

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON FRIDAY 26 APRIL 2024
IN APEX HOUSE, EDINBURGH**

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

In Attendance: Jane Martin, MD, Innovation and Investment
Gill McNeill, 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 of Economy, Scottish Government
Karen Hannah, Corporate Office

The Chair advised that this was Neil's last Board meeting. On behalf of the Board, he expressed his thanks to Neil for his significant contribution to Scottish Enterprise throughout his 25 years with the organisation, and wished him well in his retirement.

STANDING ITEMS:**1. Minutes of the Board Supplementary Approvals Meeting held on 21 February 2024**

Willie confirmed that the acquisition at Broomielaw had completed and the conditions had been accepted. Willie commended the positive engagement with Scottish Government, particularly with Colin Cook and the Cabinet Secretary for their support.

2. Minutes of the meeting held on 23 February 2024 – SE(M)345

The minutes of the previous meeting were approved.

3. Matters Arising – SE(335)MA

Timing for the Finance Strategy and Property Portfolio Acquisition Programme was noted for June. The Risk appetite and Annual review of Data and Digital had been completed.

4. Board Committee Updates/Minutes

4.1 Audit and Risk Committee held on 20 November 2023 – SEAC(M)(23)04

The minutes were noted.

4.2 Board Urgent Approval Meeting held on 15 February 2024 – SEBUA(M)(24)03

Adrian confirmed that the exit had completed.

4.3 Audit and Risk Committee held on 11 March 2024

Peter provided a summary of the discussion held at the meeting which focused on the year-end Audit Plan, outlining the key areas of perceived risk; the Internal Audit report and the Internal Audit Strategy for the next three years.

5. Chair's Report

Willie advised that he had been asked by the Cabinet Secretary to extend his term as interim Chair to the end of December, and he was pleased to accept. Colin Cook confirmed that a further recruitment process would begin imminently.

Willie also updated on the outstanding action in relation to Orbital Marine, advising that he was satisfied that there was no material change and the SE Board approval still stood.

- 5.1 Registers of Interest:** Willie sought confirmation from the Board that there were no further changes to the Registers of Interest. None were forthcoming and the registers were approved.

6. Chief Executive's Report

Adrian expressed his appreciation for Neil's contribution throughout his career with Scottish Enterprise, highlighting the many challenging projects and the variety of prolific roles he had undertaken. He thanked him for the work done over recent years in driving forward the missions agenda, and wished him well for the future. Adrian updated that Neil's position would not be replaced, as this had been a fixed term role. Adrian outlined how the responsibilities would be reallocated to other Executive Leadership Team portfolios.

Adrian also updated on other key leadership movements, advising that the Director of Strategy position would be advertised imminently, following Linda Murray's retirement. Jim Watson, Director of Business Support Services, was also due to retire and an interim position would be advertised internally.

In relation to Mangata, Adrian reflected that the media coverage had been balanced and had focused on the company's decision.

Adrian updated on the positive session with the Permanent Secretary on 15 March, accompanied by Gregor Irwin and Colin Cook. The session provided the opportunity to meet with SE's Leadership Team to understand the missions approach and to discuss SE's ambition for a medium term financial strategy. A very successful roundtable had also been held with companies, with open and frank discussions on current issues experienced by businesses. The companies were also very forthcoming with their positive feedback of SE's support and the impact this had on their growth journeys.

Adrian advised that he was also due to meet with the Cabinet Secretary for Health on 7 May to discuss opportunities to build economic development efforts in terms of challenges

facing the NHS and working with the NHS as a platform for companies to grow. [*Post meeting note – meeting deferred to July*].

An overview of SE's indicative end of year results for 2023/24 was provided, highlighting the record levels of job creation, capital expenditure, international exports (£2.2b) and an increase of 35% on CO2 savings. The influence of the missions approach was evident within the results, particularly in energy transition within the inward investment pipeline. The average project size had increased, and more transformative projects were being seen. The full results would be published, together with the delivering results campaign. The EY results were also due to be published soon.

Willie congratulated Adrian and the team on the outstanding results, particularly against a challenging economic background. Willie asked that key highlights were shared with the Board.

Adrian also highlighted the results following launch of SE's new focus, advising that for the period January to March there had been over 1m views of video content, and over 13m impressions of content to targeted LinkedIn customers. Customer satisfaction had increased by 12% to 79% following the launch of the new website, with over 50% in carbon emissions savings.

The First Minister had provided very positive feedback on SE's COP 28 business programme which had delivered forecast export sales of over £66m over the next three years. Over 424 new contacts had been made by businesses attending.

Adrian updated that he had signed an MOU, alongside HIE with Hyundai Heavy Industries, for the company considering manufacturing floating substructures in Scotland.

On 23 April, Adrian had also joined the First Minister at the official opening ceremony of JP Morgan's new Glasgow Technology Hub on Argyle Street. SE has supported the company's growth since they located to Scotland 25 years ago, with an initial grant of £1.9m to set up a team of 300 software developers. The company has since grown to 2,700 employees and with the over £100M investment in the new office, this would give them capacity to grow to 3500 staff.

The First Minister, supported by Reuben, visited Hunterston the previous week for the hosting of the demonstrator rig of Smart Green Shipping's prototype sail. The company was brought to Scotland at COP26 and had been supported by SE and SoSE since.

The Board members extended their congratulations on the excellent year end results.

Raymond commented on the strategic changes, particularly in relation to the digital area. Adrian assured that digital was high on SE's agenda, together with the Finance and People strategies. A discussion was scheduled later in the meeting and a further discussion on development of the Digital and Data Strategy was scheduled later in the year.

Richard raised a question in relation to space and adoption of ESG principles. Jane advised that, as part of SE's approvals process, CO2 emissions were tested within individual projects. With the launch of the Sustainable Space Strategy, the point regarding ESG principals was raising in profile and work was underway within SE on how this translates.

Alan Maitland, Rachel Ducker and Susan Moore joined the meeting.

7. Finance Report as at end March 2024 – SE(24)18

Alan Maitland presented this paper which provided an update on the anticipated outturn position for 2023/24 and information on the timetable for finalising the 2023/24 Annual Accounts. Also included was a review of the year, highlighting major movements on income and expenditure compared to the original business plan. Alan advised that the final cash outturn position for 2023/24 would not be established until the consolidated group accounts have been finalised in late May.

Alan provided an overview of the outturn position, advising that there had been significant improvement since February, highlighting the progression of the Broomielaw acquisition. The equity exit had slipped to the new financial year and was not included in the 2023/24 plan. The income would be returned to Scottish Government.

On CDel, there was an underspend of £2.7m, relating to IFRS16 budget transfers. The Financial Transaction underspend position had decreased by £1.1m, noting that a few deals did not complete by the year end. On R-Del, the cash under-spend (excluding ECL's) had decreased by £0.5m due to a small increase in expenditure. The ECL position was balanced at P11 and there was now a £1.0m under-spend projected based on latest estimates.

The key dates in relation to the preparation of the Scottish Enterprise and subsidiary company accounts were outlined in the paper.

Overall, this had been a further year of significant investment into Scotland's economy and a strong financial performance despite the challenging economic climate.

Rachel Ducker outlined key areas of focus for 2024/25 to continue to build on the strong performance of the last financial year, with a key aim to build a strong pipeline of projects and reduce backloading.

Willie raised the accruals and backloading. Adrian confirmed that the accruals included the ECLs, advising that this was reduced slightly from the previous year. Adrian outlined the approach to reduce the back-loading. Douglas provided more detail on the overallocation approach.

The Board discussed implications for the outturn position on the current financial year; visibility of spend in missions areas; and prioritisation criteria. Douglas confirmed that the accruals should not have a negative impact on the current financial year, advising that the Financial Transaction deals which did not complete, would kick start activity in the current year. The budget management process was explained in terms of prioritising projects which directly supported, or underpinned, the missions. Tagging of projects was being introduced to allow reporting on spend across the missions and a tool to weigh up each project on a set of criteria was being developed.

Willie thanked Alan and Rachel for the update, and reiterated his congratulations on the strong performance.

8. Performance Report as at end March 2024 – SE(24)19

Susan Moore presented the latest Performance Report which provided updates on progress for key areas of the business, providing an opportunity to reflect on delivery across the organisation.

Susan highlighted that all performance measures had exceeded their target ranges, referencing that for the Planned new/safeguarded jobs, this was the strongest annual jobs

performance since the current measure was introduced, with 60% of total jobs new to the economy, compared with 46% the previous year. Similarly, Planned International Export Sales had also had a record year, with 548 projects contributing toward the £2.1bn and the average per project had increased from £3.05m the previous year to £3.66m.

A spotlight on Innovation Investment was included in the report, outlining SE's support and impact on the Scottish economy.

The People update featured the launch of the People Strategy and changes to performance management, as well as an update on Equality, Diversity and Inclusion: My Communities activities.

The Health & Safety update provided an update on recent activities, and trailed the refreshed Health & Safety Programme due to take place in Quarter 1 for all SE colleagues.

The Communications and Marketing dashboard featured positive results for SE's new focus, Life Sciences week and SE's repositioning.

Dashboards featuring cyber resilience, finance and corporate risks were also included in the report.

The Board commented positively on the report, particularly in terms of the strong performance results; the dashboards on brand and customer sentiment, and the Equality, Diversity and Inclusion activities.

Willie thanked Susan for the report.

FOR DISCUSSION/APPROVAL

9. External Annual Operating Plan – SE(24)20

Susan presented the final draft of SE's annual operating plan (2024-25) for SE Board members' consideration.

The Board discussed the milestones and potential risks to delivery due to dependency on partners/others to deliver on the missions. On performance measures, comments were raised on linking measures to NSET and being more up front about SE's role in delivering Scottish Government priorities. There was a suggestion of adding in narrative to recognise the complicated environment and need to change, linked to Public Sector Reform. Adrian advised that this narrative was reflected in Our Focus, however, brief wording could be included within the plan. Clearer articulation of the dependencies was also suggested. Linked to this, Richard asked that the Board is updated on any project areas which could be challenging, to provide an understanding of the challenges in delivering the Operating Plan.

Sue asked that the upper limit for CO2 was reviewed and that SE's role in Net Zero was more specific. Stephen raised a question regarding the scope of the supply chain under the Energy Transition mission. Reuben explained that this was wider than offshore wind and included services as well as supply chain. The wording would be reviewed to more accurately reflect the wider scope.

Graham raised AI opportunities and understanding SE's role and the potential impact on economic policy. Stephen also highlighted the vast scope of AI and the need to identify different categories to better understand the specific opportunities.

Following discussion, the Operating Plan was approved, subject to the revisions suggested. It was agreed that additional changes to the narrative would be approved by Adrian on behalf of the SE Board.

10. Digital, Data and IT (DDIT) Review 2023/24 – SE(24)21

Stuart Lewis and Sandra McCulloch joined the meeting for this discussion. Following a brief introduction by Neil Francis, Stuart and Sandra gave a brief overview of the DDIT review 2023/24 report, highlighting that this was the first year of a re-formed DDIT, with new senior positions recruited, the first year of the new Digital and Data strategies, and the delivery of 62 completed projects. Specific elements were highlighted to give the context of how DDIT operates, for example 'core IT' is provided by a shared service (with SDS, HIE, and SOSE) through the EIS partnership.

The presentation moved into a discussion to help frame the development of a new Digital, Data and IT strategy for Scottish Enterprise. The Board acknowledged the challenges and recommended setting priorities to deal with each. Stephen raised the need to be clear on when to build or buy solutions, and the importance of product ownership roles to help guide this. Raymond also supported the need for product ownership, and the importance of understanding and improving the underlying business processes. Willie noted the need for efficiencies to free up more staff time. Stuart responded to the point raised on prioritisation by outlining how many of the challenges influenced each other, and that the current approach was to try and take a step forward with each, iterating through that. He also mentioned that recruitment was due to commence for three new product owners. Colin Cook asked a question regarding the effectiveness of the EIS Shared Service, which was answered with a brief explanation of the current strategic review being undertaken, commissioned by the Chief Executives of the enterprise agencies.

Discussion moved on to elements for inclusion in a new strategy, all of which were broadly supported. Questions were raised regarding the level of ambition and the need for investment, which prompted a short discussion about the balance between investment into customer / business-facing systems, versus internal corporate applications.

Following discussion, the Chair thanked Stuart and Sandra for presenting the report and asked that their thanks be passed on to the whole directorate. It was also agreed that Raymond and Stephen would be 'board champions' for the new strategy, and would be happy to help further as it developed.

11. Manufacturing Property Challenge Fund – SE(24)22

Derek McCrindle and Craig Watt joined the meeting to seek approval to launch a £35.3m Manufacturing Property Challenge Fund (MPCF) which is designed to address a market failure in the supply of accommodation for manufacturing occupiers.

Derek provided an overview of how MPCF fitted with other activity being undertaken by the Innovation and Place team, and Craig presented on the approval paper. The MPCF is an innovative competitive calls-based initiative which will allow SE to partner with private sector developers to create 1,000,000 sq.ft of new space over 5 years. Cross cutting with all three SE Missions.

The intention was for SE to provide gap funding to meet viability gaps and unlock up to £175m of funding from the private sector. Private sector would lead the delivery of the accommodation. The first call, which would focus on the provision of general manufacturing space, was scheduled to launch in Q2 24/25. Further calls would follow thereafter, subject to development of Business Cases.

The Board sought further information on: eligibility criteria; how research was conducted; the main areas of demand; type of accommodation to be provided; and, the fit with other SE activity. Derek and Craig provided further detail in response to each.

In response to a question on governance of the programme, Jane confirmed that approval would be made at the relevant delegated level and would not require Board approval of individual projects. Willie asked that an annual evaluation is provided for the Board.

The Board was very supportive, acknowledging the opportunities to scale up to do more and the project was approved. The Board recommended changing the name of the initiative to Manufacturing Property Challenge Programme (MPCP).

FOR INFORMATION

The following papers for information were noted:

- 12. Finalised Risk Appetite for Scottish Enterprise – SE(24)23**
- 13. Notification of New Interest – SE(24)24**
- 14. Economic Commentary – SE(24)25**
- 15. Approvals within Delegated Authority – SE(24)26**
- 16. Testimonials & Complaints – SE(24)27**
- 17. CEO & Chair Summary of Key Activity – SE(24)28**