

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON FRIDAY 25 AUGUST 2023 HELD AT THE NATIONAL MANUFACTURING RESEARCH INSTITUTE, PAISLEY

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
Colin Cook, Director, Economic Development Scottish Government
Richard Rollison, Director, International Trade and Investment, Scottish Government
Karen Hannah, Corporate Office

Private session with the Cabinet Secretary, Economy, Fair Work and Culture

Neil Gray, Cabinet Secretary joined the meeting for a private session with the SE Board to discuss SE's future direction and new strategy.

The Cabinet Secretary and Colin Cook left the meeting.

Willie Mackie welcomed everyone to the meeting and conveyed the SE Board's thanks to Maria Bradshaw for her contribution while Interim CPO.

Willie thanked Chris Courtney, CEO and colleagues for the tour of NMIS.

There were no conflicts of interest declared.

STANDING ITEMS:

1. Minutes of the meeting held on 30 June 2023 – SE(M)399

The minutes of the meeting were approved.

2. Minutes of the meeting held on 28 July 2023 – SE(M)340

The minutes of the meeting were approved.

3. Matters Arising – SE(333)(MA)

Cyber: the discussion was scheduled on the agenda.

Approvals within Delegated Authority: following comments from the Board, the format of the report had been revised. Comments would be taken later.

4. Board Committee Updates/Minutes

4.1 Audit & Risk Committee, 26 July 2023 – SEAC(M)(23)02

The Minutes of the meeting on 26 July were noted.

Carmel provided an overview of discussions held at the Audit & Risk Committee meeting held on 21 August, highlighting that this had been Gary Stewart's first meeting as the new Director of Audit. Gary shared his reflections since his appointment and updated the Committee on key changes he was making, particularly to align risk appetite with the audit plan. Updates were provided on four audit reports, one which had received a grading of 1 for Investment Compliance. The other reviews included, Everyday Flexibility (graded 2), Projects and Programmes (graded 2) and Health & Safety (graded 3). On the latter, the focus of the audit was on processes and controls in terms of assurance and not on the management of Health and Safety. There were some issues identified in relation to arrangements for overseas offices, with recommendations made. There were no major issues identified from any of the audits undertaken. The Committee had also reviewed the Corporate Risk Register. A clean sheet exercise had been undertaken by the Executive Leadership Team which had resulted in rewording of some of the risks and two additional risks added in relation to relevance of products and services and the approach and use of Generative AI.

Willie acknowledged the grade 1 rating, congratulating the team.

5. Chairs Report

Willie provided an update on his and Adrian's recent meeting with the Cabinet Secretary, advising that this had been very positive. Willie also updated on his meeting with the Chair of Crown Estates, Euan McVicar.

A positive meeting had also been held with the agency Chairs and Chief Executives and Willie commented on the strong relationship between the agencies and the very open discussion.

Willie updated the Board on discussions he had been having with Adrian, to use Board Members' skills and expertise to advance SE's new strategy, by providing input to specific areas and working with the Executive Leadership Team on specific tasks. A note would be circulated to Board members on the allocated areas. An updated overview of Committee memberships would also be circulated. Willie updated that Carmel was due to step down in December and Peter would take over as Chair of the Audit and Risk Committee.

6. Chief Executive's Report

Adrian thanked Maria Bradshaw for all that she had undertaken as Interim CPO and for her contribution to Executive Leadership Team discussions. The new CPO, Gill McNeil, would take up post at the beginning of the following week and would meet with Board members soon. Stuart Lewis, who would be joining for discussion later in the agenda, had been recently appointed as Director of Digital & Data, reporting to Neil Francis.

An update was provided on recent positive feedback from Scottish Government and other stakeholders on SE's refreshed approach.

Adrian had recently met with the First Minister, who had been hugely supportive of the future strategy and was keen to actively contribute, particularly in meeting with international leaders. Adrian had also met with the First Minister's Chief of Staff, Colin McAllister and Director of Economy, Gregor Irwin. Discussion had focused on Scotland's agility and the need for collaboration, as well as proliferation and duplication.

An update was provided on a meeting with the Chambers of Commerce the previous week and they had also been hugely supportive of SE's future direction. Work was continuing on developing the Corporate Plan to launch in September, although this may be delayed to October/November, dependent on the availability of the First Minister/Cabinet Secretary. Wide consultation across the business landscape would also be undertaken.

Adrian updated on the Bute House Agreement advising that guidance published by Scottish Government regarding the Real Living Wage (RLW) implementation included two critical challenges, one in relation to payment of the RLW to apprentices to bring parity to over 18s, and to extend the RLW requirement as a condition to sites out with Scotland (within the UK 4 Nations). The conditions had implications for the companies which SE worked with and SE had been providing examples to Scottish Government on the impact.

Adrian updated on recent positive announcements:

- **Trade results**, announced earlier in the week, highlighted that SE's support in FY22/23 will result in £1.73bn planned international sales over the next 3 years, 20% increase on the previous year. There had been positive media and social media coverage of the results which had formed part of the Delivering Results Campaign.
- **Allied Vehicles** on 27 July, The Cabinet Secretary had announced SE's R&D grant of £1.3m towards a £3.9m project for a new vehicle conversion process for hybrid and electric wheelchair accessible vehicles.
- **Planned Investment Zones for Glasgow and North-East** had been announced on 30 June, with each Investment Zone benefiting from £80m investment over 5 years, which was a mix of seed funding and tax incentives. The Investment Zones would be overseen by the Regional Economic Partnership – Glasgow City Region Economic Partnership and the North East via an Investment Zone Steering Group, chaired by Sir Ian Wood. Discussions were ongoing with Scottish Government and UK Government on the detail.

Adrian also advised that a number of potential investments were coming through in the renewable energy space, including substantial investments in hydrogen, green steel production and manufacturing structures. The inward investment pipeline was strong, and the value of investments were higher in terms of the investment from inward perspective and external through trade support. SE's new focus was already starting to come through in terms of the pipeline – seeing higher value projects. There was still more to be done on the domestic pipeline and a team had been commissioned to help to stimulate the pipeline for big ideas relative to the new approach.

A question was raised on the challenges being experienced by cost overruns and construction costs in relation to large projects. Adrian advised that the biggest impact was that investments were taking longer, with a continuing trend in early stage, with investors investing in their portfolios rather than taking on additional investments. Reuben also highlighted challenges in relation to off-shore projects, with some

companies waiting to see if there would be any change from UK Government in relation to the thresholds. He also highlighted that while the pipeline looked healthy, these were a few significant projects which also carried bigger risk. Jane also advised that there were a number of large infrastructure projects experiencing increased financial gaps. The team was working through these on a case-by-case basis with partners.

Adrian also updated that he and Alan Maitland would be appearing in front of the Economy and Fair Work Committee on 4 October.

7. Finance Report as at end of July 2023 – SE(23)30

Alan Maitland joined the meeting to present the finance report, which provided a review of the financial results to the end of July 2023 (Period 4) and an update on the latest full year forecasts for the 2023/24 financial year. The report was being presented in a new format to focus on key risks and mitigating actions. A formal over-programming approach had been developed and rolled out across the business to maximise usage of the budget.

An overview of the projected position across the funding streams was provided, highlighting a decrease in pressure on the Capital budget, due to a number of projects reducing budget requirements in-year, and two larger changes in forecasts in the period. A net budget reduction of £9.4m in one project reflected a delay in the start of construction to January 2024, which had been partially offset by the inclusion of a potential site acquisition at £8.1m. There was also the potential to utilise £3.2m of listed shares in the income plan to maintain budget balance. There continued to be a risk of high levels of backloading.

There also remained a marginal pressure on Financial Transactions, but this was at a comfortable level, and there had been a slight reduction in the pressure on the Resource budget. The team continued to work closely with Scottish Government on the Expected Credit Losses.

A discussion followed on the management of the backloading, with the Board being advised that the forecasts were constantly monitored to identify opportunities to accelerate projects and other options were available in relation to listed shares and acquisitions. The downward trajectory in budgets in the past few years, had led to more control over expenditure, therefore, the over-programming approach was a deliberate action to build confidence in staff to develop a pipeline.

Willie thanked Alan for the update and commented positively on the revised reporting format.

8. Performance Report as at end of July 2023 – SE(23)31

Susan Moore joined the meeting to provide an update on performance to the end of July, highlighting the addition of new dashboards on Inward Investment and Cyber Security, which would be an ongoing feature in future reports.

In relation to the Measures, Susan highlighted that the report was only four months into the financial year, with current forecasts indicating that three of the six measures would be achieved. The three measures forecasting below target were likely to change as the year progressed and would be closely monitored.

A spotlight on Inward Investors was included in the report, outlining their important contribution to Scotland's economy and the importance for SE in achieving its measures.

Other highlights included the People dashboard which outlined SE's blended recruitment model and the Corporate Affairs and Marketing Team undertaking a strong, consistent programme of employee communications on the missions based approach, and an online Parliamentary surgery held in June, with positive engagement with MSPs.

The top 4 risks were also included in the report.

Susan responded to a question raised at the previous Board meeting on measurement of media coverage sentiment, advising that this was based on language, tone and emotion, understanding the meaning behind the words of full articles, and not based purely on references to SE.

The Board commented positively on the report, particularly in relation to the measures which were demonstrating more ambition. In terms of performance, it was noted that the year-end forecast had increased for planned innovation and export sales. It was recommended that further explanation of the trends should be included for future reports.

Reuben advised that the changes to the forecasting reflected large scale projects which had not been included in the previous report as there had been uncertainty of them being secured.

FOR DISCUSSION/APPROVAL

9. Corporate Plan – SE(23)32

Susan Moore presented the latest draft of SE's Corporate Plan for review and comment by the Board, in preparation of a potential launch date week commencing 18 September, however, this was dependent on First Minister or ministerial availability. The Board was also asked to agree final approval of the Plan by Adrian on behalf of the Board.

Susan provided a brief overview of the plan, advising that the missions-based approach was at the core and outlined how this would support the purpose and ambitions set out in the National Strategy for Economic Transformation. Further work was required to shape the plan and refine the narrative. Views from Board Members were sought on the strategic positioning, tone and clarity of the narrative and any potential omissions.

The Board commented positively on the clarity of purpose. Overall, in terms of the narrative, the Board encouraged a bolder tone with less jargon, and recommended consideration of the structure and presentation of statistical information graphically. Clearer emphasis was recommended in relation to the challenge between aspirations and current state in terms of green energy/net zero; people and expertise; SE's approach to working with partners regionally and in bringing together business and industry; and, the scale and impact of the enterprise eco system in terms of SE's role.

The Board thanked Susan for the opportunity to comment on the draft Corporate Plan and delegated approval of the final version to Adrian.

Sue Paterson left the meeting

10. Cyber Security

10.1 Cyber Strategy – SE(23)33

10.2 Cyber Security Action Plan – SE(23)40

Stuart Lewis, Malcolm Cameron and Stuart Hutton joined the meeting to present the Cyber Strategy and Action Plan, highlighting in general the frequency and severity of cyber-attacks and data breaches over recent years which has emphasised the critical importance of effective cyber security measures. The strategy outlined a comprehensive and proactive approach to addressing cyber threats and ensuring the resilience of Scottish Enterprise's digital infrastructure.

Stuart outlined the five core objectives of the strategy and provided an overview of operations within SE and the associated governance, roles and responsibilities. An update on progress was provided on recommendations made by the EY audit, and key highlights of work in progress, including a scheduled cyber incident exercise with the Executive Leadership Team (ELT), cyber training for all staff, further development of business continuity plans and development of new policies. KPIs were also being developed to demonstrate progress to report to ELT and the Board.

The Board welcomed the strategy and update on progress. Discussion focused on business impact risk assessment and other key areas of risk. The Board stressed the need for clear responsibilities and process, given the multiple parties involved and encouraged regular testing.

Willie thanked the team for the update and looked forward to regular progress reports going forward.

FOR INFORMATION

The Board noted the following papers for information, commenting positively on the Acquisitions and Company Exits and Approvals within Delegated Authority papers.

11. SE Annual Health and Safety (H&S) Report – April 2022 To March 2023 – SE(23)34

12. Acquisitions and Company Exits – SE(23)35

13. Economic Commentary – SE(23)36

14. Approvals Within Delegated Authority – SE(23)37

15. Testimonials & Complaints – SE(23)38

16. Forward Events and Summary of Events in the Past Two Months – SE(23)39

17. Any Other Business

There was no further business.