

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD IN DUNDEE ON FRIDAY 24 FEBRUARY 2023**

**Present:** Adrian Gillespie Chief Executive  
Willie Mackie, Deputy Chair  
Karthik Subramanya  
Dr Poonam Malik  
Professor Dame Anne Glover  
Dr Sue Paterson  
Carmel Teusner  
Peter McKellar

**In Attendance:** Jane Martin, MD, Innovation and Investment  
Carolyn Stewart, Chief People Officer  
Douglas Colquhoun, Chief Financial Officer  
Neil Francis, MD, Digital and Major Projects, Scottish Enterprise  
Reuben Aitken, MD, International Operations  
Rhona Allison, MD, Business Growth  
Colin Cook, Scottish Government  
Karen Hannah, Corporate Office

**Apologies:** Gavin Nicol

**1. Update on Dundee**

Professor Iain Gillespie, Principal and Vice-Chancellor of Dundee University joined the meeting to provide insights into the work of the University, including its world-leading status in Life Sciences, and the key opportunities for Dundee and Tayside. This included creativity and culture, Life Sciences, transformation to Net Zero and Art and Design.

Willie thanked Professor Gillespie for hosting the Board meeting and for taking the time to present. The points raised regarding more direct conversations at a senior level to drive coherence and collaboration of focus, had resonated with the Board and they agreed that this was critical to drive economic transformation for Scotland.

**STANDING ITEMS:****2. Minutes of the meeting held on 02 December 2022 – SE(M)336**

The minutes of the previous meeting were approved.

There were no matters arising.

**3. Board Committee Updates/Minutes**

The following minutes were noted.

**3.1 Audit & Risk Committee, 21 November 2022 – SEAC(M)(22)04**

Carmel Teusner provided an overview of discussions, which included consideration of the Annual Accounts and the aim to revert to pre-covid

timescales. However, subsequent discussions with Audit Scotland in relation to backlog and a new account team, had meant that sign off of the Accounts would not be achievable in June and an additional date for Board consideration in July would be sought. Carmel also updated on the internal audit work discussed at the Committee meeting, as well as the Risk report.

- 3.2 Urgent Approval, 08 December 2022 – SEBUA(M)(22)03**
- 3.3 Urgent Approval, 19 December 2022 – SEBUA(M)(22)04**
- 3.4 Urgent Approval, 17 January 2023 – SEBUA(M)(23)01**
- 3.5 Urgent Approval, 02 February 2023 – SEBUA(M)(23)02**

#### **4. Chairs Report**

Willie Mackie updated on a positive discussion with the Deputy First Minister and Mr McKee on 31 January. There was support for SE's direction of travel, particularly the mission approach and they looked forward to positively engaging further. Mr Swinney raised again the issues of duplication and his determination to streamline structures in Scottish Government, asking for SE to come forward with any specific recommendations. Adrian and the Executive Leadership Team would continue to work with officials and Colin Cook to develop further.

Willie updated the Board on the current Board Recruitment process, advising that he and Poonam had hosted a session with Changing the Chemistry which had been well received. A total of 96 applications had been received for the four vacancies and following a sift meeting held earlier in the week, 13 applications had progressed through to the interview stage. Willie advised of the high standard of applications.

#### **5. Chief Executive's Report**

Adrian updated that the proposal to move Kilmarnock office premises into Halo had been approved by Scottish Government. This would be the first of the model to share space with innovation communities and the move to Halo would enable more engagement with the community, with business partners and provide access to events. The office would close on 13 March and move to Halo thereafter. Adrian thanked Carolyn and her team for all of their efforts in achieving this.

An update was provided on the recent PCS national strike action. In SE, 150 members of staff took strike action, which was less than half of the PCS membership in SE. A process had been put in place to mitigate, however there was minimal disruption. Further strike action had been called for 15 March.

Adrian provided an overview of his recent company engagement programmes, the first in Southern California, working with inward investors, and advised of the healthy pipeline around energy transition, technology and space exploration/applications – message resonating. The messages on low carbon transition and values based approach were resonating well with companies. This was similar in London, with the Financial Services sector.

Adrian had also met with Globalscots at a dinner in Los Angeles and a roundtable in London, and was very enthused by their energy and desire to contribute more. There was a need to look at the approach to engaging Globalscots and federating relationships across the organisation. They were keen to have personal contact with Adrian and other MDs, and Adrian would look to engage with Globalscots around the world where SE has a presence, or where there was a Ministerial presence to ensure

consistent engagement. Adrian referenced the recent visit, facilitated by Globalscot, Craig Samuel, of Anousheh Ansari, CEO of X-prize, and credited Craig on the work he had personally done to work up the programme and bring the visit to fruition.

On the discussion with the Deputy First Minister, Adrian added that Mr Swinney also recognised the need for SE to stop some activity and that Ministers and Scottish Government had a role to play on how this would happen.

Adrian updated that agreement had been secured from Scottish Government for additional budget cover for Expected Credit Losses.

The Scottish Government Innovation Strategy was in the final stages of drafting, although may be delayed by the appointment of a new First Minister. SE had strongly contributed to the development process. SE was central to delivery of the strategy and there would be a number of opportunity areas for SE, such as Space, Life Sciences and feeding into the Innovation Mission.

The Stewart review had been published earlier in the week and Jane Martin had been engaging with Ana. This was a valuable piece of work and there were a number of opportunities for SE, particularly in relation to investments ensuring co-investment partners have a minimum threshold of women in senior investment roles.

An OECD report had highlighted that between 2003-21 Scotland was ranked 5<sup>th</sup> out of 432 Regions for greenfield FDI. Adrian commented that it was good to see external affirmation of Scotland's strong position.

Adrian provided the following business updates:

- **Acquisition at Broomielaw** : acquisition of the recycling centre had concluded in December and would open up the north area of the Clyde for another major development. SE had been working with partners and landowners in the area to remove barriers to this. Thanks were conveyed to the team.
- **Barclays, Buchanan Warf**: the development, in which SE invested £12.75m of grant support, continued to exceed expectations, with an increase in the workforce from originally 2,500 to 4,900, including the recruitment of 669 disadvantaged workers, which was originally forecast to be 315.
- **Blackford Analysis Ltd**: Adrian updated that following SE's exit, the company had successfully sold to Bayer on 9 February and would be remaining in Edinburgh with all Scottish employees retained.

Karthik Subramanya asked about any support which could be provided to Edinburgh institutions. Adrian advised that SE was working closely with SFE and would raise with Sandy Begbie.

A question was raised about SE's international approach and Reuben provided an update, advising that SE was present in 34 markets with 284 members of staff. Evaluation was underway in terms of impact.

Alan Maitland and Linda Murray joined the meeting for the following two items.

## **6. Finance Report as at end of January 2023 – SE(23)01**

Alan advised that the budget position was positive in the lead up to the year end. Some risks were outlined:

Capital: there remained significant backloading with a great deal of activity to complete in the following few weeks. The funding position was evolving, with some softening of forecasts. There was a current underspend of £0.4m but this would evolve as the weeks progressed to the year end.

There was an equity exit still to conclude which required CMA clearance and it was hoped would be concluded by the year end. Alan also updated on a key risk in relation to a project which had been due to conclude. Information was expected from the company within the next two weeks. There was some risk that this may result in a clawback of £7.5m which would lead to an underspend.

In relation to FTs, this was currently in balance, however there were a number of deals still to conclude as well as a £1.4m loan repayment to come through.

On R-Del, Alan reminded that there was no budget in place at the beginning of the year for Expected Credit Losses and SE had been working with Scottish Government to conclude. A transfer of £16m had been received from Scottish Government and SE had funded the remainder from core underspend.

The Board thanked Alan for the update and noted the issue of backloading.

## **7. Performance Report as at end of January 2023 – SE(23)02**

Linda Murray presented the Performance report to the end of January 2023, highlighting the inclusion of a summary of latest IMF global economy output report. Also included was a new look to the Corporate Affairs and Marketing dashboard and the addition of spark lines to the performance dashboard to indicate trends over the course of the year.

In relation to Measures, there had been significant improvement in some areas, i.e. jobs, capex measure and exports, with five out of the six published measures forecasting to be above range by year end, only two previously. Inward investment and jobs identified 22 projects to complete and these were being strongly pursued. Currently two measures had been achieved, capex which was now significantly above the target range at £603m against the range of £320m – £380m, and export sales achieving £1.24b against the range of £1b to £2.5b. One measure remained at the bottom end of the range, growth funding, at £296m against a range of £310m. Businesses were continuing to struggle with the cost of doing business, and a decrease in consumer demand, which impacted on their sense of confidence and ability to get new products or services to market.

A question was raised on growth funding and any further support or encouragement that could help businesses, e.g. educational awareness. Jane Martin advised that there may be opportunities around use of debt, and this had been part of recent discussions. There were also potential options from engagement with SFE and banks on a partner approach to wrap-around support to bank customers. Discussion on the missions would help to give focus for these types of conversations, looking at parts of the market and thinking about interventions and how SE works with the private sector.

Linda provided key highlights from the dashboards, including: an update on SE's Youth Strategy, and Property Strategy; work ongoing to increase awareness of brand Scotland; working with MPs and MSPs on the work of SE; media activity and brand work. An update on major projects was also included and Linda provided an update on changes to the key risks.

Willie highlighted the need for clear communications in relation to the Corporate Plan and missions and was pleased to see the beginnings of the visibility, and looked forward to seeing the communications strategy. Carolyn Stewart advised that a single Strategic Comms and Marketing Plan was scheduled for a future Board meeting.

Anne asked about the Horizon Europe Grant Agreement going forward, raising some concerns that businesses and Higher Education in Scotland may not be able to access the funding for important R&D. Colin Cook agreed to follow up.

## **STRATEGIC DISCUSSION**

### **8. Scottish Enterprise Corporate Plan Development – SE(23)03**

Susan Moore joined Linda to present a proposed approach to develop SE's external Corporate Plan (2023 – 2026), covering a high-level structure for development, an update on development and strategic fit for the Missions and a development timeline.

Feedback was sought from the Board on the content in the first section of the slides, particularly seeking views on any gaps. The definition of transformation was being worked through to test the thinking on transformation and how this would translate into decision-making.

The remaining section provided an overview of the missions, which were being led by Neil Francis and Operations MDs. Engagement with the wider leadership had been undertaken in November and early February to give a sense of what the missions would mean in practice.

The timeline presented key development milestones, which included communication and engagement with SE colleagues, the Scottish Government and appropriate external audiences. This also included undertaking an Island Communities Impact Assessment to comply with the Islands (Scotland) Act 2018.

Susan updated on next steps leading to a final draft of the plan for Board approval in April. Governance was being developed to manage the transition from how SE currently works to ensure resources were in place for the transition to the mission's approach, shifting from design to delivery, and treating as a major change project, with a portfolio management office being established. Structured communications would be developed in discussion with colleagues in anticipation of the launch of the plan.

The Board welcomed the approach of the missions and doing fewer things better and with more impact. Discussion focused on the demands on SE, areas of activity which SE would need to stop, and working in partnership to determine the areas of focus.

The Board was advised that work was underway to identify the need in each area and how SE could respond which would determine the activities which would need to be stopped. Discussions with partners in the wider eco-system would include who would be best placed to deliver those activities.

Discussion was held on the need to ensure resource to respond to opportunities out with the missions, and ensuring that the approach remained fit for purpose, particularly as NSET developed and outcomes become more obvious. The Board was assured that recognising the changing conditions was something that SE would be alive to, as well as the longer-term outcomes the missions would offer. Work had already been undertaken on the current conditions to get an indication of the pipeline and a separate evidence paper would be developed to show trends and map across to the missions.

The Board asked that consideration was given to what success looks like and to ensure that measures were within SE's control.

It was suggested that sharing the plan with the NSET Delivery Board may be helpful. Colin Cook offered to facilitate this.

The Board was very supportive of the approach.

Adrian advised that there would be opportunities over the coming months for the Board to input to shaping the missions.

## **9. The Hydrogen Opportunity – SE(23)04**

Suzanne Sosna, David Rennie and Jamie Robinson joined the meeting to lead on discussion on SE's approach to the Hydrogen economy.

Suzanne provided an overview of the volume of low carbon projects underway and in the pipeline, highlighting the dynamic nature of the environment, and emphasising the criticality of the following 18 months to ensure Scotland's future as a key global player in hydrogen. Scotland was fortunate to have opportunities because of the resources, experience and transferable skills to be a serious contender internationally. This was demonstrated by the number of enquiries and inward trips overseas markets make to see what Scotland is doing. Germany currently had a live interest in Scotland as a potential partner. There were also 17 live inward investment enquiries and 21 open engagements with electro manufacturers. The supply chain across green energy was also very important in recognising the economic benefits, and Scotland had a number of companies in this area, as well as manufacturing and engineering companies. Currently there were 100 businesses with realistic near-term potential to be part of the supply chain.

Suzanne highlighted that there were significant challenges in relation to costs and the need for UK and international regulation and the serious competition from the US and Europe was acknowledged. Over recent months SE had allocated more resource to hydrogen, focusing on an integrated approach to strengthening the supply chain across manufacturing, engineering etc, to ensure that companies were ready to take on opportunities.

The Board discussed the international competition, particularly in the US and the challenge of focusing on the right opportunities for Scotland. The team responded, acknowledging that the financial offer from the US and Europe was significantly larger than the UK offer, however, outlined the additional benefits of Scotland's offer, such as supply chain, natural resource and offshore wind. In terms of SE's role, this was one of leadership and delivery, bringing together the right people around the table and surfacing issues that need to be addressed, whether policy or capacity. The need to reset around roles, responsibilities, leadership and delivery was acknowledged.

A point was raised about consideration of the environment and nature. The team acknowledged that the legislation had not gone far enough to address and outlined SE's opportunities to influence as part of the work with the supply chain in terms of considerations of sustainability and impact on the environment. SE would also be engaging more with SEPA and Nature Scotland in conversation around hydrogen.

The Board thanked the team for the very informative paper, acknowledging the huge opportunities for Scotland and the role that SE could play.

#### **10. Helping Businesses to innovate and scale to transform the economy – SE(23)05**

Kerry Sharp and Michelle Howell joined the meeting to lead on discussion on SE's future investment strategy, seeking Board input, particularly in relation to drivers for change, future focus and strategic options. An information paper had also been included which provided context and a more detailed investment strategy.

Kerry outlined the potential areas of focus for the future, advising that engagement with the market would also be required to work through the challenges, as well as consideration of the current portfolio and consequences.

The Board discussed the options, acknowledging the benefits as well as the challenges, particularly in growing activity as well as maintaining the wider base in light of the current resource challenges. The team highlighted the opportunity to factor in the missions model and review resource as required. It was acknowledged that further discussion with Scottish Government was required to understand appetite.

The Board thanked the team for the paper and discussion and looked forward to hearing how this progressed.

#### **FOR INFORMATION**

The following papers were noted. Willie Mackie commented positively on the Mainstreaming report and conveyed thanks to the team.

- 11. Economic Commentary – SE(23)06**
- 12. Approvals Within Delegated Authority – SE(23)07**
- 13. Forward Events and Summary of Events in the past two months – SE(23)08**
- 14. Growth Investment Portfolio – SE(23)09**
- 15. Equal Opportunities – Mainstreaming Report 2023 – SE(23)10**

#### **ANY OTHER BUSINESS**

This was Carolyn Stewart's final Board meeting, and, on behalf of the Board, Willie thanked Carolyn for her insights, stewardship and expertise.