

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON 1 DECEMBER IN ATRIUM COURT, GLASGOW

Present: Adrian Gillespie Chief Executive
Willie Mackie, Interim Chair
Karthik Subramanya
Dr Poonam Malik
Dr Sue Paterson
Carmel Teusner
Peter McKellar
Professor Gillian Murray
Raymond O'Hare
Professor Richard Williams

In Attendance: Jane Martin, MD, Innovation and Investment
Maria Bradshaw, Interim 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
Karen Hannah, Corporate Office
Graham Soutar (observer)

Apologies: Professor Richard Williams
Richard Rollison, Scottish Government
Colin Cook, Scottish Government

STANDING ITEMS:**1. Minutes of the meeting held on 27 October 2023 – SE(M)342**

The minutes of the previous meeting were approved.

2. Matters Arising – SE(334)MA

The matters arising were noted.

3. Board Committee Updates/Minutes**3.1 SE Board Urgent Approval, 01 November 2023 – SEBUA(M)(23)08****3.2 Audit & Risk Committee, 20 November 2023**

Peter provided an update on discussions at the recent meeting, which focused on three key items, the timetable for approval of the 2023/24 Annual Report and Accounts and the expectation that this would slip into July. Dates were scheduled in diaries for a Board meeting at the end of July, with an Audit & Risk Committee scheduled earlier that week to consider the Accounts. The Corporate Risk Register was reviewed, and a paper on risk appetite was scheduled for the February Board. A summary was provided on changes to the corporate risks. The Internal Audit Report was considered, which featured three reports, one graded 1 and two graded 3, together with two real time reviews and two advisory pieces of work.

4. Chair's Report

Willie advised that this was Carmel's last Board meeting before she stepped down at the end of December. He reflected on Carmel's time on the Board and thanked her for her outstanding contribution to the Board and as Chair of the Audit & Risk Committee. On behalf of the Board, Willie wished Carmel well in her future endeavours, commenting that she would be hugely missed.

Peter would also be stepping down at the end of July 2024 and Willie thanked him for remaining until the conclusion of the Annual Accounts process.

The recruitment for the SE Chair had now closed and was proceeding to the interview stage.

Willie updated on the Scottish Government Cyber training which he had undertaken, commenting positively on the session.

Updates were also provided on recent meetings with Mhairi Gougeon, Cabinet Secretary, with agency Chairs and CEOs, and Alistair Mackie, CEO of RSNO, who had provided positive feedback of SE's support.

5. Chief Executive's Report

Adrian updated that the pay offer had been accepted by the trade union members and would be included in December pay.

The new Finance Director, Rachel Ducker would be joining SE on 15 January, from Chest, Heart and Stroke Scotland.

The Chancellor's Autumn statement had confirmed the UK Government match funding of £10m for the Oligonucleotide Manufacturing Centre of Excellence project, adjoined to the Medicines Manufacturing Innovation Centre. Adrian thanked the Board for the approval of SE's contribution.

The report and recommendations from the FM Investor Panel had been published earlier in the week. SE would issue a considered response over the coming weeks.

Adrian highlighted the Petroineos announcement and advised that SE had been closely involved by providing supportive feasibility work into other options and working with Scottish Government and PACE on retaining the skills.

On Fair Work First, Adrian updated that the implementation and exemption process was working well. To date, there had been 17 projects from 10 companies requiring full exemption. Nine projects with six companies had also been approved based on the supplementary guidance from Scottish Government on apprentices and Real Living Wage. Further detail on the BRIA was awaited from Scottish Government.

On Digital, all SE staff had completed refresher training on Cyber Security. SE was also leading on a review of the EIS service, with a focus on sustainability, growing the membership and enhancing services. A report was expected in early 2024.

Adrian provided an overview of his recent visit programme to the United States, highlighting the promising partnership with a US based agritech company which would open up potential opportunities for Scottish early stage agritech companies to access the US market. In San Jose, Adrian met with existing and potential inward investors, which led to a potential inward investment opportunity for an AI company looking to scale in Scotland. Adrian also hosted three roundtable sessions which provided an opportunity to share the strengths of Scotland and to hear the perspectives and ideas from participants.

Adrian had spoken at the recent Can Do Innovation Summit on 7 November, where the partnership with Innovate UK had been announced with the signing of a MOU. SE was also joint signatory to a new Glasgow City Region Innovation Action-plan, co-created between Innovate UK, Glasgow City Region partners and SE. Next steps were to develop a similar model in Edinburgh.

SE had awarded an additional £3.5m to the Medical Device Manufacturing Centre, Heriot Watt University, which would be announced by the Cabinet Secretary, Neil Gray on 7 December.

SE had also launched a new Pathways to Scale pilot programme targeted at female entrepreneurs aligned to Ana Stewart Pathways Report. A number of events had been arranged for the programme, which would run from November 2023 to February 2024.

Adrian updated on key results from the Scottish Government Export Support Evaluation, which found that 79% of companies surveyed had been supported by SE and a further 7% supported by SE and other delivery partners. Overall public sector support was positive and had led to a £1.6bn increase in export sales as a result. The report covered export stats from 2019 to 2021 and, while there had been a small increase in 2021 to £31.3bn, the estimated overall value of Scotland's international exports remained lower than before the pandemic.

6. Finance Report as at end of October 2023 – SE(23)56

Alan Maitland joined the meeting to provide an update on the latest projected out-turn position for the 2023/24 financial year following the re-forecast at the end of October.

The key changes since the last report were outlined, highlighting the increase in pressure on C-Del. The Spring Budget Revision (SBR) process, which was the last opportunity to finalise any budget transfers to and from Scottish Government, would conclude on 15 December.

Scottish Government decisions on the two projects submitted via the Accounting Officer process were awaited. Due diligence had been commissioned for one key project.

Updates were provided on Financial Transactions which had seen some increase in pressure as income had fallen away. Scottish Government had ruled out using the capital budget to ease the pressure. Work was underway to retest expenditure forecasts. There was a slight underspend on R-Del and the half-year asset review of Expected Credit Losses had concluded.

The Board noted the current position and thanked Alan for the update.

FOR DISCUSSION/APPROVAL

7. Investment Review – SE(23)57

Kerry Sharp joined the meeting to present this paper which highlighted the Growth Investments performance to March 2023, outlining key progress against the ambition for SE's early-stage investment activities, and how the model will evolve and be shaped by SE's new Mission approach.

Kerry outlined the external drivers for change in the investment area, as well as the future focus areas under consideration, before moving on to the work underway in response to SE's missions approach. The key challenges in terms of budget and capacity in continued delivery against SE's early-stage investment agenda alongside the priority investment areas highlighted in the evolving missions plans was discussed. Kerry concluded with setting out the draft 12-36 months pathway to secure a sustainable model for SE's early-stage investment work whilst creating capacity and a platform to realise future plans.

The Board's input was requested on balancing SE's broad underpinning investment role with increased focus towards missions areas and the phasing of delivery to ensure focus to achieving core milestones on the new fund proposal over the following 12 – 18 months.

The Board welcomed the positive performance results and insight into the future priorities aligning with the missions over time. Discussion focused on specific future areas of activity, such as the importance of scaling and attraction of international capital. Support for the pathway outlined was given and the team was encouraged to take time in transitioning to encourage in other investors and not leave gaps in the early-stage market given the recognition of the importance of SE's activity in this area. The increased risk profile for the new activities was highlighted, as was the complexity and scale of deals in the Missions space in comparison to early-stage venture growth deals.

Willie thanked Kerry for the update.

8. Project Update – SE(23)58

Russell Stevenson and Kim Robertson joined the meeting to provide an update on the project, which was approved by the Scottish Enterprise (SE) Board in June 2022.

Kim provided an overview of the project package of support and deal terms and highlighted the anticipated job creation and supply chain opportunities for Scotland. An update on progress, challenges and key risks was provided.

On behalf of the Board, Willie thanked the team for the update and for their continued resilience.

FOR INFORMATION

The following papers for information were noted.

- 9. Growth Investment Portfolio at 31 March 2023 – SE(23)59**
- 10. Notification of New Interest – SE(23)60**
- 11. Scottish Enterprise Impact – Key Facts – SE(23)61**
- 12. Approvals Within Delegated Authority – SE(23)62**
- 13. Testimonials & Complaints – SE(23)63**
- 14. Forward Events and Summary of Events in the past two months – SE(23)64**