this was a key focus and appropriate resourcing was being considered. Linda also agreed that, similar to inclusive growth, that climate was being operationalised across all projects.

Sue and Poonam volunteered to undertake the Board Champion role.

13. **Global, UK and Scottish Economic Commentary – SE(20)82**
14. **Approvals Within Delegated Authority – SE(20)83**
15. **Testimonials & Complaints – SE(20)84**
16. **Forward Events and Summary of Events in the past two months – SE(20)79**
17. **Legal Developments Affecting Scottish Enterprise Annual Update – SE(20)86**
  
18. **Any Other Business**

**Making Scotland's Future – Recovery Plan for Manufacturing:** Linda advised that the consultation had been announced on the plan which proposed a set of actions for delivery over the next 12 months. Linda advised that SE had been actively involved in the development.

**Meeting with the Cabinet Secretary:** Anne Glover provided an update on her recent meeting with the Cabinet Secretary.