

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD ON FRIDAY 27 OCTOBER 2023 IN ATRIUM COURT, GLASGOW**

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

**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  
Richard Rollison, Director International Trade & Investment, Scottish Government  
Karen Hannah, Corporate Office

**STANDING ITEMS:**

The Chair welcomed Gill McNeill to her first Board meeting.

Karthik declared a conflict of interest for Agenda Item 7 in relation to his role as a member of the Dundee University Court. It was agreed that Karthik would remain in the meeting, but not take part in the decision.

**1. Minutes of the Meeting held on 25 August 2023 – SE(M)341**

The minutes of the previous meeting were approved. It was noted that Adrian attended the meeting via MS Teams.

**2. Board Committee Updates/Minutes**

The Board noted the following minutes and papers:

- 2.1 Audit & Risk Committee, 21 August 2023 – SEAC(M)(23)03**
- 2.2 Remuneration Committee, 29 September 2023 – SEBRC(M)51**
- 2.3 Remuneration Committee Annual Report 2022/23 – SE(23)42**

Poonam provided a brief update on discussions at the meeting, highlighting that this was the first meeting of the new members.

- 2.4 Nominations & Governance Committee, 11 October 2023–SEBNGC(M)46**
- 2.5 Nominations & Governance Committee Annual Report 2022/23–SE(23)43**

Willie updated the Board that a Board Effectiveness Survey would be undertaken within the next month or two. The Committee would be focusing on succession planning over the coming months.

### **3. Chairs Report**

Willie updated on a meeting with Sir Tom Hunter in early February which he and Adrian attended. Discussion focused on SE's future strategy, of which Sir Tom was very complimentary. Consideration of ongoing briefing and engagement was discussed. Sir Tom also offered to host key meetings, e.g. for inward investment opportunities, at the Blair Estate.

Willie also attended a dinner with Richard Lohead and the UK Space Agency. Mr Lohead was very enthusiastic regarding the potential for Scotland in the space sector and the CEO of the Space Agency spoke positively about the engagement with Scottish Enterprise.

At the recent Strathclyde University business dinner, Willie fed back that there had been a great deal of reference to SE's involvement to strategic opportunities in and around Glasgow and the West of Scotland.

Willie also had the opportunity to attend an introductory meeting with the Director General, Economy, Gregor Irwin with Adrian. Discussions had been very positive, and the Director General was very supportive of SE's future strategy. Willie had highlighted SE's role as the National Economic Development Agency and areas where SE could take a leading role. Mr Irwin was very responsive to this.

Willie updated on his recent visit to Moredun Research Institute, a global leader in animal research, accompanied by Gerry McCarron, Account Manager. Willie commented positively on the facilities and highlighted that this was one of two locations which dealt with highly infectious diseases, and highlighting the work they had done in the human trials for Covid.

An overview of the discussions scheduled for the Board Strategy Session was provided, to include the economic context in Scotland, the UK and globally, the political environment, the Green Industrial Strategy and the skills landscape. There would also be the opportunity to test the missions in terms of risk and opportunity, looking at dependencies across the missions. Also included would be the People Strategy and Finance Strategy. This would be a private session for the Board and Executive Leadership Team members. Stephen McArthur and Graham Soutar would also be joining for the strategy session.

### **4. Chief Executive's Report**

Adrian updated on the recent inspection of SE's property and office portfolio in relation to reinforced autoclave aerated concrete (RAAC), which had been submitted to the Scottish Government, who were co-ordinating returns across the public sector. One external site had been identified, which was an unused plant room in a building which had been secured pending demolition.

Pay negotiations for 2023/24 and 2024/25 were ongoing with SE's recognised Trade Unions with the recent pay offer going out to ballot to members, with an official branch recommendation to accept. The offer followed Scottish Government guidance for a 2-year pay deal which would be backdated to April 2023 and a further payment made in January 2024.

The new collaboration space in Atrium Court was now open, with 12 events held to date and 40 bookings through to April 2024. The space was being used for events such as large team meetings, leadership events, customer events and focus groups. Adrian updated that this

had been positively received by staff and was generating a great deal of energy and collaboration.

The Programme for Government (PFG) had been published on 9 September, and a note issued to the Board. Adrian highlighted the strong alignment of SE's priorities to those outlined in the PFG, including entrepreneurship, attraction of investment, green growth and the focus on regional economic development. The First Minister had also announced a £500m fund for offshore wind in Scotland, at the SNP Conference the previous week. The detail of how this would be allocated was still being worked through, however, it was anticipated that this would be delivered through SNIB and the enterprise agencies.

The Corporate Plan was being finalised following the Board's input and key milestones were outlined, including review of final draft by ELT on 7 November, and sharing with the board week commencing 13 November.

As mentioned by Willie, Sir Tom Hunter was very supportive of SE's new direction of travel, and the discussion had been part of a series of engagement with key business people. Adrian had also met with Willie Haughey to discuss the strategy and discussion also included his plans for rolling out affordable housing and green heat. Adrian had also attended the NSET Delivery Board, where SE's future focus was also very well received.

Adrian and Alan Maitland had attended the Economy and Fair Work Committee on 4 October, Adrian fed back that this had been very positive, with an opportunity to convey the strong partnership working with HIE and SOSE, and the impact on the economy of investment made by SE and resulting returns. Adrian thanked the team who had prepared the briefing pack.

The key headlines would be circulated to the Board.

Adrian updated on the challenging issues reported to the Board at the August meeting on Fair Work First, in relation to application to operations outside of Scotland and payment of the Real Living Wage (RLW) to under 18s and apprentices. Following work by Rhona's team, on behalf of the enterprise agencies, to present evidence of the impact on companies, Scottish Government had taken the decision to withdraw the requirement for RLW to sites out with Scotland. It was also accepted a higher number of exemptions would be approved by SE, specifically where RLW is not met for apprentices and under 18s.

Following the recent announcement regarding Horizon Europe, resulting in the UK now having full access to Horizon Europe from Jan 2024, SE was developing a new engagement plan to maximise opportunities for international Research and Innovation. Adrian highlighted SE's existing track record helping companies to leverage international connections and welcomed the opportunity to further consolidate its support to businesses and partners through the Horizon programme.

Adrian provided the following business updates:

**COP28** was taking place in Dubai from 30 Nov to 12 December, with Cabinet Secretary, Neil Gray taking part in a pre-event in October. SE was working with Scottish Government colleagues who were leading on taking a delegation of businesses to COP 28, focused on inward investment opportunities.

Gill Murray advised that the Heriott Watt University was hosting a number of events at its Dubai Campus and they had the opportunity to welcome the Cabinet Secretary and to showcase a number of SMEs. Gill extended an invitation to Board members to the climate hub.

Richard Rollison advised that the Cabinet Secretary had a very successful trip and thanked Gill and the team.

**Eco System Fund:** phase 2 was launched at the end of August and was being delivered by SE on behalf of Scottish Government. To date 218 applications had been received for £8m of funding. It was proposed that 42 organisations were awarded funding with grants between £10k-£50k for delivery of new entrepreneurship activity. Adrian thanked Jane and the team for the work involved.

**Formedix:** following SE Board offline approval, exit of Formedix formally completed on 10th October.

**Braehead Foods, Kilmarnock:** SE's Business Response Team, working closely with the Debt Team (as existing lender), supported the sale of this account managed business. Five months of negotiations with the company and its advisors has resulted in a solvent transaction completed at the end of September, safeguarding over 100 jobs. Adrian thanked the team for their efforts over recent months.

Willie commented that this was a remarkable outcome given the challenges faced by the company, and a real achievement for the local economy.

On a question raised regarding the work of the Business Response Team, Rhona provided an update on the current workload of the team.

**Coca Cola, East Kilbride:** a large-scale business improvement project led by SMAS had delivered £4.8M of annualised efficiency savings, supporting the ambition for capital investment in the East Kilbride site.

Poonam raised the funds launched by the British Business Bank and asked about opportunities in terms of collaboration to support companies in difficulty. Jane advised of a number of roadshows which had been held to build awareness of the funds and confirmed that Kerry Sharp was on the British Business Bank Steering Group and discussions were ongoing in terms of the opportunities.

## 5. Finance Report as at end of September 2023 – SE(23)44

Alan Maitland joined the meeting to present the Finance Report which provided a review of the financial results to the end of September 2023 (Period 6) and an update on the latest full year forecasts for the 2023/24 financial year.

Alan highlighted the introduction of the spending control process by the Scottish Government on Capital spend, which would require approval to be sought for uncommitted spend greater than £1m this financial year, before proceeding with projects.

An overview of the projected position across the funding streams was provided:

C-Del had moved from a slight pressure to a slight underspend, with one project being accelerated to bring balance. Key changes were highlighted in relation to a decrease in large grants expenditure of £11.2m due to a number of factors. The decreases had been partially offset by the inclusion of a land acquisition. Exit income had also decreased by £5.1m as a result of the removal of £3.2m of planned sales of Listed Shares in response to the decrease in planned expenditure.

Three projects would require to go through the spending control process and discussions were underway with Scottish Government Sponsor Team and Finance colleagues. An application would be submitted the following week with an early decision sought.

The main change in the Financial Transactions (FT) position was due to reduction in anticipated Exit income of £2.2m. Discussions would commence with Scottish Government to access additional FT budget during the Spring Budget Process (SBR).

A slight underspend position was outlined for R-Del. In relation to Expected Credit Losses, the half year asset revaluation exercise was almost complete. Further discussion with Scottish Government would be held once the exercise had been completed.

The Board discussed the capital approval process and outlined concerns in terms of speed of decision-making. Colin confirmed that the Sponsor Team was committed to improving practices in order to ensure decisions were made quickly. The Board encouraged strong, compelling cases and evidence of the outcomes for the economy, as well as implications should these not be progressed. A longer-term view of the pipeline was also encouraged to ensure early notification. The issue of annual budgets was raised in terms of constraints on more transformative, multi-year investments. Colin highlighted the opportunity to discuss this further in the context of Public Sector Reform.

Adrian outlined the work underway currently through the missions approach to realign the future pipeline with SE's priorities, and the efforts made by the Executive Leadership Team to raise ambition and build confidence to rejuvenate the pipeline.

The Board asked that trends from the previous year were included in future reports for comparison.

## **6. Performance Report as at end of September 2023 – SE(23)45**

Susan Moore presented the Performance Report which provided an update on delivery across key areas of the business.

On the Measures, at the mid-point through the performance year, all six measures were forecasting to achieve the target range, with three measures forecasting to exceed target: capex, exports and co2 savings. Susan reflected that this was a more positive position from August. The jobs pipeline had improved, however this was forecasting to meet just above bottom of the measure range. On Innovation and CO2, the improvement was due to a combination of more projects, particularly of a larger scale, and more certainty on projects progressing.

Susan highlighted the top risks, advising that there had been one new addition since the last report in relation to SE's ability to support transformational change due to the long-term financial constraints. Mitigating actions included ongoing discussions with Scottish Government and the development of SE's Financial Strategy.

The Board commented positively on the report, particularly the pipeline headline analysis and inclusion of the top five projects within the financial summary which had impacted changes to the budget position.

In relation to risks, a question was raised on geopolitical risks within the business sector. Adrian advised that this was evident by the depressed investment climate and international economic climate, with increased export challenges in relation to the decline in the Eurozone manufacturing output. Currently there were no specific country risks, but general impact on the international economy. Further reflections would be included in the Board Strategy session.

The Board also requested sight of the Digital and Data Strategy and it was agreed that an annual review of digital and data would be included for Board discussion going forward.

## FOR DISCUSSION/APPROVAL

### 7. Innovation Annual Review – SE(23)47

Derek Shaw and David McLay joined the meeting to present the annual review which provided an update on progress over the past year, future focus and next steps. The Board was asked for feedback on the future strategy in terms of ambitions and consideration of what is needed for success.

Key highlights included the extensive work with Scottish Government to help shape, influence and develop Scotland's Innovation Strategy, which led to a good foundation for the missions work undertaken in the past 6 – 9 months. It was highlighted that Innovation was central to all three missions and each individually, and collectively, contributed to the ambitions and actions within Scotland's Innovation Strategy.

The work undertaken to identify the nine priority industries was outlined, which aligned with those priority areas within the Innovation Strategy, and the potential benefits for job creation were highlighted.

Examples of work undertaken on innovation infrastructure were provided, including working with AMIDS to support the opening of two anchor tenants (NMIS and MMIC) and working with partners to secure a private sector developer; entering a strategic MOU with Clyde Gateway; investment into the Energy Transition Zone; and securing Innovate UK funding to help with industrial biotechnology efforts, particularly in Grangemouth and Dundee Innovation Hub.

Strategic partnerships with Innovate UK and with universities across Scotland were highlighted, as well as work undertaken with partners to develop key strategies and action plans.

A summary of next steps was outlined which included increasing activity in scaling innovation and infrastructure development; partnership working in the UK and Internationally to bring opportunities in Scotland to global markets; working with Scottish Government on a Scottish Cluster Network; entrepreneurship and scaling, working with partners to strengthen existing and new support; and, streamlining the existing funding landscape across Scotland, pivoting existing funds to capitalise on new industries.

The Board commented positively on the clarity of focus and ambition. SE's unique position was acknowledged in terms of acting as a catalyst to connect organisations and opportunities across Scotland to create wider national opportunities. The Board conveyed the need for ruthless prioritisation to ensure that SE remains focused on the areas identified and to ensure clarity of ownership and leadership within partnership approaches.

Further information was sought on maturity analysis of sectors. Derek acknowledged that industries were at different stages of development and there was no one size fits all approach. Work was underway, working with partners to map out future activity to inform prioritisation of resource.

Colin highlighted the strong alignment between Scottish Government and SE and the opportunities to configure resource, particularly in terms of developing a strong programme plan to declutter the innovation eco system and on the cluster building programme.

A question was raised in relation to SE's role in corralling leadership within regions and it was confirmed that SE's input was via the Regional Economic partnership and structures, where SE had a role to support partnerships and to advocate the international strengths and opportunities within regions.

A point was raised in relation to productivity and the need for funding and skills, and strengthening leadership in companies. The challenge in relation to skills, particularly within certain industries, was acknowledged and the need for partnership working to resolve the issues was highlighted. In terms of leadership, Derek confirmed that a programme was underway across the missions focusing on upskilling leadership, and focusing on leadership capability within the products that SE offers.

The Board thanked the team for the progress made and were very supportive of the future focus and ambitions. Willie encouraged strong communication of the work SE is doing in this area.

## **8. Corporate Affairs & Marketing Strategic Plan – SE(23)48**

Jacqueline Anderson and Simon Forrest joined the meeting to present the paper which set out the delivery priorities for the Corporate Affairs and Marketing (CAM) directorate for the year ahead aligned to the overall CAM purpose of strengthening advocacy, enhancing SE's reputation, and building SE's brand.

Jacqueline outlined the key priority areas within the plan, highlighting that the launch of the Corporate Plan was the optimal time to reposition SE and to align resource appropriately to priority activities.

Simon highlighted the refocus for stakeholder engagement and outlined the work underway in advance of the launch of the Corporate Plan to develop good quality materials and briefings for staff, partners, customers and the Board to aid networking. A critical part of the approach was to capture insights to aid better targeting of communication and marketing materials in support of the missions going forward.

An offer to follow up with Board members offline was made to discuss specific materials which the Board would find helpful.

Willie suggested that a one-page brief which included key messages and impactful facts and statistics, would be helpful.

The Board was very supportive of the plan and new approach. Further information was sought on the key priorities and challenges. Jacqueline outlined the inter-connecting nature of the priorities as SE moves towards the launch of the Corporate Plan and transitions to the missions approach. She highlighted the importance of data driven insights and updated on work underway to identify an approach to collate the analysis and information held across the organisation into a central area.

Simon outlined some previous challenges in relation to stakeholder engagement and lessons learned in terms of process and systems to capture feedback.

A question was raised on stakeholder engagement in relation to taking learning from other organisations, and corralling wider support. Jacqueline outlined the aim to use SE's own and wider networks to convey consistent messaging, and focusing more on quality of messages rather than quantity.

There was a brief discussion in relation to the association between SE's own brand and that of Scotland as a country.

The team was also asked to outline what success would look like, particularly in helping SE to deliver its vision, particularly in engagement with key stakeholders and customers.

The Board thanked the team for the paper and the plan was approved.

## **FOR INFORMATION**

The Board noted the following papers for information,

- 9. Mission Cases – SE(23)49**
- 10. Annual Complaints Report April 2022 – March 2023 – SE(23)50**
- 11. Freedom Of Information (FOI) Annual Report – SE(23)51**
- 12. Economic Commentary – SE(23)52**
- 13. Approvals Within Delegated Authority – SE(23)53**
- 14. Testimonials & Complaints – SE(23)54**
- 15. Forward Events and Summary of Events in the past two months – SE(23)55**

On the missions paper, Carmel welcomed the clarity of focus, particularly in relation to productivity.

## **16. ANY OTHER BUSINESS**

There was no further business and the meeting was closed.