

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD IN GLASGOW ON
22 FEBRUARY 2019**

Present: Willie Mackie, Deputy Chair
Steve Dunlop, CEO
Carmel Teusner
Stuart Fancey
Melfort Campbell OBE
Dr Sue Paterson
Karthik Subramanya
Dr Poonam Malik

In Attendance: Charlie Smith, Chief Transformation Officer
Jane Martin, MD Business Services and Advice
Iain Scott, Chief Financial Officer
Carolyn Stewart, MD People Services
Linda Hanna, MD Scottish Economic Development
Paul Lewis, MD International Economic Development
Mary McAllan, Scottish Government
Karen Hannah, Corporate Support

Apologies: Professor Dame Anne Glover
Gavin Nicol

1. WELCOME AND APOLOGIES

Willie Mackie welcomed members to the meeting and apologies were noted.

2. UPDATES

2.1 ACCESS TO FINANCE – SE(19)01

This paper was presented for information and set out the strategic, market and operational context in which Scottish Enterprise's (SE) investment arm, the Scottish Investment Bank (SIB), operates. The paper provided the context for SE engagement and support for the creation and delivery of the Scottish National Investment Bank (SNIB), to deliver the shared objectives of improving access to finance to support Scottish companies to increase their productivity and contribution to sustainable economic growth.

2.2 SCOTTISH NATIONAL INVESTMENT BANK UPDATE

Benny Higgins and David Wilson joined the meeting to provide an update on the establishment of the Scottish National Investment Bank.

Benny Higgins outlined the key aims of the bank which would be consistent with the National Performance Framework and which would have a key focus on scaling up small companies and mission-led projects.

Feedback from stakeholders to the consultation document had been generally supportive of the creation of the bank. Feedback on the missions was also positive and areas highlighted for attention included an Industrial strategy for Scotland and clearer definition of Inclusive Growth.

Work was underway to establish the governance and risk appetite for the bank. Benny advised that the Chair and Board would be public appointments. An Advisory Group would be formed and there would be clear delineation with the Board

David Wilson advised that the Bill would be passed for legislation the following week. The bank would not be a statutory organisation and there would be clear rules to govern the relationship between the bank and Ministers. Approval for this was expected in March 2020. There would be clear relationships between the bank and the Scottish and UK Governments and a State Aid approach at EU and UK level. Work was underway to map out the operational functionality, the size, structure and content of activities in alignment with the parliamentary process.

It was anticipated that the Chair would be appointed in September/October 2019 and the Board and Senior Management in early 2020. However, there was capability to begin to make investments now and engagement with SE, Scottish Funding Council and Scottish Futures Trust was underway in relation to investment opportunities.

It was recognised that the ongoing relationship with SE was critical to the work of the bank. There continued to be close engagement with SE on the transition of SIB and this was an important element to the development of the bank.

Willie Mackie reinforced the very good communication to date and confirmed that opportunities for investment were currently being pursued.

The SE Board welcomed the openness and commitment to the relationship between SE and the bank which is critical to creating a new architecture for support to communities. Members asked about the balance of internal Scottish needs vs an international outlook. Benny confirmed that the key aim of the bank would be to stimulate demand and uncomplicate the landscape for Scottish business. However, the bank would also support outputs of the international framework. The risk appetite would be set out up front and reviewed annually. There would be a need to ensure investment, make returns and meet targets set, in order to reinvest in the economy and change perspectives in markets.

The SE Board thanked Benny and David for joining the meeting and for the continued engagement with SE.

3. STANDING ITEMS

3.1 MINUTES OF THE BOARD MEETING HELD ON 07 DECEMBER 2018 – SE(M)309

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

3.2 MATTERS ARISING - SE(309)(MA)

Glasgow Science Centre – discussions were still on-going and the date to report back to the Board would be adjusted to allow further discussion to take place.

3.3 BOARD COMMITTEE UPDATES

Minutes of the SE Board Audit & Risk committee meeting held on 3 December 2018 – SEAC(M)(18)04

Minutes of the SE Board Nominations & Governance Committee meeting held on 07 December 2018 – SEBNGC(M)35

Minutes of the SE Board Remuneration Committee meeting held on 07 December 2018 – SEBRC(M)43

Minutes of the SE Board Urgent Approval meeting held on 30 January 2019 – SEBUA(M)(19)01

The above Committee Minutes were noted. It was highlighted that there was an error in the Remuneration Committee minutes and this would be rectified.

3.4 CHAIR'S REPORT

The Deputy Chair had attended a number of meetings with Benny Higgins and David Wilson regarding the Scottish National Investment Bank which had been very open and constructive.

The recent Strategic Board meeting had been held at Spirit Aerosystems and the company had been very complementary about its engagement with SE.

Discussion at the Strategic Board meeting had included review of Business Plans for the agencies and it was noted that there had been a great deal of collaborative and common dialogue across the plans. Willie Mackie reiterated that the role of the Strategic Board was to ensure that there was cross-agency working and alignment within the process, however, approval of the Business Plans remained with the Boards of each agency.

The Deputy Chair reminded Board Members that the annual review of Registers of Interest would take place at the next meeting. Members would receive their current registers for review and updating prior to the meeting and each member would be asked to sign their individual register at the meeting.

3.5 CHIEF EXECUTIVE'S REPORT

Steve Dunlop highlighted that the draft Strategic Framework would be discussed later in the meeting. A great deal of work had been ongoing to present a 3-year outlook and a 1-year plan. A great deal of focus and contribution was also going into SE's response to Brexit in collaboration with the Scottish Government.

There had been some high-profile cases in recent months of companies in distress and a great deal of resource had been employed to deal with these. Work was underway with the Scottish Government to articulate the support which would be provided across the system in these cases going forward.

Restructure of people resource was currently underway to deliver SE's future strategy. Carolyn Stewart provided an update on the current restructure exercise. An update would be provided to the SE Board in June once this exercise had concluded.

Positive discussions continued with Michelin and Dundee City Council to agree an approach to embed Michelin's strategic long-term interest in the site and to restructure Scotland's economy. Any necessary approvals would be presented to the Board in due course.

Steve advised that SE had been asked to respond to a new Scottish Government Export Plan.

Willie Mackie highlighted a testimonial which had come from the Duke of Cambridge thanking Steve for Chairing the recent meeting he attended with Michelin.

3.6 SOUTH OF SCOTLAND UPDATE

Linda Hanna provided an update on the South of Scotland, advising that the legislation process was proceeding and was on track and was expected to receive Royal assent in June. Work was underway to establish the set up of the agency in alignment with the Strategic Board system and SE was working with Scottish Government colleagues on the activities of the agency and exploring potential shared services. It was anticipated that the Chair of the new agency would be appointed between May and October this year.

An update on the work of the South of Scotland Economic Partnership showed that current projects were on track and the partnership was reviewing insights into the needs of the local economy.

3.7 BREXIT UPDATE

Linda Murray joined the meeting to update the Board on SE's plans to respond to Brexit. Linda began by outlining the anticipated scale of disruption in relation to exports, investment, FDI, GDP and unemployment. There had been a large uptake on the Prepare for Brexit Campaign since January with 26,000 site users and 1,600 self assessments being conducted by businesses. 80% of users were from Scotland and some users from as far as New Zealand.

Prepare for Brexit would be the basis for SE support and would be scaled up to respond to the anticipated increase in volume leading up to and following Brexit. The banks would be the first port of call for access to finance for companies. Mary McAllan outlined the preparatory work underway at the Scottish Government, which included the set up of hubs, and shift working to ensure 24/7 response to provide a Scotland-wide approach to business services and support. It was acknowledged that SE's support would require to be balanced against the ongoing need to continue to stimulate long term growth and investment in Scotland's economy.

4. FOR DISCUSSION

4.1 STRATEGIC FRAMEWORK – SE(19)02

Charlie Smith presented the draft Strategic Framework, seeking input from the Board on the structure, content and overall direction. Charlie outlined the sequence and timeline for publication of the Strategic Framework, highlighting the requirement to share and seek input from partners and stakeholders. There had been close engagement with Scottish Government colleagues on development of the Framework.

The SE Board provided feedback, commenting on the layout, structure and content. A discussion ensued on the draft values and the Board were advised that the values had been produced following a wide-scale exercise with SE staff.

The Board was supportive of the draft and were asked to provide further input direct.

4.2 2019/20 BUSINESS PLAN BUDGET – SE(19)12

Douglas Colquhoun joined the meeting to present the draft budget that would support the delivery of the one-year Operating Plan for 2019/20. Douglas highlighted that, given the current economic uncertainty, the expenditure plan may need to change over the course of the year. If required, a rebased plan would be brought back to the Board for approval prior to the usual half year point.

Discussions had been held with the Executive Leadership Team on the priorities for the year ahead and the draft budget had been established at £334.6m. Douglas explained the reasons behind the decrease in total income resource, advising that the draft expenditure budget had been compared against the latest forecasts at the end of January 2019, as this represented a better benchmark against which to measure the 2019/20 draft budget proposal.

The Board discussed the current prioritisation work and were advised that a review of all commitments was underway to determine the current and future position.

The Board approved the draft budget as presented.

4.3 FINANCE & PERFORMANCE REPORT AS AT THE END OF JANUARY 2019 SE(19)03

Douglas Colquhoun provided an update on cumulative performance against financial targets for the period to the end of January 2019. The report also provided an update on the latest forecasts for the year and an assessment of the associated risks.

The current income and expenditure forecasts indicated potential overspends on Capital (CDEL) and Financial Transactions (FT) budgets with a marginal underspend on the Resource (RDEL) budget. There was, however, sufficient flexibility to avoid overspend on any of the budgets and Douglas provided examples of the management actions which could be taken to achieve this.

The Board thanked Douglas for the report, acknowledging the presentational changes which had been made based on the Board's feedback at the previous meeting.

4.4 PERFORMANCE REPORT FOR PERIOD ENDED JANUARY 2019 - SE(19)04

Linda Murray presented the progress against the six published outcome measures, indicating that this reflected the latest position up to end January 2019.

At this stage, ten months into the performance year, five measures were on track (with two already achieved) and one measure was forecasting to fall short of the in-year target range.

Linda highlighted to the Board that the recent business survey had indicated that uncertainty was intensifying and affecting business confidence, this was more acute in Scotland. Prepare for Brexit tracking showed that there was still a large volume of companies not taking active steps to plan for Brexit. While these results were unlikely to affect performance measures, Brexit could affect short term employment growth and therefore there may be a challenge for future performance.

A table had also been included in the report showing progress against inclusive and sustainable growth indicators. Linda highlighted that these tracking measures had varying reporting timescales and the table presented reflected the most current position.

The Board discussed the measure which was reporting below range and the contributory challenges.

5 PAPERS FOR INFORMATION

The following information papers were noted.

Independent Health & Safety Review – Action Plan - SE(19)06

The Board was advised that all actions within the Action Plan were on track. A suitable date was being identified for Health & Safety training for Board Members.

Equal Opportunities – Mainstreaming Report 2019 - SE(19)07

The Board asked about internal inclusion statistics and whether these could be reported. Carolyn Stewart advised that the report was a standard format, however, if statistics were available then these could be included.

The following Information papers were noted:

Global, UK and Scottish Economic Commentary	SE(19)08
Approvals Within Delegated Authority	SE(19)09
Testimonials & Complaints	SE(19)10
Forward Events and Summary of Events in past month	SE(19)11

6 ANY OTHER BUSINESS

There was no further business and the meeting was closed.