

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD IN GLASGOW ON FRIDAY
26 AUGUST 2022**

Present: Adrian Gillespie Chief Executive
Willie Mackie, Deputy Chair
Karthik Subramanya
Dr Poonam Malik
Professor Dame Anne Glover
Dr Sue Paterson
Carmel Teusner
Peter McKellar

In Attendance: Jane Martin, MD, Innovation and Investment
Carolyn Stewart, Chief People Officer
Douglas Colquhoun, Chief Financial Officer
Neil Francis, Interim MD, International
Rhona Allison, MD, Business Growth
Karen McAvenue, Scottish Government
Karen Hannah, Corporate Office

Apologies Gavin Nicol

STANDING ITEMS:**1. Minutes of the meeting held on 24 June 2022 – SE(M)332**

The minutes of the meeting were Approved.

2. Minutes of the meeting held on 29 July 2022 – SE(M)333

The minutes of the meeting were Approved.

3. Matters Arising – SE(33)(MA)

Board members discussed the outstanding action and, following assurances that discussions were ongoing, it was agreed that this should be removed from the Matters Arising. Updates would be provided should there be any significant matters to raise.

4. Board Committee Updates/Minutes

The following minutes and annual reports of the SE Board Committees were noted.

4.1 SE Board Remuneration Committee, 24 June 2022 – SEBRC(M)49**4.2 SE Board Remuneration Committee Annual Report 2021/22 – SE(22)30****4.3 SE Audit & Risk Committee, 27 July 2022 – SEAC(M)(22)02****4.4 SE Board Audit & Risk Committee Annual Report 2021/22 – SE(22)31****4.5 SE Board Audit & Risk Committee, 15 August 2022 – Verbal Update**

Carmel Teusner provided a summary of discussions at the recent Audit & Risk Committee, which included the Internal audit report, with audits not presenting any matters for particular concern. One underlying theme throughout related to embedding risk management and the Committee had asked that the Risk Manager, once appointed, should report back to the Committee after six months.

An update was provided on the key changes to the risk register and discussions in relation to presentation of risk data.

5. Chairs Report

Willie Mackie provided an update on discussions from the introductory meeting with the Deputy First Minister and Mr McKee, advising that he had invited the Deputy First Minister to the SE Board Strategy Session, which would now be held on Friday 2 December. Board members would be engaged in advance to input their skills and expertise to shape the session.

Willie had also met with Barry White, Chair of the NSET Delivery Board, advising that regular meetings were being scheduled with Chairs of the enterprise agencies in advance of each of the NSET Delivery Board meetings.

The views of Board members were sought to hold Board meetings at locations throughout the country to have an opportunity to engage with stakeholders. The Board was in agreement.

6. Chief Executive's Report

Adrian welcomed Willie as Interim Chair.

Adrian updated on the cost of doing business, advising that SE had presented a paper to the Director General Economy, recommending a series of actions coordinated through the Business Support Partnership, building on learnings from covid, recommending a single access point and reshaping support to companies. The approach had been endorsed and was being led by Rhona Allison on behalf of SE.

Rhona updated that Richard Rollison was leading from Scottish Government, and conveyed the appetite from partners to work together, to ensure a joined-up approach to working with companies, sharing insights and providing simple navigation to support. A meeting was being scheduled to explore opportunities and resources.

Adrian highlighted the potential for additional funding which would be aligned with energy efficiency, to build resilience and enable companies to progress further in their ambitions.

The Board welcomed the approach, however, were mindful of the need to continue to focus on longer term ambitions in the national strategy, as well as responding to immediate challenges. The Board also encouraged focus on circular economies in alignment with opportunities to accelerate transition to net zero.

On SE's Corporate Plan, Adrian advised that this had been circulated to SE staff at the end of June and had been well-received. The plan would be published externally in January, to allow for consideration of outputs of the Resource Spending Review and NSET. The efficiency review was underway, which was a 6-week programme reviewing how SE works and delivers on its mission with a challenging resource budget, and identifying efficiencies. A discussion would be scheduled for the Board Strategy Session in December. Adrian outlined the role of the Board in helping to communicate SE's strategy.

Action: materials to be circulated to the Board to assist with communication of SE's strategy.

In relation to the Resource Spending Review, Adrian updated that work was also ongoing at an agency level to review functions and systems which could be integrated to help with funding challenges.

SE's Annual Accounts had been approved by the Deputy First Minister to be laid in Parliament on 31 August. Adrian updated on some recent key announcements which highlighted SE's results, which included the announcement of investment performance, and International Trade performance released that day. There had been increased positive media coverage since COP26 and it was the aim to continue with the momentum.

Adrian advised that SE's recent Pay Offer had not reached settlement with the Trade Unions. However, following a letter from the Deputy First Minister giving SE more flexibility, discussions with the Trade Unions were being reopened on a new offer. Carolyn updated on the details, which would require Scottish Government approval prior to discussions with the Trade Unions.

An update on the Inward Investment Pipeline was provided, and the Board was advised that this had slowed significantly due to companies taking pause in investment in the face of increased supply chain costs. There had been 5000 jobs planned for the current year which had been moved into the next financial year. SE was engaging with companies to better understand any areas of influence to help further stimulate the pipeline.

Adrian provided updates on two companies which had received SE support, who were looking to reduce their workforce. SE was working closely to support both companies.

There was, however, a strong pipeline in energy and energy transition, and Adrian updated on three potential large scale investment opportunities which SE was exploring.

Marubeni had recently announced their new office in Glasgow, focused on supporting the company's involvement in ScotWind, as well as the Glasgow Hydrogen project with the Scottish Events Campus.

Amte Power had also recently announced that they had selected MSIP as their preferred site for their first MegaFactory in a boost to the UK's ambitions to produce homegrown battery cells for a net zero society. The factory would directly create up to 215 highly-skilled onsite jobs, with a further 800 anticipated jobs across the supply chain.

Edinburgh Bioquarter had secured the expansion of the Cell and Gene Therapy Catapult (CGT Catapult), to be located in the new £38m Institute for Regeneration and Repair, opening in March 2023.

SE was closely engaged in the Scottish Government's Just Transition Fund, assisting with reviewing expressions of interest for Round 1 of the Fund, which had seen over 100 applications.

Scottish Government had announced Codebase as the service provider of Techscalars across Scotland. Adrian updated that the Executive Leadership Team had recently held a very positive session with Mark Logan, Scottish Government appointed Chief Entrepreneur. Jane Martin also advised that a recent workshop with partner agencies had been held to discuss effective collaboration as part of an integrated delivery model.

Adrian provided an update on Liberty Steel. Ongoing updates to the SE Board would be provided where appropriate via the CEO, or through information or approval papers where necessary.

Two key tidal energy companies, MeyGen plc and Orbital Marine Power Limited, were successful in securing Contracts for Difference (CfDs) in the UK Government's latest auction round. This followed the UK Government's agreement to create a ringfenced pot of money to support tidal power in this round.

Significant announcements on Space investment were also expected in September.

Adrian updated on changes to responsibilities within the Executive Leadership Team structure, similar to the approach taken with regional engagement. Sector leads had been allocated: Jane Martin, Financial Services, Neil Francis, Energy and Rhona Allison, Life Sciences, which would ensure senior representation in these areas.

Alan Maitland and Linda Murray joined the meeting.

7. Finance Report as at end of July 2022 – SE(22)32

Alan provided an update on the financial results to the end of July 2022 (Period 4) and an update on the latest full year forecasts for the 2022/23 financial year.

On Capital and Financial Transactions, Alan advised of a continued decrease in the Capital forecasts, largely from large and discretionary grants due to a slowing down of conversion of pipeline projects into spend. Exit forecasts had also seen very little activity in year to date, which mirrored external evidence of a slow-down in exit markets. The Growth Investments Team was reviewing the position. A further decrease in expenditure was expected due to slippage in projects.

Alan advised that there were a number of factors impacting the R-Del position, including the ERDF programme position which awaited Scottish Government approval to proceed, which had an impact on the current and following financial years. A proposal to use the ERDF underspend for the source for the requested 2% R-Del cut had been made to Scottish Government.

The final Expected Credit Loss budget requirement would not be known until the year end and was subject to significant uncertainty and volatility. Recent discussions with Scottish Government had confirmed that the formal budget transfer would be provided soon and would ensure that there was no negative impact on SE's core RDEL operations.

In response to a question on the back-loading position, in comparison to previous years, detail was provided, advising that the position was worse due to the challenging economic situation and the resultant reluctance by companies to commit. Uncertainty with regard to the ERDF position was also further highlighted.

The Board acknowledged the current challenges and thanked Alan and the team for their continuous monitoring and mitigating actions.

8. Performance Report as at end of July 2022 – SE(22)33

Linda Murray presented the second performance report of the financial year, highlighting the addition of new dashboards on work being done to review the impact on the economy and business as a result of the war on Ukraine and rising energy costs, gathering insights from global trends and impacts on customers. The team

would aim to share other relevant insights throughout the year, including in relation to the cost of doing business and implications for SE.

On the Measures, Linda updated that current forecasts indicated that only two of the six published measures looked likely to be achieved, highlighting the unusual situation in relation to pipelines, reflecting the challenging economic conditions businesses were facing over the past two years and the current economic challenges. An additional slide had been added to provide an understanding of the reporting undertaken. Teams were looking closely at the pipeline to ensure that reporting was as accurate as it could be.

The Board sought further information on the activity involved in stimulating new projects. ELT members provided insights into the proactive work being undertaken which included reviewing the companies SE works with and opportunities for future projects. This also included working with partners to understand the companies they work with and to ensure companies were receiving the right support from across the wider eco system. Management of the pipeline of inward investors was also explained, which included engagement with thousands of companies at the initial approach and funnelled down to specific opportunities with new investors. Work with existing investors had also been widened. Major projects was highlighted as an area for improvement to ensure a pipeline of large innovation opportunities.

A question was raised on the CO2 measure and reliance on a few large projects. Linda explained that this was a new measure and there had been a great deal of discussion on whether this was the right measurement. Further discussion with Scottish Government was required on how Scotland should measure the CO2 savings and how partner agencies could contribute.

Linda highlighted the other dashboards, with People focusing on development and growth opportunities, including good feedback and testimonials from career ready interns. The Health & Safety Team had also been successful in attaining the Rospa Health and Safety award for the seventh consecutive year. A spotlight on parliamentary engagement was featured and changes made to the top five risks.

The Board thanked Linda for the report and provided very positive comments on the content and presentation. Further information was requested on trends, showing comparisons to the previous one to two years.

On behalf of the Board, the Chair congratulated the Team on the Health & Safety award.

FOR DISCUSSION/APPROVAL

9. Scottish Enterprise an Internationally Focussed Innovation and Investment Agency – SE(22)34

Derek Shaw joined Jane Martin for this discussion which aimed to update the Board on work underway to develop the Scottish Government's new 10-year Innovation Strategy for Scotland; to share learnings to influence the strategy; and to have an early conversation on emerging ideas and areas of focus for SE. Jane also advised that she was keen to have Board members input as the strategy developed, in advance of the Board Strategy session.

Derek introduced the paper which outlined the work SE was doing with Scottish Government to shape the new strategy, which was due to be published at the end of

October. It also outlined SE's approach to innovation and some of the options for new activity to shift the dial on innovation performance in Scotland and to capitalise on economic opportunities and address economic challenges, e.g. high inflation, increased costs of doing business.

Derek outlined the seven themes which were being explored during the strategy development process; SE's activity across these themes, and the innovation resources which have been deployed over the past five years. The Board was asked to consider and discuss opportunities for SE to step forward as a national coordinator of Scotland's innovation activities and support SE's position as Scotland's Internationally focussed Innovation and Investment Agency.

The Board was very supportive of the approach, acknowledging the expertise, knowledge and intelligence in existence within SE. Board members highlighted the need for private sector funding, particularly overseas funding; using connections with other partners and stakeholders to connect with a wider pool of companies and to assist with the development of new approaches. SE's position as a 'co-ordinator' did not portray SE's role of integrating and being a catalyst to unlocking and creating opportunities.

The Board thanked Derek and Jane for the opportunity for early discussion and looked forward to providing input to development of SE's approach.

10. Green Heat Innovation Support Programme (GHISP) – SE(22)35

Jane Gallagher, Jan Reid and Sharon McKendry joined the meeting to seek approval for gross expenditure of £17,575,000 over 4 years, under Section 8(1) (a) (i) of the 1990 Enterprise and New Towns (Scotland) Act, to deliver a Green Heat Innovation Support Programme (GHISP) in partnership with and fully funded by Scottish Government (SG). Of the gross expenditure, £12,575,000 is new and additional following previous Scottish Enterprise (SE) approval of £5,000,000 for the European element of this programme.

The Green Heat Innovation Support Programme was a critical component of the Decarbonising Heat National Programme (DHNP) and would be delivered on a pan-Scotland basis, with support from HIE and SOSE, supporting companies from all regions of Scotland across a range of interventions. The programme aimed to address the opportunities and challenges related to manufacturing and engineering supply chain capability by providing companies in Scotland, or new investors, with the ability to develop new solutions for this growing market and to provide support to invest in new equipment or facilities.

The Board asked about other activities, e.g. home insulation, installation training and removal of gas boilers. The team explained that a group had been constructed across agencies, with different responsibilities and activities being led by each. The Board acknowledged the key role for innovation to lead and identify new opportunities and encouraged more strategic objectives for greater outcomes.

The project was approved.

FOR INFORMATION

The following information papers were noted.

- 11. 2022/23 Scottish Enterprise Corporate Plan Outcome Measures Ranges Evidence & Rationale – SE(22)40**
- 12. Scottish Enterprise Annual Health and Safety(H&S)Report – SE(22)36**
- 13. Economic Commentary – SE(22)37**
- 14. Approval Within Delegated Authority – SE(22)38**
- 15. Forward Events and Summary of Events in the past two months – SE(22)39**

16. Any Other Business

There was no further business.