

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON FRIDAY 21 JUNE 2024
IN JP MORGAN OFFICE, GLASGOW**

- Present:** Willie Mackie, Interim Chair
Adrian Gillespie Chief Executive
Karthik Subramanya
Dr Poonam Malik
Dr Sue Paterson
Raymond O'Hare
Graham Soutar
Professor Stephen McArthur
- In Attendance:** Gregor Irwin, Director General, Economy
Jane Martin, MD, Innovation and Investment
Gill McNeill, Chief People Officer
Douglas Colquhoun, Chief Financial Officer
Reuben Aitken, MD, Energy Transition and International
Rhona Allison, MD, Productivity and Business Growth
Colin Cook, Director Economy
Karen Hannah, Corporate Office
- Apologies:** Peter McKellar
Professor Gillian Murray
Professor Richard Williams
Richard Rollison, Scottish Government

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

Meeting with the Director General, Economy

Gregor Irwin, Director General, Economy joined the meeting for a private session with the SE Board to discuss priorities for the Economy Directorate.

STANDING ITEMS:**1. Minutes of the meeting held on 26 April 2024 – SE(M)346**

The minutes of the previous meeting were approved.

2. Matters Arising – SE(337)MA

The Matters Arising were noted.

3. Board Committee Updates/Minutes**3.1 Audit & Risk Committee held, 11 March 2024 – SEAC(M)(24)01**

The minutes were noted.

3.2 Audit & Risk Committee held, 10 June 2024

In Peter McKellar's absence, Douglas provided an update on discussions at the Audit and Risk Committee meeting. This included consideration of the Governance review, and the Corporate Risk Register which had been updated following the annual clean sheet risk review undertaken by ELT. The Committee also reviewed the reformatted Internal Audit Annual Report and revised Internal Audit Charter. A new scoring system for audit reports was proposed and accepted by the Committee and the Audit Partnership. This provided a traffic light approach with clear definitions on categories and ratings. Audit Scotland confirmed they were on track on the timetable for the 4 July Audit Clearance and for the Audit and Risk Committee and Board Meetings later in July.

4. Chair's Report

Willie updated on a very positive meeting with the Deputy First Minister on 22 May, and correspondence with the First Minister and Deputy First Minister had been shared with the Board.

Willie also updated the Board on correspondence to Mairi McAllan, Cabinet Secretary from Craig Samuel, a Globalscot and entrepreneur based in the USA. Craig has had a relationship with Scottish Enterprise for over 20 years and had written to Ms McAllan to praise the work of SE and to recognise Adrian, Jane Martin, Kerry Sharp and Reuben Aitken for their leadership, dedication and professionalism. Willie added his congratulations for the recognition.

A meeting had been arranged for Willie to meet with Lord David Nickson the following week. Lord Nickson had been the Chair of the Scottish Development Agency which had later transformed into Scottish Enterprise. Lord Nickson would be accompanied by Melfort Campbell, a former SE Board member.

5. Chief Executive's Report

An update was provided on progress of the People Strategy with the introduction of the new Performance Management System in April, which would drive more mission focused delivery objectives. SE's values had also been refreshed and launched and had been received well.

Adrian had hosted colleague sessions throughout April and May, attended by over 700 colleagues. Through discussions it was evident that the Missions were part of everyone's language and team activities. There had also been a continuous increase in the engagement score in the latest Peakon results, with an increase of 0.3% to 7.6%. The professional benchmark was 7.8%. There was a pattern of consistent improvement over the last few years.

A Leadership Conference had also been held recently, the second one since the missions were in operation. The key focus was on the Digital Strategy, with groups discussing SE's digital future, using the best elements of SE i.e. connectivity, support to business and expertise, to scale up to an ambitious future model. Another key area of focus was Leadership for Change and very positive feedback had been received from colleagues.

The Financial Strategy was on the agenda for discussion and the Digital Strategy would come to the Board after the summer. Adrian thanked Raymond and Stephen for their input to help shape the Digital Strategy. An AI Community of Practice was growing fast, and, working with the EIS Shared Service partners, a commitment had been made to buy 150 licences of Microsoft CoPilot for a year to test across the organisations.

Adrian had accompanied the First Minister on a visit to IGS on 10 May and the company had been very positive about SE's support.

Adrian had also accompanied Cabinet Secretary McAllan to Sumitomo's ground breaking at Nigg on 14 May. This had been a good partnership approach from SE, HIE and Scottish Government and a milestone investment for Scotland's offshore wind ambitions.

A very positive session with CEOs of the Scottish Chambers had been hosted by Adrian on 14 May, focused on SE's refreshed approach, which had been well received. A follow up action was to work with the Chambers on maximising international reach and helping with international messaging. Further sessions would be held with local Chambers and companies.

A new stakeholder engagement app was currently being piloted to capture and share insights on engagement. The findings would be shared with the Board once this had been rolled out further.

It was expected that the EY annual FDI results would be published on 10 July (indicative date). Reuben would lead on communication of the results while Adrian is on leave.

Adrian provided the following business updates:

- A successful All Energy Exhibition and Conference was held in Glasgow in May, and SE had provided speakers at 11 sessions and hosted delegations from Luxembourg and Poland.
- SE had also recently launched three Energy related interventions: a campaign targeting support at energy sector supply chain companies; Clean Heat Accelerator to help companies in clean heat technologies and SHiNE (Scottish Hydrogen Innovation Network) to speed up and strengthen innovation in the hydrogen sector.
- **Horizon Europe:** there had been two successful bids to date - Industrial Biotech with €27m funding and £2.5m for Scotland, SE's grant was £1.25m reclaimed under Horizon Europe. And Digital health project €20m, and £863k SE grant.

Adrian updated on recent discussions with Scottish Government on the Offshore Wind Fund governance and process and the Hydrogen Fund.

Raymond provided feedback on his recent session with the Digital team on the Digital Strategy, commenting on the great work underway which included a mix of longer-term strategic initiatives and quick wins which can be delivered quickly.

6. Finance Report as at end of May 2024 – SE(24)29

Rachel Ducker presented the Finance Report which outlined the budget management processes for 2024/25, and the updated financial position to the end of May 2024.

Rachel explained the change in approach to overallocation to address the backloading in the plan and to create a more dynamic and agile use of the budget. Budget allocation exceeded income by £43m, with anticipation that slippage would occur. There had been some reduction in the first couple of months, but no need for management intervention at this stage.

The report provided an overview of spend on missions and legal commitments were being closely monitored and were currently lower than budget across all budget headings.

At the end of May expenditure was £28.6m compared to the budget profile of £28.4m, resulting in a marginal overspend of £0.2m. This was due to timing and did not have any impact on full year forecasts. Balance to spend showed there remained a spike in the last month of 24%.

Key risks were detailed within the report.

The Board thanked Rachel for the very clear report. Further information was sought in relation to in-year transfers from Scottish Government; changes to internal systems/processes to enable teams to accelerate expenditure; potential to separate out salary budget under each mission; and, timing of over-allocation budget.

Rachel and Douglas explained the process for additional in-year transfers from Scottish Government within the Spring Budget Review and the Autumn Budget Review. An update was provided on work underway to review the grant accruals process to bring milestones forward to help with acceleration of expenditure. In terms of salary budget within each mission, Douglas confirmed that work was underway to identify resource within each mission, however, there were some challenges in terms of staff whose time was split between missions and other activities. Currently, overall 60% were focused on mission activity and other areas on enabling delivery. Rachel explained the process of over-allocation which was based on demand and priorities in the forecast, therefore based on real projects. This had allowed some commitments to be progressed and to accelerate projects.

Willie thanked Rachel for the report and was pleased to see the proactive management of the backloading issue.

7. Performance Report – SE(24)30

Kenny Richmond presented the first Performance Report for 2024/25, highlighting the additional dashboards which had been included on missions progress and the brands dashboard.

On Measures, Kenny advised that current forecasts were indicating that four of the six measures would be met, with Jobs and Innovation currently forecasting below range, however, this was early stages.

A Spotlight on business investment was included indicating that over the previous few years SE had supported over 600 capital investment projects delivering £3b business investment and capex. It was estimated that around 5% of all Scotland's investment was linked to SE supported projects.

Kenny highlighted the People Strategy, specifically strategic workforce planning and the Marketing and Comms dashboard which detailed mission related activity.

Changes to the key risks were outlined, with a new risk added in relation to the volume in legislative and regulatory changes for SE and businesses. The scoring of risk on staff capacity and capability had increased in score and now featured within the top risks. Reputation and change had decreased in scoring and was no longer within the top risks.

The Board thanked Kenny for the very comprehensive report. Discussion focused on Scotland's underperformance in innovation; capital investment; decision-point to shift focus of missions if unsuccessful and the people profile. Jane explained the longer term focus on innovation and updated on the work across innovation districts and work underway with Innovate UK and with international partnerships. Rhona also advised of

the business-to-business sessions which SE were facilitating, working with cohorts of businesses on their innovation strategies. In addition, focusing on facilities for small projects, e.g. NMIS.

On capital investment, Adrian explained the focus of the mission to bring capital into Scotland, and explained the focus of capital investment across SE's operations, including international and the productivity mission. He explained that historically there had been more traction with SMEs, however, there had been an increase in the previous year which was mainly due to large energy projects.

In terms of shifting focus, Rhona and Jane explained the ongoing monitoring of mission milestones and building in decision points for some aspects, while others were more longer term.

On SE's people profile, Gill confirmed that work was underway on strategic workforce planning to look at the skills and capabilities needed, and focus on attracting more youth. SE had committed to taking on 15 new graduates in the current year.

Willie thanked Kenny for the report and summary.

FOR DISCUSSION/APPROVAL:

8. Finance Strategy – SE(24)31

Douglas presented the Finance Strategy, advising that comments from the Board in February had been incorporated in the new iteration. The Finance Strategy would sit alongside the People and Data and Digital Strategies as key pillars.

Income generation and funding attraction were key areas of focus and would be a significant cultural change for the organisation. SE's aims for more flexibility to generate income to carry forward into future years was also key to realising the management outcomes and had been touched on within the discussion with the Director General Economy.

Douglas highlighted the four pillars within the strategy, advising that these were still work in progress. In response to market conditions, the financial scenarios had been further developed. Rachel confirmed that the scenarios demonstrated the funding gap that may exist, based on the current position and estimated how this might be filled through income generation. Through live modelling, the picture was constantly evolving.

The Plan on a Page would also be revised as targets were developed. The key areas of focus were outlined: 1. developing new fund and delivery models, to increase external funding; 2. asset rebalancing, increasing the asset base with strategic property acquisitions to generate income from the property portfolio; 3. Partnership with Scottish Government - optimising the relationship, seeking clarity on indicative future funding available to allow management of the budget to maximum benefit; 4. Finance dynamism, impact and agility – forecasting, using technology for predictive analysis, new budget allocation methodology.

The Board welcomed the strategy and were pleased to see the common themes coming through in both the Finance and People Strategies. Key areas for discussion included: multi-year funding; impact of repayment of Financial Transactions; prioritisation within the portfolio; progress of the Club Fund; and, the funding and delivery model.

Rachel explained that multi-year funding would enable commitment to more longer-term capital projects with more certainty and ambition. On Financial Transactions, Douglas

advised that in previous years the repayment deadline had been extended to enable continued support for the early-stage investment market. Scottish Government's obligations to the Treasury would need to be factored in, however, it was hoped that Scottish Government would continue to extend.

Jane explained that there remained some legacy within the portfolio which did not align to the missions, and there were other challenges in terms of large strategic projects. Jane would like to work with the Board on segmentation of the portfolio. On the Club Fund, a great deal of time had been invested on analysis which was due to conclude the following week. Graham and Peter had been involved in developing the model and would be inputting over the coming weeks prior to testing with the market place. A discussion would be scheduled with the Board in August. On the fund and delivery model, Stephen suggested working with the Research Council. Jane confirmed that initial discussions had been held. A paper on income generation would also be coming to the Board later in the year.

Willie thanked Graham and Peter for their input and thanked Douglas, Rachel and the team for producing the strategy. The Strategy was approved.

9. Scottish Enterprise Governance Review – SE(24)32

Gary Stewart joined the meeting to present the findings from the Governance Review, highlighting the positive engagement with colleagues throughout the process, and the support from the Executive Leadership Team.

A summary of the key findings and recommendations was outlined, including introduction of the RACI model for papers going to the Executive Leadership Team and the SE Board; review of Delegated Authority Framework and how this could apply to decision making; the Mission Delivery Board, mapping outcomes, risk management arrangements, and assurance mechanism for missions; a review of Policies in terms of a leaner process, and reduction in volume.

The recommendations made were proportionate and complementary to the Target Operating Model. Progress had already been made on some of the recommendations, particularly in relation to missions and change management.

Gary explained his recent change of role as Director of Governance and Risk Assurance, which would help to bridge gaps in governance and bring together brands of assurance.

Willie commented positively on the report, recognising the opportunity to streamline and to speed up decision making, whilst maintaining control. He commended the culture within SE of the positive attitude and response to Audit and Risk and recommended leveraging the approach to other areas.

The Board welcomed the report and acknowledged the ambition which was reflected within the Action Plan, and the proportionate level of governance being applied. Sue commented on the RACI model, and the need to empower staff to say no when required.

Willie thanked Gary and the team for the report.

FOR INFORMATION:

The Board noted the following information papers:

10. Scottish Enterprise's Net Zero Framework for Action – SE(24)33

Willie commented on the excellent paper. Graham raised the opportunity to increase customer base and offered to help facilitate engagements with banks.

11. Key Performance Facts – Track Record of Delivery – SE(24)38

12. Economic Commentary – SE(24)34

13. Approvals Within Delegated Authority – SE(24)35

14. Testimonials & Complaints – SE(24)36

15. CEO & Chair Summary of Key Activity – SE(24)37

16. AOB

Sustainable Development Goal (SDG): Poonam asked whether SE was engaging with this new fund. Rhona advised that some initial work had been done but further review was required, particularly in relation to anonymity of donors in terms of sanctions checks and statutory donations. Poonam offered her assistance.

Willie thanked Gregor Irwin and Colin Cook for the earlier discussion, and thanks were conveyed to the Executive Leadership Team on the quality of the Board papers considered.

The meeting was closed.