

MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON 28 FEBRUARY 2025 IN FORTH VALLEY COLLEGE

Present: Professor Sir Jim McDonald
Adrian Gillespie Chief Executive
Karthik Subramanya
Dr Poonam Malik
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
Reuben Aitken, MD, Energy Transition and International Operations
Rhona Allison, MD, Productivity and Business Growth
Dinker Bhardwaj, Director Strategy and Performance
Kerry Sharp
Richard Rollison, Scottish Government
Colin Cook, Scottish Government
Karen Hannah, Corporate Office

Apologies: Dr Sue Paterson
Douglas Colquhoun, Chief Financial Officer

Sir Jim welcomed everyone to his first formal SE Board meeting, adding that it was a privilege to rejoin Scottish Enterprise as Chair. He thanked the team from GFIB and the SE Grangemouth Team for the very informative tour, which provided an insight into the scale of the challenge and the level of opportunity.

1. Grangemouth Presentation – SE(25)05

Karen McAvenue, Jan Robertson, Fiona McGowan, John Hand

Karen McAvenue presented on the scale, challenges and opportunities for Grangemouth. New updates included the announcement by the First Minister of £25m additional support for the Grangemouth Transition Fund. This was supplemented by the Prime Minister's announcement of £200m of support from the National Wealth Fund. Project Willow had now come to a conclusion, and Adrian and Jane Martin had attended the last Advisory Board. E&Y analysis had been completed and would be published in the coming weeks.

SE was a key lead, bringing strands of activity together, working internally and with partners. SE had a central role in developing strong propositions, i.e. inward development, capital infrastructure and development of pipeline. There was a need to progress at pace to leverage funding from Scottish and UK Governments, and work was progressing with public and private sector partners to develop clear spending plans.

The views of the SE Board were sought on the opportunities and challenges and further input would be sought from individual Board members throughout the process.

The Chair commended the team on the quality of the papers provided.

The Board sought further information on plans for the next 6 months and Karen outlined the key areas of focus of drawing together propositions from Project Willow and developing the cluster strategy. A lead for the cluster strategy had been agreed and a report was expected in July with a clear set of actionable insights for cluster management.

The Board acknowledged that the scale and pace presented opportunities as well as challenges. Clarification on links with work ongoing in the North East was sought. Adrian acknowledged the importance of Project Acorn to the future of the North East economy. The pace of transition did have implications on offshore wind, hydrogen and oil and gas. Sir Jim had agreed to engagement by the Board in the North East and this would be arranged for a future meeting.

Attraction of the proposition to the private sector given the current international headwinds was raised. Karen advised that there had been no dampening effect on investments and there was a robust pipeline internationally. In terms of supply chain and issues around feedstock, the aim was to develop the supply chain locally to enable companies to be prepared for opportunities.

The Board thanked the team for the presentation and acknowledged the opportunity to test cohesion, collaboration and alignment with the Grangemouth project. The work involved and progress made was acknowledged and thanks conveyed to the team.

STANDING ITEMS:

2. Minutes of the meeting held on 06 December 2024 – SE(M)351

The minutes of the previous meeting were approved.

3. Matters Arising – SE(341)(MA)

It was noted that actions were in progress.

4. Board Committee Updates/Minutes

The following minutes were approved.

4.1 Minutes of the Board Urgent Approval Meeting, held 20 December 2024

4.2 Minutes of the Board Urgent Approval Meeting held, 10 December 2024

4.3 Minutes of the Board Urgent Approval Meeting, held 7 February 2025

5. Chair's Report

The Chair updated on recent meetings he had undertaken in the first couple of months of his appointment, which included:

First Minister (FM) and Deputy First Minister (DFM): A positive discussion had been held and both the FM and DFM recognised and respected what SE does. Sir Jim also met separately with the DFM and Gregor Irwin, Director General of Economy, and this had also been a constructive and positive discussion.

1:1 with Gregor Irwin: The Chair had the first of his 2-monthly meetings with Gregor to discuss challenges and opportunities.

Colin Cook: Sir Jim had met with Colin and would have regular, routine meetings going forward, in support of Adrian and the Executive team.

Chairs of SOSE and HIE: Positive discussion on opportunities for further collaboration and a further meeting had been scheduled.

Business Programme in the US: Sir Jim had the opportunity to meet with Colin Gray Head of the Scottish Government Office in Washington to discuss challenges in offshore wind.

Sir Jim also advised that very positive reflections had been received on the work of Scottish Enterprise throughout his visit.

Scottish Energy Advisory Board Meeting: Sir Jim provided an update on discussions at the meeting in relation to challenges for offshore wind and the need to gather resources and deliver opportunities. Adrian also updated on feedback from supply chain companies who had joined the recent First Minister Investors meeting. Richard Rollison commented on the productive meeting and key messages taken from the discussion. Adrian advised that a further Board update on grid was scheduled for April.

Sir Jim had also met with Willie Watt, Chair of Scottish National Investment Bank and discussion focused on opportunities for further complementary work between SNIB and SE.

Meetings had also been held with Executive Leadership Team members and one to one meetings with Board members were underway.

Sir Jim had also met with senior figures in the entrepreneurial community in Scotland to gather feedback and to discuss opportunities for greater advocacy.

6. Chief Executive's Report

Adrian updated on key leadership movements which included Jan Robertson moving from International Trade to take up position as senior lead on the Grangemouth transition; Kerry Sharp who had been appointed Chief Finance and Investment Officer and would take up the position in April; and, Derek Shaw who would move to the Director of Investment and Entrepreneurship role. The vacancy in the Scaling Innovation Mission would be recruited soon.

Adrian highlighted an issue in relation to East Kilbride Technology Park, relating to incomplete gas infrastructure, which was non-compliant. Petrie Buchanan had been commissioned to review, with no immediate Health & Safety issues that would require evacuation or closing of facilities. A full report was due later in the day. SE had instructed a tightness test to look at robustness of infrastructure. Jim Fleming, Head of Health & Safety had been seconded to the Property & Growth Infrastructure Team to assist with a review of the wider portfolio to identify whether there were similar Health & Safety issues in other properties. The Chair noted the update and endorsed the approach being taken.

Adrian raised the recent Debate in Parliament in relation to support to Defence companies. Scottish Government had asked for a review of SE's due diligence procedures and to understand end use as part of grant funding. Adrian highlighted that SE did not fund arms manufacturers. SE's Internal Audit had reviewed the due diligence procedures and there was confidence in their robustness. Sir Jim was scheduled to meet with Ivan McKee and would raise.

Adrian was scheduled to meet with the Deputy First Minister to discuss offshore wind and Grangemouth on 11 March.

The Global Offshore Wind Forum and First Minister Investor dinner was scheduled for 17 March with 50 invited investors and Team Scotland. This was a network event and dinner, putting recommendations from the FM's Investor Panel into action.

SE's Operating Plan would come for discussion in April with an opportunity to discuss the focus on each mission area.

Adrian updated on the current forecast for SE's published performance measures, advising that there was a great deal of work underway to capture activity towards the targets and it was likely that the majority would be met. As trailed with the Board previously, the jobs measure was behind target. Reflections on performance measures for the following year would be included in the Operating Plan development work.

Adrian provided a brief overview of his business programme in Singapore, which had been the first senior visit since 2017. The programme consisted of meetings with potential inward investment supply chain companies and Adrian highlighted feedback on issues, particularly in relation to the timeline for energy transition. SE had a very good relationship with Enterprise Singapore who were due to visit Scotland in April around Life Sciences and building strong partnerships.

An update on recent Board approvals was provided.

7. Finance Report as at end of December 2024 – SE(25)01

Rachel Ducker joined the meeting to present the Finance Report to the end of December (period 9) and an update on the Period 10 position.

The current over-allocation against likely available income was currently at £0.4m, down £0.8m since November. The CDEL and FT budgets were balanced. There remained pressure on the RDEL budget. However, the current headroom between available budget and legal commitments meant that the position was still manageable.

At the end of period 10 there was increased pressure on the R-Del budget due to exit income and service charges. However, due to a loan repayment being received since, the position was now balanced.

Overall income had decreased by £1.3m since November due to a reduced requirement to generate income from listed share disposals. The decrease in the month reflected a net reduction in budget requirement due to changes in expenditure and other income sources.

The anticipated land disposal which was expected to conclude in 2024/25 would now be a 2025/26 transaction.

Rachel outlined the key risks, which included backloading and advised that the accruals process would be finalised in April.

Karthik sought an update on Liberty Steel and an action was taken to follow up offline.

The Board sought further information on the graph showing share of expenditure and the imbalance between missions and enabling support. Rachel explained that a percentage of the figures included salaries and, if these were removed, this would show a more balanced position. Work was underway to do this.

Board members also commented positively on the overallocation approach. Rachel confirmed that ELT had discussed and agreed the overallocation for the next financial year, with the overallocation in Capital similar to the current year. For Resource this had been reduced due the pressure on the budget.

The budget challenges for the following year were outlined, highlighting that while this was a relatively flat settlement, there was a £3.5m decrease in business income, therefore a reduced amount of income from resource, and the ECL of £5m was a one-off for the current financial year. There was therefore a £9m reduction available to spend on resource budget and less discretionary budget available. The overallocation on resource had been reduced to £8m. The business had prioritised down £19m for next financial year with significant impacts on future years. This was currently being mapped out to share with the Scottish Government Sponsor Team.

The Board acknowledged the challenges and implications, and the Board would work with the Executive Team on further refocusing to deliver projects that will have the greatest economic impact.

8. Performance Report – SE(25)02

Dinker Bhardwaj joined the meeting to present the Performance Report which provided updates on key areas of the business, providing an opportunity to reflect on delivery across the organisation.

Following feedback from the Board, an additional column had been added to the Performance slide to show the previous year's performance. Dinker updated on current status of the year-end performance since production of the paper, highlighting that work was ongoing to verify the jobs figure, however, it was unlikely that the target would be achieved. The Board had been updated previously on the reasoning behind the reduced jobs figures, due to significant economic headwinds and investor uncertainty, particularly in offshore wind. There was more confidence that the other measures which were currently shown as amber would be achieved.

The Board sought confirmation on how this would impact on the performance measures for the next financial year. Dinker advised that the Operating Plan would be coming to the Board in April and work was currently underway to analyse the drivers of performance. On the jobs measure, Adrian advised that this currently focused on the Real Living Wage, however, tracking of high value jobs was also being undertaken. A recommendation would come forward in April on the focus for the following year's measure. Reuben confirmed that offshore wind opportunities would still be pursued, however, there would be a need to widen the focus to energy system opportunities.

FOR DISCUSSION/APPROVAL:

9. International Review – SE(25)03

Jan Robertson and Graeme White joined the meeting to present the annual International review. Reuben highlighted the strong performance in 2023-24 and the strongest Trade performance throughout 2024-25. However, this performance was not being seen at macro level in Scotland due to market and sectoral uncertainties, with covid, Brexit and tariffs having a material impact on Scotland's trade performance. Scotland was not on track to meet the 25% of GDP target.

On Inward Investment, through the focus on missions, a significant inward investment pipeline had been grown, dominated by Offshore Wind. Over the course of 2024-25, more

than 6000 jobs had moved from the current year to future years, due to continued uncertainty within the offshore wind market, impacting SE's ability to achieve the target of 10,000 inward jobs in the current financial year.

Reuben highlighted the strong set of results delivered across International and outlined the activities that were being done differently to help improve overall performance. The Board was asked to discuss the questions posed in the presentation.

The Board discussed the key sectors of focus, highlighting the near-term opportunities in historic sectors where Scotland had strengths. Reuben advised that these were reflected in the increase in FDI in those areas and SE was reactive to where the biggest opportunities were. However, the nine priority focus areas identified by Scottish Government were those which were expected to deliver the biggest return and where missions were aligned. The focus on missions meant that the team was no longer actively pursuing lead generation or targeting, but continued to be reactive to projects that arose.

Discussion also focused on increasing exports and whether more could be done on international exposure. Jan advised that Science and Technology were driving performance in the current year, however, it was acknowledged that more needed to be done. SE was responding by establishing the Market Booster Programme to support Scottish based Science and Technology companies who were entering or scaling in the US market. The Scaling Innovation Mission was helping to provide wrap-around support to companies.

On key factors for consideration when planning resources, the Board sought clarity on priority focus geographically. Reuben outlined the focus in FDI to assess Scotland's underperformance in India; on exports there was no intention to make large scale shifts to emerging markets, but to focus on geographies where SE could add the most value. Jan highlighted the pilots in South Korea and Indonesia to scope out the market. Efforts would continue on refining new approaches and recommending other markets to companies.

Key focus for the next 6 months was discussed and Reuben outlined the continued efforts to build on the Trade performance and celebrate success, clear articulation of an Offshore Wind plan for Inward investment, and focusing efforts on wider energy system opportunities, as well as working with the rest of the public sector to unlock finance.

Sir Jim thanked the team for the presentation and offered support from the Board to share the narrative of the strong export performance and to help open dialogue with Scottish Government on energy transition.

FOR INFORMATION:

The following papers for information were noted:

- 10. Scottish Enterprise Board Strategy Session – Follow Up – SE(25)04**
- 11. Notification of New Interest – SE(25)06**
- 12. Economic Commentary – February 2025 – SE(25)07**
- 13. Approvals Within Delegated Authority – SE(25)08**
- 14. Testimonials & Complaints – SE(25)09**
- 15. CEO & Chair Summary of Key Activity – SE(25)10**

16. Any Other Business

Jane advised that the Annual Investment Review had been omitted from the Board pack and this would be shared with the Board the following week.

The Chair thanked the Executive Team and the Board for a productive meeting. The meeting was closed.