

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON FRIDAY 25 OCTOBER
IN ATRIUM COURT**

Present: Willie Mackie, Interim Chair
Adrian Gillespie Chief Executive
Karthik Subramanya
Dr Poonam Malik
Dr Sue Paterson
Professor Gillian Murray
Raymond O'Hare
Graham Soutar
Professor Stephen McArthur

In Attendance: Jane Martin, MD, Innovation and Investment
Gill McNeill, Chief People Officer, People, Digital and Communications
Douglas Colquhoun, Chief Financial Officer
Reuben Aitken, MD, Energy Transition and International Operations
Rhona Allison, MD, Productivity and Business Growth
Karen Hannah, Corporate Office
Colin Cook, Scottish Government

Apologies: Professor Richard Williams
Richard Rollison, Scottish Government

Willie welcomed everyone to the meeting. No conflicts of interest were declared.

STANDING ITEMS:**1. Minutes of the meeting held on 30 August 2024 – SE(M)349**

The minutes of the previous meeting were approved.

2. Matters Arising – SE(339)MA

The actions in progress were noted.

3. Board Committee Updates/Minutes**3.1 Remuneration Committee Meeting held 26 August 2024 – Verbal Update**

Poonam provided a brief summary of discussion at the recent meeting which included the recent SE pay award, noting the change to a multi-year deal, with an expectation that agencies and other bodies would follow the Scottish Government model. Bodies were to ensure affordability to the pay deal into future years and to make commitments to change the size and shape of their organisations. The Committee annual report was also reviewed and approved.

3.2 Audit & Risk Committee meeting held on 09 September – Verbal Update

Graham provided a summary of discussions at the recent Audit & Risk Committee meeting, which included approval of the Terms of Reference with key changes including the ability for the Committee to seek advice from independent specialists and to hold meetings with individuals without the presence of the management team. Composition of the Committee was noted, and Graham and Willie had a subsequent discussion regarding increasing the membership. A survey on the effectiveness of the Committee was underway with feedback being taken from members and stakeholders. The results would be reviewed at the following meeting of the Committee and shared with the Board. The Internal Audit Report was reviewed which included reviews of the Online Grants System with reasonable assurance provided and highlighted the work undertaken and progress made. A review of the Property Portfolio provided limited assurance that risks were being managed accordingly. Garry Williamson, Interim Head of Property and Growth Infrastructure was leading on actioning the recommendations made. Graham added that there was an evident strong focus on risk management by the management team and across the business which provided comfort to the Committee and the Board.

3.3 Audit & Risk Committee Terms of Reference – SE(24)58

Approved by the Audit and Risk Committee and noted by the Board.

3.4 Nominations and Governance Committee Meeting held 01 October 2024 – Verbal Update

Willie updated on discussions at the Committee meeting, advising that it had been some time since the Committee had met due to the extension of the Interim Chair and Board recruitment. A key focus for the Committee early in the new year would be Board membership and leadership succession planning. Peter McKellar had stepped down in July and Sue, Poonam and Karthik's terms had been extended for one year. There would be the potential for a recruitment round for Board members in 2025 and the Committee would play a critical role in reviewing the skills matrix and setting criteria.

Willie had also spoken with Gary Stewart to share his thoughts to input to the Governance Review being undertaken on the Board and Sub-Committees. The outputs from the review would be shared with the Committee and the Board once complete.

Colin Cook advised that interviews for the Chair role were being held the following week.

He also highlighted that the quarterly Scottish Government reporting process for Executive agencies had flagged two elements outstanding, one was the Framework document between Scottish Government and Scottish Enterprise, which was being revised, and Board training. Colin would send details of the training to Corporate Office.

3.5 Nominations and Governance Committee Annual Report 2023/24 – SE(24)59

Approved by the Committee and noted by the Board.

3.6 SE Board Urgent Approval meeting held on 04 October 2024 – SEBUA(M)(24)05

The minutes of the meeting were approved. Adrian advised that the deal had not yet completed but was expected to be finalised in the next couple of weeks.

4. Chair's Report

Willie updated on discussions with the Deputy First Minister (DFM) on 5 September following the announcement of SE's annual results the previous week. Willie also reflected on the engagement and support from SE colleagues for the event and the positive commentary received. Willie had raised with the DFM the lack of reference to Scottish Enterprise's role within the narrative included in the Programme for Government. The DFM acknowledged and welcomed the feedback. The DFM reiterated her support for SE and was keen to be more involved and welcomed the suggestion of the new Chair having more time with her to discuss strategic matters.

Willie had also joined the First Minister, at his request, to meet with a potential large inward investor on 12 September. Willie also had the opportunity to meet privately with the First Minister following the meeting, where he also reiterated his continued support for SE.

5. Chief Executive's Report

Adrian update on recent People matters, advising that Karen McAvenue had been appointed as Head of Grangemouth Transition, giving dedicated leadership to SE's response and co-ordinating and accelerating our activity on the Just Transition of Grangemouth. Karen is currently on secondment to Scottish Enterprise from the Scottish Government.

In relation to the People Plan, the new performance module reached an important milestone at the end of September with over 90% of colleagues detailing performance objectives in the system.

The results of the recent Peakon engagement survey to measure employee engagement had achieved a score of 7.7% which was a 0.1% increase in overall engagement since May, and was 0.1% away from the private sector benchmark. The biggest mover in the subcategories was around change and change management, with a 0.4% increase in that area.

The Digital, Data and AI strategy would launch in November, supported by a period of targeted communications and engagement across the organisation. A demonstration of the T20 dashboard would be provided at the end of the meeting.

Adrian updated on recent engagement, including:

The Enterprise and Fair Work Committee evidence session on 25 September, which was the first time that SE had a joint session with the Scottish National Investment Bank (SNIB). The session worked well in terms of some of the shared issues, particularly on investment, where both organisations have a shared capability, but also in other areas such as offshore wind. Discussion focused on the budgetary position, particularly the Financial Transactions (FT) budget and Adrian had the opportunity to highlight delivery and performance. One figure reported, £25 GVA for every £1 pound SE invests was as a result of record job targets which achieve ongoing GVA impact over many years, however, it also provided an indication of how much further SE could go with more resources. Adrian had received positive feedback from colleagues.

Scottish Energy Advisory Board held on 20 September, Chaired by the First Minister alongside Professor Sir Jim McDonald and attended by Chair of GB Energy Jurgen Maier. SE was looking to partner with them on our energy mission following positive initial

discussions regarding shared objectives and how we can help them. Chris Stark, Mission Control for delivery of Energy Transition (formerly Scottish Government and CEO of Climate Change Commission), spoke about the proactive stance needed to ensure projects that have the biggest economic and transition impacts are progressed at pace. Adrian highlighted the great dependency on the grid and a discussion was scheduled later on the agenda.

Adrian provided the following company updates:

Alexander Dennis Ltd: After not securing the orders that ADL had hoped for from phase 2 of the Scottish Zero Emission Challenge Fund, ADL is restructuring and reducing its footprint. The company had raised the conditions around Fair Work which were imposed on them but not on foreign investors as a key factor which had led to unintended consequences. There has been an extensive SE account team response and a series of engagement with the company by Adrian and the First Minister. The team was working with the company to develop a package of support to consolidate Scottish operations post re-structuring of the business to drive ongoing competitiveness.

The Business Response Team was seeing an upturn in activity and high-profile cases of business in Scotland making announcements on proposed closures or down-sizing. A recent example included Mitsubishi-ACE Electric with 450 jobs at risk. The low carbon transition was a strong theme around timing. Through the energy transition work, SE was looking at what more we can do to influence the transition at pace.

XLCC: the company was making significant strides forward in its development funding raise for a cable factory at Hunterston. On 26 September, the UK Infrastructure Bank announced it would invest £20m with an option to invest a further £67m. SNIB was also considering joining this investment round. The company also officially opened its bespoke training facility in Irvine on 24 September, supported by a SE £200k small capital grant, to train cable-jointing apprentices. Seventeen apprentices were currently on-boarded with next recruitment round starting. There was the potential for 900 jobs at Hunterston if the facility comes to fruition.

Peel Ports: SE's Account Management team had worked with Peel Ports over an extensive period helping them with the formulation of the project at Greenock Ocean and Container Terminal for them to invest £25M in two new Electric ship-to-shore cranes. This is the Largest single investment in the Greenock container by Peel Group since it opened in 1969 and would create significant connectivity advantages for Scotland.

Following a question on timelines and quantum for Project Willow, Adrian and Jane provided an update on timing of outputs, consultation phases and broader focus in relation to technology development and cluster management.

Discussion also focused on the increase of cases seen by the Business Response Team. Adrian and Rhona updated on the work the team does to monitor patterns, volumes of jobs, risks and issues. Some key factors included the challenges faced by manufacturing companies over the past few years now coming to the fore and the challenging export environment over the past year, as well as concerns around pace of transition.

6. Finance Report as at end of September 2024 – SE(24)61

Rachel Ducker joined the meeting to present the review of the financial results for the first half of the year to the end of September 2024 (Period 6) and an update on the latest full year forecasts for the 2024/25 financial year.

Overall over-allocation against likely available income was sitting at £11.9m. CDEL budget and FT budget is forecast to balance. RDEL was still forecasting an overspend position, however, this had decreased by £1m since July.

Overall income had increased by £4.7m due to confirmation of two in-year transfers for Offshore Wind fund and Green Hydrogen Fund projects amounting to £10m. There was a potential land disposal which could generate CDEL income for 2024/25, however, this would exceed the agreed income amount with the Scottish Government if other income adjustments were not made, meaning some income may need to be returned to Scottish Government. Discussions with Scottish Government were ongoing to mitigate.

C-Del: The initial overallocation of £28.4m had reduced significantly during the first half of the year and an underspend position emerged which was mitigated by funding early-stage investment activity and reducing the volume of listed shares sales in the second half of the year.

FT budget: remained balanced.

R-Del: The initial overallocation of £14.7m had reduced to £11.9m at the end of September, a further decrease of £1m since July. Efforts had been made to reduce the RDEL forecast but this was offset by an additional £2.2m of RDEL expenditure forecast in relation to options to support a sustainable project.

At the end of September Expenditure was £91m compared to forecast of £101m and remained significantly backloaded. Steps were being taken to reduce.

Rachel outlined options for discussion with Scottish Government for future years and an initial meeting had been scheduled with the Sponsor Team.

The Finance Strategy had been well received, with communications and engagement carried out in September. The wider leadership had met the previous week and had looked at milestones and goals for the Finance Strategy. An implementation plan was being developed, and an update would be provided to the Board.

Willie offered his and the Board's support in discussions with Scottish Government on options for the future.

The Board sought further information on the backloading issue and implications of the R-Del position. Rachel explained some of the issues in relation to the backloading, which included timing of grants. Steps being taken to mitigate included allocation of 80% of budgets to the business by December to give certainty of the pipeline and help to alleviate the backloading. In relation to R-Del, detailed analysis was underway, and the team was comfortable about SE's ability to reduce. A further update would be provided to the Board at the next meeting.

Willie thanked Rachel for the update on the current position.

7. Performance Report as at end of September 2024 – SE(24)62

Dinker Bhardwaj presented the Performance report, which provided an update on progress on key areas of the business and the opportunity to reflect on delivery across the organisation.

On Measures, three were forecasting below target: Planned new/safeguarded jobs, Planned Innovation Investment and Growth Funding raised by businesses. Dinker explained that this was similar to the previous year, however, the targets were exceeded

in the last quarter. There was also a direct correlation between the jobs and innovation targets, involving the same projects. On Growth Funding, this was slightly below target, but there were some larger deals working their way through the pipeline.

Key highlights on Missions progress was included, outlining activities within each mission. The Manufacturing Property Challenge Programme was a key programme and this was progressing as planned. An update on the Workplace Transformation Support was provided in terms of projects approved, and in Scaling Innovation, an improved understanding had been reached on the drivers blocking scale up happening, with action being taken specifically around commercial space for Life Sciences innovation.

The key risks remained from the previous report and Dinker outlined the slight movements.

The results from the Peakon survey showed a positive trend close to professional benchmarks.

The Board welcomed the report and sought further information on measures for the following year and taking learning into consideration. Douglas outlined the approach to formalising the measures and target ranges, which included reviewing the portfolio of planned expenditure, reviewing previous results and the current economic landscape. SE was keen to retain ambition and to set stretching targets and there would be an opportunity to discuss this further at the Board Strategy session and throughout the Operating Plan discussions.

It was recommended that a column was included on the measures slide to provide detail of delivery/achievement of targets in the previous year to provide context.

On Corporate Communications, the Board was interested to hear more about activities and future plans. Gill McNeill confirmed that a refresh of the CAM Strategy was underway, and a discussion was scheduled for the Board meeting in December, which would also include detail of the external campaign being launched in January 2025.

The Cyber risk was raised in relation to dependency on other parties. Gill advised that meetings had been held with EIS to discuss ongoing issues and there was a continued commitment by the CEOs of the partnership to continue to improve.

Willie suggested that the Audit & Risk Committee followed up.

The continued sophisticated nature of phishing attacks was also raised and the need to ensure that colleagues were alert to the themes and approaches. Gill confirmed that extensive, in-depth training was mandatory for all colleagues, however acknowledged the need to continue to communicate the changing nature of the risk to colleagues.

Further information was sought on energy transition projects and Edinburgh Bioquarter. Reuben outlined the extent of the projects in the energy transition pipeline and explained that jobs related to a few large projects. The pace of projects coming through for AR awards and was also a key dependency. However, relationships were being built with developers to achieve a greater understanding of the issues.

Jane updated on the programme of work with Edinburgh Bioquarter partners and advised that a strategic options paper would come forward to the Board for consideration at the meeting in December.

Willie thanked Dinker for the very clear and informative report.

Actions:

- *Measures: a column to be included on the measures slide to provide detail of delivery/achievement of targets in the previous year to provide context.*
- *Audit & Risk Committee to follow up on the cyber risk*

FOR DISCUSSION/APPROVAL:

8. Innovation Annual Review 2024 – SE(24)64

8.1 Deep Dive: Scottish Spinout & Research Commercialisation – SE(24)63

Derek Shaw, David McLay, Nicola McMillian and Leah Pape joined the meeting to present both papers. Derek outlined that the Innovation Annual Review provided an update on progress against priorities, highlights on innovation activity, the policy environment that SE was operating in, an overview of the innovation landscape in the UK and Scotland, and ambitions for the year ahead.

Key progress made was summarised and included building and strengthening relationships with key innovation partners, joining up the innovation landscape, leveraging funding into projects, and developing and delivering new approaches.

The second paper provided a deep dive into spin outs and progress SE has made into high-growth spin out companies, highlighting Scotland's spin out success with public sector support and how this pillar contributed to mission objective and the progress being made in the evolving approach. The paper concluded by outlining plans to enhance SE's impact and seek views from the Board on key strategic partnerships and models to transform impact with universities in this area.

Leah highlighted the considerable progress made in this area in the last few years, however, it was recognised that to achieve a greater economic impact, there was a need to think differently about future models, e.g. cluster building, strategic partnerships and venture building models.

Willie recognised the significant progress made and highlighted the recent work with Innovate UK. He emphasised the need for SE to continue to be creative and innovative, and highlighted the opportunities to partner and secure direct access to funding, translating into market opportunities. Willie suggested looking at the relationship with the British Business Bank (BBB) to leverage support and reset a partnership. Derek agreed that the BBB and UK Government presented a good opportunity and highlighted the importance of demonstrating bold and ambitious plans aligned with their agenda. David also mentioned the current UK Industrial Strategy consultation as a further opportunity to position a strong voice for Scotland and ensure alignment between Scotland and the UK Government through the relationship with Innovate UK.

The Board noted the high interest from universities in Scotland and the strong collaboration between SE and universities to enable the right spin-outs and startups. The need to leverage partnerships between SE, universities and industry were acknowledged and using the expertise on the Board to facilitate. The interconnectedness of innovation districts, cluster building, and venture building and the need for all parties to step up to the next level was noted, as well as the need for entrepreneurship training and collaboration to showcase research effectively and to identify successful commercialisation models.

Members questioned whether the scope was too wide and ambitious and suggested focusing on areas where influence and impact are clear, referencing a model similar to Grangemouth. A hub-and-spoke model was also suggested to address challenges related to funding proof-of-concept stages.

Colin Cook stressed the critical role of this work in Scotland's economic future and expected it to feature prominently in guidance letters for the upcoming year. He expressed concern about timelines and emphasised the importance of Scotland's participation in the UK's industrial strategy.

Adrian highlighted the ambitious goals of the Innovation mission, aiming for transformational change over the next ten years and welcomed the Board's guidance on challenges, pipeline maintenance, and partnership roles and responsibilities.

Willie acknowledged the significant expertise around the table and the willingness of Board members to offer support and engagement.

Poonam raised a question on European Grant Awards and Derek agreed to follow up.

9. Grid – An Overview – SE(24)65

Suzanne Sosna and Emilie Turner joined the meeting to present this paper which outlined the rising demands upon the grid, the implications for the many projects seeking connections, and summarising activity and policies underway to alleviate the pressures and the suggested role for Scottish Enterprise.

Suzanne emphasised the importance of the national grid and how this affects the energy sector and every area of the economy. She highlighted increased pace in recent weeks in terms of policies and plans coming from the UK Government on delivery and investment in the national grid. The paper referenced the Strategic Spatial Energy plan and the commissioning of the National Energy System Operator (NESO) to undertake a piece of work looking at quantum, types of energy infrastructure and location by 2026. The lag between progress being made and what industry needs was also highlighted. The paper outlined how SE can help to alleviate risks and accelerate progress. Core to this was the need to review on a project-by-project basis, bringing intelligence and knowledge to support priority projects to progress.

The Board welcomed the paper that prompted reflection on what SE can do in terms of leveraging influence and capabilities. It was acknowledged that grid connectivity remains a challenge wherever wind farms are placed and decarbonisation of industrial sites involves considering UK-funded strategies, identifying economically viable regions, securing grid connections, and incorporating storage solutions, requiring system-wide thinking and coordination. The need to take into consideration public opinion was also raised to move at pace and reference was made to Denmark's onshore hub model, along with local generation options like small wind farms and solar panels.

The Board saw a role for SE in identifying locations that align with economic development and obtaining grid connections. SE's track record in attracting investors and building networks was acknowledged, however, the ability to significantly influence outcomes was worth consideration.

Adrian acknowledged that SE's influence would only go so far, but informed decisions would enhance SE's ability to persuade. If one company invests, it can set a precedent for others. Engaging key investors with diverse interests and influencing grid confidence is vital.

Willie thanked the team for the very informed paper and highlighted the need to ensure that knowledge about the grid as a key dependency is widely understood and communicated effectively, with SE playing a role in informing and influencing to coordinate disparate enquiries into a coherent strategy.

The Board would welcome a further discussion, particularly in relation to the impact on SE's missions and next steps. The team was encouraged to use the expertise on the Board.

10. Loch Lomond Shores, West Riverside Proposed Development by Flamingo Land Limited – SE(24)66

Garry Williamson joined the meeting to lead on discussion of this paper which set out the options on SE's conditional contract with Flamingo Land Limited (FLL), inviting discussion and approval from the Board on the SE corporate position, should a request be received from FLL to extend the current Planning Permission in Principle Longstop Date of the 16th May 2025.

Garry provided the background, advising that the site was openly advertised in 2015, with five interested parties, of which Flamingo Land was selected as the preferred developer. Two planning applications had been submitted, the first was withdrawn and the second, submitted in 2022, progressed to decision in principle by the planning authority in September 2024, with option to appeal. The current situation was challenging, noting the significant public opposition and the Executive Leadership Team (ELT) had deliberated extensively on next steps.

The key points under consideration included alignment of mission focus, staff resources, the economic benefits, the statutory planning decision and well-established route for planning applications, and moral obligation, e.g. not seeing through the agreement in terms of spirit and intent which may have unintended consequences for other projects, and sending the wrong message to future developers.

The Board discussed the impact on SE should it decide to progress, a key consideration being SE's integrity and reputation and credibility as a strategic partner and respecting the planning process and outcome. The disproportionate impact on staff to respond to reputational challenges was considered and alignment with SE's strategy, as well as the ongoing validity of the original economic case.

The Board approved the further extension of the existing conditional missive in line with the existing contract which initially allows for a further extension of 18 months beyond 16th May 2025, with the possibility of a further extension beyond that timescale, subject to the approval of the SE CEO, and only if the planning appeal is not heard within that timescale through no fault of the developer. This is to allow FLL to fully pursue a planning appeal and planning consent for the proposed development, in line with Scotland's current planning regulations. SE consent to grant the extension is subject to Flamingo Land agreeing to incorporate the 'Lomond Promise' (a legally binding promise from the developer covering issues such as jobs and training opportunities for local people) no zero-hour contracts, jobs paying the real living wage into SE's conditional contract.

FOR INFORMATION:

The following information papers were noted.

11. Freedom Of Information (FOI) Report – SE(24)67

- 12. Annual Complaints Report April 2023 – March 2024 – SE(24)68**
- 13. Economic Commentary – October 2024 – SE(24)69**
- 14. Approvals Within Delegated Authority – SE(24)70**
- 15. Testimonials & Complaints – SE(24)71**
- 16. CEO & Chair Summary of Key Activity – SE(24)72**

17. Any Other Business

There was no further business.