

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD IN GLASGOW ON
23 FEBRUARY 2018**

Present: Bob Keiller, Chairman
Paul Lewis, Interim Chief Executive
Carmel Teusner
Alison McGregor
Stuart Fancey
Willie Mackie
Melfort Campbell OBE (by telephone)

In Attendance: Jane Martin, MD Customer Operations
Iain Scott, Chief Financial Officer (by video conference)
Carolyn Stewart, MD People Services
Linda Hanna, MD Strategy and Sectors
Neil Francis, Interim MD, SDI
Rhona Allison, Director, Operations, Company Growth, Innovation & Infrastructure
Karen Hannah, Corporate Support
Mary McAllan, Director of Economic Development, Scottish Government
Fiona Dewar, Observer

Apologies: Gavin Nicol
Professor Dame Anne Glover

1. STANDING ITEMS

**1.1 MINUTES OF THE BOARD MEETING HELD ON 08 DECEMBER 2017 –
SE(M)303**

The Minutes of the previous meeting were approved.

1.2 MATTERS ARISING - SE(303)(MA)

The Matters Arising were reviewed.

1.3 Board Committee Update

The following Minutes were noted.

**Minutes of the SE Board Nominations & Governance Committee meeting held
on the 08 December 2017 – SEBNGC(M)33**

**Minutes of the SE Board Remuneration Committee meeting held on the 08
December 2017 – SEBRC(M)41**

**Minutes of the SE Board Audit & Risk Committee meeting held on the 14
December 2017 – SEAC(M)(17)04**

Minutes of the SE Board Urgent Approval meeting held on the 16 January – SEBUA(M)(18)01

Willie Mackie, Chair of the Audit & Risk Committee provided some background to the contract management audit and an update on progress, advising that the Audit & Risk Committee was content with the mitigating actions being carried out and that the matter would continue to be monitored by the Committee.

Iain Scott updated on the EU funding elements, advising that expectations of returns had been reduced and reflected in the accounts.

Paul Lewis advised that a wider review of internal processes to reduce complexity and streamline procedures was underway.

1.4 CHAIRMAN'S REPORT

The Chairman advised that this was Alison McGregor's final Board meeting as she was stepping down at the end of her term. On behalf of the Board, the Chairman thanked Alison for her outstanding contribution to Scottish Enterprise and wished her well for the future.

Alison McGregor highlighted a conflict of interest for Item 3.1 and she would leave the meeting when this was being discussed.

The Chairman provided an update on the ongoing recruitment process for SE's CEO. A further meeting was being held in the afternoon to shortlist candidates.

In relation to recruitment of new Board members, the advert was scheduled to be published at the end of February, running for 4 – 5 weeks, with interviews taking place towards the end of April. Stuart Fancey had agreed to remain on the Board until the end of the year.

A notification of a new interest had been registered by Carmel Teusner and included for information within the Board pack.

Board members were reminded that they would be required to sign their Registers of Interest at the next Board meeting. Current registers would be circulated to members for review prior to the meeting.

The Strategic Board Interim Plan had been included within the Board pack for consideration. Two meetings of the Strategic Board had been held as well as a session with all of the Chairs of the agencies.

Linda Hanna highlighted that the Interim Plan was the initial steps towards creation of the final Strategic Plan and set out the collaboration and actions for the agencies.

The Chairman was accompanied by Paul Lewis, Jane Martin and Carolyn Stewart at a workshop with the other agencies to look at agreeing joint principles and values. Further work, pulling in staff from each of the agencies, was being planned.

Board members agreed that this would benefit collaborative working going forward by increasing fluidity, reducing barriers and increasing productivity.

1.5 CHIEF EXECUTIVE'S REPORT

Paul Lewis highlighted that Rhona Allison and Neil Francis had attended a private session with the Jobs and Fair Work Committee on 20 February to discuss SE's work on investment.

Linda Hanna would be appearing before the Committee at a public session on Tuesday 27th February.

The Scottish National Investment Bank Implementation Plan would be launched on 28 February by the First Minister. Paul Lewis and Kerry Sharp would be in attendance.

The EU expansion project continued to proceed well with 70% of the additional roles now appointed and an aim to have all 20 positions filled by the end of March.

Paul highlighted some recent work with companies and industry:

- **Havelock Europa Plc, Kirkcaldy** announced the deal earlier in the week. SE and Fife Council had worked closely with the company, its bank, pension trustees and shareholders in recent months to put in place a joint restructuring package to help support Havelock's future growth ambitions and safeguard more than 300 jobs. Paul thanked the team for all of their efforts.
- **Pelikan Hardcopy Scotland Limited, Turriff.** The company had previously been put up for sale by its parent in August 2017 with 52 jobs at risk. With SE's help, a new Chinese owner was secured which has safeguarded jobs and the base in Scotland for further growth. The new owners are also keen to do more in Scotland and SE will continue to work with them.
- **Appointedd Ltd, Edinburgh.** Leah Hutcheon, Chief Executive and founder of this account managed business, has won the UK Small Business Entrepreneur of the Year at the NatWest Great British Entrepreneur National Awards, which took place in London. The company deliver an online booking and business management system and recently closed a funding round of approx £700k to help drive future growth. SE has supported the company through Business Improvement, Innovation, International and more recently with the Investment through Scottish Investment Bank.
- **Ferguson Marine.** SE has been closely involved in supporting Ferguson Marine and consortium partners on development of a HYSEAS III (hydrogen ferry) bid for Horizon 2020 funding over several years; the benefits of this longterm engagement have now been realised with Innovate UK advising that the bid has been successful.
- **Fintech Scotland.** SE developed and led the recruitment process to appoint Stephen Ingledew as Fintech Scotland CEO. The appointment has been very well received by industry and stakeholders. SE will work very closely with Stephen to develop and implement a comprehensive programme of work in delivery of Fintech Opportunity.

Douglas Colquhoun and Linda Murray joined the meeting for the following three items.

1.6 FINANCE & PERFORMANCE REPORT AS AT THE END OF JANUARY 2018 – SE(18)01

Douglas Colquhoun provided an overview of financial performance to January 2018 (Period 10) and an update on the latest forecasts and projected outturn position for the year.

Expenditure to the end of January was 92% of the rebased business plan. Eleven strategic priorities were currently £0.5, or more, below profile, however, full year expenditure forecasts were holding up well. Since rebasing the Business Plan at the end of September, capital income forecasts had reduced by a net £10.7m. This mainly arose from two business areas: financial transactions for the Scottish European Growth Co-investment Programme (SEGCP) had reduced by £8m, reflecting anticipated in-year demand on the programme, and the SIB EU income had reduced by £2.1m, £1.7m of which related to the inability to access the SME Holding Fund. Resource income had increased by a net £1.4m with three main movements noted: EU funding had reduced by £5.1m, property disposals had increased by £3.9m and other business income had increased by £2.1m due to an anticipated YIE grant repayment of £1.7m. The Board noted that the largest property disposal deal within the 2017/18 programme relating to the sale of Conference House had concluded the previous day.

The main year end management flexibilities and remaining risks were outlined within the paper.

The Board thanked Douglas for the update and were content that the financial management detailed in the paper was sufficient to maintain a balanced budget.

1.7 PERFORMANCE REPORT FOR THE PERIOD ENDED JANUARY 2018 – SE(18)02

Linda Murray provided an update on in-year performance for the period ended January 2018 a summary of our overall performance against the 3-year business plan target ranges.

On year 3 of the business plan, 13 of the 16 measures had been achieved with two months remaining. One target remained at risk, *the number of companies assisted to become new or active exporters*. In-year, two measures were forecasting below the bottom of the range: *Planned additional turnover from innovation and Companies assisted to become new or active exporters*. Three measures were at the bottom of the range. Seven measures had been met with seven forecasting they would be achieved.

Of the milestones, nine out of 17 had been met; three were highlighted as amber as there had been slippage, e.g. Innovation and Investment Hubs, with one highlighted as red in relation to Scotland House

The Board thanked Linda for the update.

Kenny Richmond joined the meeting for the following item.

2. BUSINESS DISCUSSION

2.1 2018/19 BUSINESS PLAN - SE(18)03

This paper set out the draft 2018/19 business plan which reflected the outcomes of the SE Board Strategy day and the direction set out by the Strategic Board following the Enterprise and Skills Review.

BUDGET & PERFORMANCE MEASUREMENT FRAMEWORK – SE(18)04

Douglas Colquhoun presented the draft budget for 2018/19 established at £358.3m. The overall net increase was primarily driven by the increased budget allocations received from the Scottish Government for Capital DEL and Financial Transactions. These are offset by the adoption of more prudent estimates in relation to Other Income in light of experience during 2017/18. For example, reduced expectations in being able to secure significant income from property sales following a large number of key disposals during 2017/18, e.g. Inovo, Conference House, Scion House.

Resource income remained static at £174m with most of this committed for 2018/19, therefore management and prioritisation was required going forward.

Douglas highlighted the reduction in Running the Business by 11% as a result of efficiencies in domestic premises.

In setting the 2018/19 Business Plan it was proposed to move away from the four main strategic themes of Internationalisation; Innovation; Investment; and Inclusive Growth and adopt three new main themes - International Scotland; Accelerating Business Growth; and Future & Major Economic Opportunities.

The paper outlined the draft Business Plan budget for 2018/19 using the old structure with the 2017/18 Business Plan budget provided for comparison purposes and mapped against the proposed new thematic and priority structure.

The Board thanked Douglas for the overview, commenting that the budget was well presented and structured and easily understood.

Kenny Richmond presented the refreshed Performance Framework and provided some context on the decision to move from 16 published targets to six. These would be monitored and tracked with an underlying set of management information to monitor how the measures have been achieved.

The Board discussed the work with other agencies, particularly HIE, in agreeing common measures. Kenny advised that due to differences in processes, it was not possible to achieve for 18/19. However, discussions were ongoing and guidance from the Strategic Board was also awaited. Members also suggested the inclusion of specific examples to highlight current areas of joint working. Examples were currently included within the narrative and would be revised to make more explicit.

The Board endorsed the Draft Business Plan.

Jim McRoberts and Laura Birch joined the meeting for the following two items.

2.2 GOVERNANCE

RISK MANAGEMENT ANNUAL REPORT – SE(18)05

Jim McRoberts introduced this paper which provided a summary of the activities undertaken over the past year to enhance and develop SE's Risk Management approach, particularly in relation to embedding risk appetite; presented the current Risk Appetite for SE Board review; and included the current Corporate Risk Register for consideration and approval.

Willie Mackie, Chair of the Audit & Risk Committee commended Jim and the team for the work done over the past year to embed risk management throughout the business and confirmed that there was evidence throughout the reports coming through the Committee that processes were working well.

The Board approved the Corporate Risk Register, re-affirmed the risk appetite definitions set and confirmed its satisfaction that the Risk Management Policy continued to support the effective and efficient operation of the organisation, particularly in responding to business risks and implementing adequate controls.

REVIEW OF SCHEME OF DELEGATED AUTHORITY – SE(18)06

Laura Birch sought approval for changes to the Scheme of Delegated Authority, particularly to increase the level of delegated authority level for projects requiring Board approval from £3m to £5m. There would remain the option to bring projects below that amount to the Board, should they be deemed novel, contentious or non-routine and in addition, any significant projects that are deemed to require a "cautious" approach to risk or projects that are outwith the risk appetite of the Board. This would ensure that the Board's time is concentrated on more complex and higher risk projects, whilst still retaining an overview on high value routine activity.

Further changes within the CEO's delegated authority to approve included increased levels of authority to a range of management levels, for routine programme related activity, such as RSA grants, Intervention Framework activity and R&D grants.

The Board sought further clarity on the types of projects which would be considered novel, contentious or non-routine. A worked example to demonstrate the process of escalation was requested.

Members were assured that the project lifecycle process included guidance to steer projects and would ensure escalation.

The Board approved the proposed changes to the Scheme of Delegated Authority.

Having declared an interest, Alison McGregor left the meeting for the following discussion.

3. FOR APPROVAL

3.1 FDI PROJECT - SE(18)07

Mark Hallan and Caroline Myles joined the meeting to seek approval of £12.75m towards an inward investment project involving 1,355 new jobs. Support would include RSA (no VAT) £6.595m, Training Aid £1.759m, and Aid for Disadvantaged Workers £4.396m.

Mark Hallan provided background to the project, highlighting the commitment by the company to create 1,355 new jobs in the first phase of the project. The jobs would be from entry level through to Director level, with a number of jobs targeted at the disadvantaged. It was anticipated that the project would contribute £0.5billion to the Scottish economy over the next 5 years.

Members discussed the competition with other locations and were advised that SE had been in competition with seven other sites.

In conclusion, the Board approved the project.

Paul Lewis commended the team who had been working to secure this project for the past two years.

3.2 DISPOSAL OF PLOT S, EUROCENTRAL, NORTH LANARKSHIRE - SE(18)10

Allan McQuade and Paul Wedlock joined the meeting to seek approval to dispose of circa 15.19 ha (37.46 acres) of land at Plot S Eurocentral, North Lanarkshire, for the development of a new Scottish HQ and manufacturing facility.

Allan highlighted that the final sale price would be dependant on agreed deductible abnormal costs with a minimum price inserted in the contract whereby Scottish Enterprise or the purchaser has the ability to resile from the contract should the price drop below this pre-agreed figure. The headline price was agreed at £5million exc. VAT (£133,475 acre) with the base price agreed and set at £3.746m exc. VAT (£100,000 acre). Approval was also sought to delegate approval of the final price to Allan McQuade as Director of Business Infrastructure.

The Board approved the project.

3.4 SCOT EXPORTER 2014-2020 - SE(18)11

Eric Simpson and Suzanne Sosna sought approval for an additional £1.146m (cumulative £4.492m) for the final 3 years of the Scot Exporter project. The project was approved by the SE Board in October 2014 for a six-year period subject to a mid term review and forms part of SE's European funded Improving Business Competitiveness programme.

Suzanne highlighted that the project is tackling one of the most significant structural challenges facing Scotland's economy, to which the ScotExporter programme represents SE's main approach to this challenge. Scot Exporter helps non-exporters make their first international sales, and early stage exporters grow their overseas sales.

The project offers export services to all Scottish companies, from all segments of the market and from all sectors. Over its first 3 years, the programme has been significantly adapted as the difficulty of the challenge became more apparent and to achieve an inclusive approach across all of Scotland. These changes have resulted in an accelerated rate of expenditure and have delivered a strong performance across the ambition raising and capability building elements of the programme. The mid term review confirmed that progress with the project is good and recommended full 6-year delivery.

Members discussed lessons learned and acknowledged that the Board had a role in discussing the wider issue of what is required to close the gap in this area.

The Board approved the project and asked ELT to come back to the Board for a fuller discussion on the exporting challenge.

4. PAPERS FOR INFORMATION

The following information papers were noted.

4.1	Strategic Board Interim Plan	SE(18)12
4.2	Notification of New Interest	SE(18)13
4.3	Late Payment & Late Payment Culture - Update	SE(18)14

The following Standing Information papers were noted.

4.4	Health & Safety – November, December & January 2018 Update	SE(18)15
4.5	Global, UK and Scottish Economic Commentary	SE(18)16
4.6	Approvals Within Delegated Authority	SE(18)17
4.7	Testimonials & Complaints	SE(18)18
4.8	Forward Events and Summary of Events in past month	SE(18)09

5. ANY OTHER BUSINESS

Entrepreneurial Scotland: the Chairman advised that work was progressing with Entrepreneurial Scotland looking at Scaling up companies with high potential.

Sector Deals: Melfort Campbell advised that the next round of sector deals required to be submitted by 2 March. Oil & Gas was preparing a submission.

Karen Hannah
Corporate Support