

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON FRIDAY 25 APRIL 2025
IN ATRIUM COURT**

Present: Professor Sir Jim McDonald
Adrian Gillespie Chief Executive
Karthik Subramanya
Dr Poonam Malik
Dr Sue Paterson
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, People, Digital and Communications
Kerry Sharp, Chief Financial and Investment Officer
Reuben Aitken, MD, Energy Transition and International Operations
Rhona Allison, MD, Productivity and Business Growth
Colin Cook, Scottish Government
Richard Rollison, Scottish Government
Karen Hannah, Corporate Office

STANDING ITEMS:**1. Minutes of the Meeting held on 28 February 2025 – SE(M)352**

Sir Jim welcomed Kerry Sharp to her first official Board meeting and offered congratulations to Professor McArthur on his new appointment as Principal and Vice-Chancellor of Strathclyde University.

Conflicts of interest were sought and none declared.

The minutes of the meeting were approved.

2. Matters Arising – SE(342)MA

The Board noted the matters arising in progress.

3. Board Committee Updates/Minutes**3.1 Board Urgent Approval Meeting held on 21 February 2025 – SEBUA(M)(25)02**

The Minutes of the meeting were approved.

3.2 Audit & Risk Committee meeting held on 27 March 2025

Graham Soutar provided an update on discussions at the Committee meeting, which included confirmation from Audit Scotland on the timetable for review of SE's Annual Report and Accounts. The Audit & Risk Committee would review on 24 June prior to the Board's consideration on 26 June. The auditor outlined the key areas of work involved.

Other discussions consisted of the seven audit reports undertaken, with key financial controls achieving a substantial rating; corporate risks, noting that the cyber risk is out with appetite and the geopolitical risk increasing and had been assigned to the CEO. A deep dive was undertaken on the funding constraints risk, which had been a useful discussion and feedback provided by Committee members on future format of the sessions. A cyber security maturity review had been undertaken by E&Y, with a scoring of 5 and maturity rating of 2.2 (3 being best practice for our type of business) and the action plan should help progress to target.

4. Chair's Report

Sir Jim provided an update on discussions with the Deputy First Minister on 24 April, with positive reflections from the DFM which aligned with the First Minister's views of SE as a highly functioning robust organisation. Adrian's leadership and delivery were very well received. The discussion focused on Offshore Wind, with positive feedback on SE's organisation of the Global Offshore Wind Investment Forum. Sir Jim had attended the dinner, where focus of discussion included opportunities and challenges, particularly in relation to projects impacted by geopolitical tensions and work was underway in Scotland to revisit policies.

Sir Jim and Adrian had received a letter of response from the Deputy First Minister to SE's request for flexibilities. The response had been disappointing, however, the DFM would continue to champion the work of SE in discussions with Ministers. A response from Sir Jim and Adrian would be issued the following week.

Sir Jim also joined the DFM and Adrian in Dubai for a Food and Drink Industry dinner on 16 April. Attendees appreciated the efforts from Scotland and acknowledged the wealth of investment opportunities.

The Chair and Adrian had met with Anas Sarwar, MSP which had been a constructive and positive discussion on SE's effectiveness and productivity. Adrian was scheduling a meeting with Daniel Johnson.

Sir Jim attended the India-Scotland Business Meeting on 5 March, which was also attended by Poonam and Colin Cook and hosted by the Deputy First Minister. The Chair thanked the SE team for the briefing prepared in advance.

Regular engagements with HIE & SOSE Chairs were underway, which were positive and helped to build on the strong relationship. Sir Jim had also met with Stuart Black, CEO and Alistair Dodds, Chair of HIE in early March. Both HIE and SOSE were very complimentary about the support from SDI.

Sir Jim had recently met with Ana Stewart, Chief Entrepreneur, who was keen to work with SE on entrepreneurship and innovation.

Regular one-to-one meetings were scheduled with Colin Cook and with Gregor Irwin.

The Chair had also met individually with all Board members and members of the Executive Leadership Team.

Time had been included at the end of the meeting for a Board only discussion and this would be included at each Board meeting going forward.

An update was provided on the recruitment process for four new Board Members. The interview panel had been established, Chaired by Colin Cook, and included Sir Jim, Marion Venman and Neelam Bakshi as Public Appointments representative.

4.1 Board Register of Interest Annual Review – SE(25)11

The annual review of the Board Registers of Interest had been undertaken and confirmed that these reflected the current position. The Registers of Interest were approved.

5. Chief Executive's Report

Adrian acknowledged the fast and effective response from Rhona Allison as Acting Chief Executive and the SE team on action taken following the vandalism of SE's offices. He also thanked Scottish Government for the support, particularly from Joe Griffin, Permanent Secretary, Colin Cook and his team and letter of support received from the Deputy First Minister. The Business Continuity Team were focussed on managing the clean up to premises and taking advice on any proactive steps that could be taken to mitigate any future attacks.

The team had met with Police Scotland, and it was considered that the risk was to property only and not to staff. Recommendations had been implemented, including communications to staff on security measures and vigilance. Steps had also been taken to increase security at office reception areas.

The Board conveyed its appreciation to the SE team and Rhona and sought further information on the morale of staff, encouraging continued communications.

Adrian updated on the gas infrastructure at East Kilbride Technology Park, advising that two phases of tightness testing were scheduled to begin the following week. There were no immediate risks to tenants, however, should anything be identified from the testing, SE would work with the affected companies.

On Edinburgh Bioquarter, repairs were 95% complete and expected to conclude the following week. Review of the wider property portfolio had not identified any further health and safety risks.

Adrian updated on a current proposal to support a high impact economic project in the defence sector which was unlikely to meet the Scottish Government policy criteria. The team was in communication with the company and would be resolved the following week.

On the recent announcement of universal tariffs imposed of 10% and 25% for steel and aluminium articles and automobiles/automobile parts, SE acted quickly, working with partners to develop a Tariff Support page on Find Business Support. Intelligence suggests that companies were taking a wait and see approach with investment decisions in stasis.

Given the recent geopolitical shifts, the First Minister would publish a refocused Programme for Government on 6 May. SE was working closely with Scottish Government on its content and any potential implications for SE's business planning.

Adrian updated on performance measures for 2024-25, advising that the jobs target was now close to being achieved at 14,600 (target 15,000). A great deal of work had gone in to achieve this. This had been a record year for exports with £2.6bn of international sales planned (20% increase on the previous year) and best ever result achieved. Planned capital expenditure of £1.2bn had been achieved, and was SE's second highest recorded result. SE had supported over £436m in planned innovation investment and leveraged £346m in growth funding raised by businesses, despite a further challenging year for investment attraction globally. A saving of 1.5m tonnes of CO2 had been saved by businesses/projects which was a 300% increase on the previous year.

Adrian updated the Board on the decision taken for SE subsidiary, Scotland Europa, to cease trading, this was a consequence of mission-led prioritisation and competition for RDel allocation. Scotland Europa was a membership organisation which included many of the universities in Scotland and key stakeholders, and options were being explored to find a way forward for the membership. Gill McNeill advised that the subsidiary had its own board made up of leadership colleagues. The decision would be communicated following the SE Board meeting and the Scotland Europa Board would communicate with staff and help to wind down the business. A stakeholder plan had been developed to communicate with key stakeholders.

The Board noted the decision and intended action.

Adrian updated on his recent visit programme to the UAE, which had been highly successful and included 15 engagements covering priority sectors, a high-level investment Food and Drink dinner and signing of an MoU with the Abu Dhabi Chamber of Commerce. Adrian highlighted the highly effective team in the UAE and thanked them for the work done on the programme. In parallel, a four-day Energy Transition Delegation programme was undertaken, with five Food & Drink companies in attendance.

The International Team delivered a very successful programme for the First Minister during Tartan Week focused on inward investment. Strong feedback had been received on SE's support. Richard Rollison also highlighted the positive feedback for SE from Mr Lochhead on his recent visit to China and Japan.

Adrian updated on the announcement on 25 March with Cabinet Secretary, Angus Robertson on Halon Enterprises Ltd, US animation and visualisation company, investing £28m and creating up to 250 jobs in Glasgow. SE had supported with a £3.9m funding package. The announcement had generated significant press coverage.

As briefly mentioned by the Chair, SE had organised the Global Offshore Wind Investment Forum, held on 16-17 March and hosted by the First Minister. Attendees consisted of 40 international investors, and had been very successful. The First Minister, Deputy First Minister and Cabinet Secretary for Energy all spoke at the event. UK Government Minister for Energy, Michael Shanks also joined the Deputy First Minister for a session on the shared ambition and joint working of both Governments. Overall feedback had been very positive.

Innovate UK had signed its second MOU with the City of Edinburgh Council and launched the regional innovation action plan for City of Edinburgh and South East Scotland Innovation Action Plan. A new Chair of Innovate UK had been appointed and Adrian would meet with them. This was a valuable relationship with Innovate UK and SE was looking to continue with the incoming Chair.

SE had been asked to join the University of Dundee Strategic Advisory Taskforce chaired by Sir Alan Langlands. Jane Martin was SE's representative and had attended the inaugural meeting the previous day. It was not anticipated that this would have any impact on the opening of the Dundee Life Sciences Innovation Hub expected in late 2025.

Adrian invited Kerry Sharp to provide an update on the Club Fund. Kerry advised that the SE team had identified a material error in our external advisor's calculation of a key metric and consequently their benchmarking analysis. This created a risk that the investment returns and time to exit could fall below the point of interest for prospective Club Fund investors. Additional analysis of returns data is therefore required. This had previously been done manually, however, as the system was due to be updated to allow investor Key

Performance Indicators (KPIs) to be reportable, the preference was to now complete this work once the system was implemented. This would create a delay of around 6 months. The team would return to the SE Board in October with a fuller update.

6. Finance Report as at end of March 2025 – SE(25)12

Rachel Ducker joined the meeting to provide an update on the anticipated outturn position for 2024/25 and information on the timetable for finalising the 2024/25 Annual Accounts. The paper also included a review of the year highlighting major movements on income and expenditure compared to the original business plan.

Rachel highlighted that the final cash outturn position for 2024/25 would not be established until the consolidated group accounts have been finalised in late May. The analysis included in the paper was based on the projected outturn positions for income and expenditure, based primarily on the final set of forecasts for the financial year in early March and adjusted for known revisions to these forecasts.

A summary overview was provided, advising that overallocation of £43m had been undertaken to mitigate the risk of underspend and to develop a strong pipeline of projects. The anticipated outcome was that a balanced outturn position would be delivered. The overall cash position was £4.4m under budget, which was a successful outcome given the challenging economic environment. The anticipated spend position was £2.2m below the CDEL income, and £2.2m below the increased RDEL income, noting that an additional £5m core RDEL budget was negotiated from Scottish Government (SG) following the anticipated £5m reduction in the Expected Credit Loss (ECL) budget, to manage emerging priorities in year and to continue to work on pipeline projects.

Since the original business plan, overall Income had decreased by £3.3m net and overall expenditure had decreased by £50.7m due to significant changes at individual budget level. A breakdown was provided.

The anticipated out-turn position showed expenditure to the end of March totalled £226.7m against the final full year forecast of £282.1m meaning a further £55.4m of expenditure was anticipated from the net impact of accruals, prepayments, other accounting adjustments, together with the inclusion of Expected Credit Losses.

Rachel outlined the key risks of significant backloading in expenditure forecasts.

On the Annual Accounts, Audit Scotland had confirmed that it was moving towards pre-covid timelines. Key dates were included in the timetable.

The Chair thanked Rachel for the clarity of the paper.

The Board sought further information on the Expected Credit Losses, particularly in relation to the valuation process and Kerry confirmed that the process was reaching a conclusion. On a question regarding lessons learned in terms of the backloading risk, Rachel confirmed that lessons learned had been used to shape the overallocation levels for 2025-26.

Budget Planning 2025-26 – SE(25)25

Rachel provided a brief update on the 2025/26 budget position including key income assumptions, allocations approved by ELT and associated risks for the current year.

The Board noted the budget position for 2025-26 and level of over-allocation. The risks in relation to RDel were acknowledged and the need for careful monitoring of overallocations.

7. Performance Report – SE(25)13

Dinker Bhardwaj joined the meeting to present an update on performance of key areas of the business. Dinker confirmed the increased forecast in relation to jobs and advised that work had been undertaken on the measure ranges for 2025-26, which were included in the paper.

Revisions to the report had been made following feedback from the Board.

The Board congratulated the team on the performance measures, particularly the jobs measure. A question was raised on relationships with GB Energy in terms of future joint working on the energy transition. Reuben confirmed that GB Energy was in the process of becoming fully formed and SE was working closely with them. Adrian had written to Dan McGrail, CEO to schedule a meeting. Consideration also being given to bringing GB Energy and SE team together to discuss joint working. The Chair suggested asking Jeurgen Maier and Dan McGrail along to a future Board, potentially when in Aberdeen.

The funding constraints risk was raised with a suggestion for a more holistic review at Board level. Also raised was the recent cyber incident report and need for further attention/review. The Chair agreed to follow up with Adrian and Graham Soutar on a more holistic approach between the Audit & Risk Committee and the Board.

The Board commented on the information on leavers and joiners and recommended this was included every 6 months.

FOR DISCUSSION/APPROVAL:

8. SE Operating Plan 2025-28 – SE(25)14

Dinker presented the draft Operating Plan for 2025-28, which outlined SE's priority focus beyond the current year and roadmap to 2028. The Board was asked for feedback and approval.

The Board commented positively on the tone of the Operating Plan and longer-term trajectory. Recommendations were made to strengthen the commentary on Grangemouth and to show the trend of how much more SE is doing with less. Consideration to be given to a hybrid document for the Board which outlines key priorities for SE's funding with examples of big projects which cut across missions.

More widely, the Board discussed the opportunity to reach more companies and stakeholders, further visibility on the value of work SE does through partnership working, and further consideration to be given to enhancing SE's value proposition in the next phase of Scottish Government funding.

The Board approved the Operating Plan.

9. The Opportunity of Artificial Intelligence – SE(25)15

Dinker presented the paper which included insights and views on SE's AI proposition. The Board was asked for their input and views as SE develops its approach.

The Board agreed the need to focus on areas of expertise and where SE could add value to ensure enablement will happen. Suggestions included focusing on Industrial and commercial value, energy transition, healthcare and scaling innovation. SE's strengths in company intelligence and insights and ability to play a role in areas of collaboration were also highlighted.

The Board acknowledged the opportunity for SE to play a leading role nationally in a wider UK context and encouraged further thought of what it would take for SE to be credible in this space.

Adrian assured that this was a high priority for SE and agreed that there was a role in helping to join up, particularly in areas of scaling innovation: space, health, fintech and energy transition. A proposition on SE's role would come back to the Board for discussion.

10. Digital, Data and AI Strategy Update – SE(25)16

Stuart Lewis provided a 6-month summary on progress across the key pillars of the strategy: data driven, customer centric, empowered colleagues. Stuart highlighted the key areas of activity, including: introduction of Complete Account Record; working with business teams to build a redesign plan for the Customer Relationship Management system; and, build of lead generation module. Also highlighted was the success of AI adoption and roll out of Co-pilot, which was seeing substantial efficiency savings.

The Board acknowledged the good progress made. A question was raised in relation to challenges/obstacles and Stuart advised that skills and experience was a challenge. Testing was being done to look 5 – 10 years on to inform what is needed. The Board also noted the roll out of AI adoption and stressed the need for learning on usage.

The Chair thanked Stuart for the update and thanked the team for the progress made.

Professor Williams left the meeting.

- **Deep Dive Enterprise Resource Planning System – SE(25)26**

Rachel Ducker updated the Board on steps being taken to modernise and integrate SE's systems infrastructure with the introduction of a new finance system which would streamline financial operations, driving real time insights and advanced analytics, and enhancing cross-organisational activities. This would lead towards broader benefits of integrated capabilities across other key activities, including project planning / management, procurement and HR, as well as a critical interface with SE's customer management system.

Rachel outlined the costs involved, as well as the anticipated savings of a new system, highlighting that this would be more cost effective than running current systems. The procurement approach being taken was outlined, including: discussions undertaken with other companies who had been through the journey to capture best practice and lessons learned; the appointment of an experienced implementation partner to guide the process; and, the use of cross organisational capabilities in Finance, DDIT, Procurement, Legal and Audit throughout the project. Finance and DDIT will jointly run the project and share accountability for change management. External support will be provided by EIS and assurance by Scottish Government's Digital Assurance Office. A Gate 1 Review had been carried out with approval to proceed to pre-procurement stage. Anticipated launch was April 2027.

The Board endorsed the approach and was comfortable with the level of work and scrutiny undertaken. The team was asked to ensure that the system was proportionate to the organisation's needs. A question was raised on the potential for shared service using the Scottish Government system. Rachel confirmed that the team had engaged with Scottish Government and use of their system was discounted at this point, however, there could be opportunities for join up in the future.

11. Grid Update – SE(25)17

Sir Jim declared a potential conflict of interest in his capacity of Vice-Chair of Scottish Power.

Following the Board discussion in October 2024, Suzanne Sosna and Emilie Turner joined the meeting to present the paper which provided an update on the policy position around grid, informed on planning expenditure on upgrading grid infrastructure and summarised SE's activities connected to the grid expansion.

Suzanne highlighted the impact of the build out of the grid on the energy transition, and highlighted the policy changes outlined within the paper, as well as the areas of progress and areas where SE had looked at opportunities for economic benefit. Agreement had been reached with Scottish and Southern Energy Networks (SSEN) and Scottish Power Energy Network (SPEN) to work with them on opportunities for the supply chain. A strategic sites analysis had also been undertaken with identification of four to six locations in Scotland with potential for site development.

Publication of outcomes from the Review of Electricity Market Arrangements (REMA) were anticipated, particularly in relation to zonal pricing. Scenario planning was underway on what was likely to emerge.

The Board sought further information on discussions with the power networks. Suzanne advised that these were early-stage discussions in relation to the full supply chain which were relevant in terms of SE's wider work in energy transition and early stage work. For offshore wind, focus was on a demand-led approach, working with developers, academia and companies.

A comment was raised on the capacity shortage in the UK and the team was encouraged to look more widely for opportunities. In terms of innovation, the Board encouraged taking advantage of the assets already in place, e.g. innovation centres and universities.

Sir Jim thanked Suzanne and Emilie for the update.

FOR INFORMATION:

The following information papers were noted. In relation to tariffs, Reuben advised that the team was gathering intelligence from companies and asked the Board to feedback anything they are hearing. Richard Rollison also suggested intelligence captured would be helpful to share with Ministers.

- 12. US Import Tariffs: Impact on Scotland's Economy and Businesses – SE(25)27**
- 13. Notification of New Interest – SE(25)18**
- 14. Equality Mainstreaming Report – SE(25)20**
- 15. Economic Commentary – SE(25)21**
- 16. Approvals Within Delegated Authority – SE(25)22**
- 17. Testimonials & Complaints – SE(25)23**
- 18. CEO & Chair Summary of Key Activity – SE(25)24**

19. Any Other Business

There was no further business and the meeting was closed.