

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD IN EDINBURGH ON
31 AUGUST 2018**

Present: Bob Keiller, Chairman
Steve Dunlop, CEO
Carmel Teusner
Stuart Fancey
Melfort Campbell OBE
Gavin Nicol
Willie Mackie
Professor Dame Anne Glover

In Attendance: Jane Martin, MD Customer Operations
Iain Scott, Chief Financial Officer
Carolyn Stewart, MD People Services
Linda Hanna, MD Strategy and Sectors
Rhona Allison, Director, Operations, Company Growth, Innovation & Infrastructure
Paul Lewis, MD SDI and International Operations
Mary McAllan, Scottish Government
Karen Hannah, Corporate Support

1. STANDING ITEMS

**1.1 MINUTES OF THE BOARD MEETING HELD ON 29 JUNE 2018 –
SE(M)305**

The Minutes of the previous meeting were approved as an accurate record.

1.2 MATTERS ARISING - SE(306)(MA)

The matters arising were noted.

In relation to item 1.5, Paul advised that, at the Chairman's request, an independent review was being undertaken by a senior member of the Commercial Team. The review would focus on the process undertaken to present the case for approval, diligence undertaken, management of risks and the relationship with the company following investment. The Chairman had also asked that the role of the Board within the approval process should be included. A report would be submitted to the SE Board in October.

1.3 BOARD COMMITTEE UPDATE

The Board noted the following minutes:

Minutes of the SE Board Audit & Risk Committee held on the 25 June 2018

Willie Mackie provided an update on discussions at the Audit and Risk Committee held on 24 August in relation to two internal audit reports on Health and Safety and Disaster Recovery. An issue in relation to EU Funding was also highlighted for the Board's attention. Iain Scott advised that a positioning paper on EU Funding was being prepared and would be submitted to the Audit and Risk Committee for discussion.

An update on the draft Disaster Recovery report was provided and the final report would be shared with the Chair of the Audit & Risk Committee, who would circulate a note to the Board thereafter. In relation to the Health and Safety audit review, Iain provided an update on the review of properties, which included testing of cladding as well as a wider review of fire safety. Iain advised that the reports had confirmed that all 22 properties had a low risk to fire safety.

Gavin Nicol advised that an external review of the Health & Safety systems would be conducted to ascertain whether they were fit for purpose; sufficiently rigorous in terms of governance and to ascertain the culture of safety within the organisation. Steve Dunlop also advised that, in line with IOD best practice, annual workshops would be held with the SE Board, Executive Leadership Team and Directors on Health & Safety responsibilities.

Willie Mackie also provided a brief update on the discussion at the Audit & Risk Committee in relation to risk management, advising that as it had been two years since the Board defined risk appetite, it was timely for a further risk appetite session with the Board which would be scheduled for Spring 2019.

1.4 CHAIRMAN'S REPORT

The Chairman provided an update on the recruitment of new SE Board members.

The Board Strategy Session was scheduled for 25/26 October and venue options were being considered. Two potential dates to meet with the Cabinet Secretary were being explored.

The Standards Commission was undertaking a survey regarding the process of complaints for members of devolved public bodies. The link to the survey would be circulated to members to complete by 19 September.

1.5 CHIEF EXECUTIVE'S REPORT

Steve Dunlop provided an update on liaison with the Scottish Government, including regular calls with the Cabinet Secretary and an invitation to join the Cabinet Secretary's Executive Leadership Team which meets monthly. Steve highlighted some of the key activity with the Scottish Government over the coming weeks, including publication of the Programme for Government, revisions to the drafting of the missions work for the Strategic Board and the Economic Action Plan.

Positive feedback on SE's support had been received from Spirit Aerosystems. The First Minister had visited the company the previous day.

Other positive news included a new £6m collaborative project with Boston Networks with the company designing, implementing and supporting rollout of a Long Range Wide Area Network (known as LoRaWAN™ or LoRa), allowing business to benefit from state-of-the-art connectivity.

Steve highlighted the significant progress made in Contract Management and thanks were conveyed to Iain Scott and the Contract Management Team.

Douglas Colquhoun and Linda Murray joined the meeting for the following two items:

1.6 FINANCE & PERFORMANCE REPORT AS AT THE END OF JULY 2018 – SE(18)44

Douglas Colquhoun provided an update of performance against financial targets for the period to the end of July 2018 (Period 4) and an update on the latest financial forecasts for the year together with associated risks.

Douglas highlighted that cumulative expenditure to the end of July totalled £60.1m against the Business Plan profile of £70.3m (85% of profile). The main variances highlighted related to Equity, Investment and Loans and R&D support and Douglas explained the key factors contributing to this. The Capital income forecast had decreased by £4.8m whilst the Resource forecast had decreased by £2.9m.

The Board discussed the work underway to explore options in relation to EU Funding and Financial Transactions.

1.7 PERFORMANCE REPORT FOR THE PERIOD ENDED JULY 2018 – SE(18)45

Linda Murray provided an update on progress against the six published outcome measures and the activities taking place to progress business plan objectives.

Similar to the previous month, five measures were on track with one measure forecasting to fall short of its in-year target range: Planned R&D Investment. Work to stimulate the pipeline was ongoing as well as an organisational approach to identify activities from across the business to contribute to this measure. Two other measures were currently reporting at the bottom end of the range, however, the team was confident that these would be achieved.

Douglas Colquhoun left the meeting.

2. BUSINESS DISCUSSION

2.1 SCOTTISH ENTERPRISE'S BREXIT RESPONSE - SE(18)46

Linda Murray presented this paper which summarised the work undertaken to support Brexit readiness, both from an SE and customer perspective. The Board was asked to help shape SE's response in the run-up to Brexit on 29 March 2019 and during the transition period to end December 2020.

Linda highlighted the work undertaken since the referendum in July 2016, outlining the engagement with all account managed businesses and the creation of an internal Brexit Response Steering Group which evolved into a wider Brexit Response Steering Group involving the Enterprise and Skills agencies (SE, HIE, SDS, SFC), the Scottish Government, Business Gateway and the Scottish Cities Alliance. The 'Get Set For Brexit' Campaign was launched in August to assist companies to prepare for Brexit.

The Board acknowledged the work done to date and welcomed the collaborative approach. Members highlighted the need for all companies to be able to access guidance and stressed the need to build capacity to support this. Options to facilitate this support were discussed.

2.2 SE BUSINESS PLANNING & SE BOARD STRATEGY DAY DISCUSSION 2018 - SE(18)47

Linda Murray led on discussion on SE's business planning process, including this year's Board Strategy Discussion, scheduled to take place on 25-26th October and outlined the key dates for input from the Board. Linda highlighted that development of the Business Plan was being closely aligned with partners and the Strategic Board. Pre-reading would set out the context for the Strategy Session and discussions on the day would focus on how SE will change and prioritise and future direction.

Board members asked for reading material to include economic context on globalisation and mega-trends.

The Board thanked Linda for the joining for the previous three items and Linda left the meeting.

2.3 SCOTTISH ENTERPRISE PENSION & LIFE ASSURANCE SCHEME - SE(18)51

Allan Martin, Chairman of the Trustees of the Scottish Enterprise Pension & Life Assurance Scheme joined the meeting to provide an overview of the Scheme's funding position and investment strategy.

Allan was stepping down as Chair and his successor, Alastair Gray would be taking up the position on 13th September.

The Board thanked Allan for his update and wished him well for the future.

3. STRATEGIC DISCUSSION

3.1 MAXIMISING THE GROWTH POTENTIAL OF SCOTTISH BUSINESSES- SE(18)48

Anke Heggie, Leah Pape and Paul Hopkins joined the meeting for this discussion. At the April meeting, the Board briefly discussed the levels of growth and ambition amongst the business base. This further discussion focused on what more could be done by SE and partners to raise ambition levels and to create more mid-sized business.

The paper summarised the latest evidence from multiple sources which has highlighted growth challenges. A number of actions and activities were proposed and the Board discussed each in detail.

The Board provided feedback and input to each of the proposed actions and recommended areas for further consideration. The Board also requested that further analysis of medium-sized businesses should be undertaken and tested against the options in order to inform areas of focus going forward.

The Board thanked the team for a very informative paper.

4. FOR APPROVAL

4.1 SALE OF SE'S SHAREHOLDING - SE(18)59

Derek Shaw and Rhona Bree joined the meeting to seek approval for a managed sell down of shares during 2018-19.

Derek provided background to SE's investment in the company which equated to £2m since 2009. The commercial potential of the company and the rationale for the sale of SE's shares was provided.

The SE Board discussed the proposed sell-down strategy and asked that this was monitored and adjusted if required. The Board approved the sale of SE's shareholding as outlined within the sell-down strategy.

4.2 SCOTRENEWABLES TIDAL POWER LIMITED INVESTMENT VIA THE ENERGY INVESTMENT FUND ('EIF') – SE(18)60

Anne Glover raised a potential conflict of interest in relation to her position in the Offshore Renewable Energy Catapult. This was noted and the Chairman agreed that Anne should remain in the meeting for this discussion.

Michelle Kinnaird and Andy McDonald joined the meeting to seek approval for follow-on investment of up to £0.65m (as part of a £2.15m funding round) to Scotrenewables Tidal Power Limited. This would take SE's total current commercial investment to £6.535m, therefore, Scottish Government approval would also be sought.

Michelle provided an update on progress since the last Board approval in 2015, highlighting the successful completion of the build of the world's largest floating tidal energy device, noting that its performance had exceeded expectations and provided strong validation of the technology concept which was one of the key objectives of previous investment. Andy also highlighted the importance of the company within the renewable energy sector and outlined the longer-term opportunities for the supply chain and the industry.

The Board discussed the project in detail and were happy to approve the additional investment.

5. PAPERS FOR INFORMATION

The following information papers were noted:

5.1	Freedom of Information (FOI) Annual Report	SE(18)50
5.2	SE Board Approval Progress Update	SE(18)53
5.3	Health & Safety - Update	SE(18)54
5.4	Global, UK and Scottish Economic Commentary	SE(18)55
5.5	Approvals within Delegated Authority	SE(18)56
5.6	Testimonials & Complaints	SE(18)57
5.7	Forward Events Summary of Events in past month	SE(18)58

6. ANY OTHER BUSINESS

There was no further business.