

**MINUTES OF THE SCOTTISH ENTERPRISE BOARD HELD IN EDINBURGH ON FRIDAY
28 OCTOBER 2022**

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

In Attendance: Jane Martin, MD, Innovation and Investment
Douglas Colquhoun, Chief Financial Officer
Neil Francis, Interim MD, Digital and Major Projects, Scottish Enterprise
Rhona Allison, MD, Business Growth
Reuben Aitken, MD, International Operations
Richard Rollison, Scottish Government
Karen Hannah, Corporate Office

Apologies: Carolyn Stewart, Chief People Officer

The Chair welcomed Reuben Aitken, MD International, to his first Board Meeting. On behalf of the Board, the Chair thanked Neil Francis for everything he had undertaken as Interim MD.

STANDING ITEMS:

1. Minutes of the meeting held on 26 August 2022 – SE(M)334

The Minutes of the previous meeting were approved.

2. Matters Arising – SE(331)(MA)

There were no matters arising.

3. Board Committee Updates/Minutes

The following Minutes were noted:

3.1 SE Board Audit & Risk Committee Meeting, 15 August 2022

**3.2 SE Board Nominations and Governance Committee, 26 August 2022
SENGC(M)45**

3.3 SE Board Nominations and Governance Annual Report 2021/22 – SE(22)42

The Board highlighted the Board Committee membership which required updating.

3.4 SE Board Urgent Approval, 29 September 2022 – SEBUA(M)(22)02

Neil Francis provided the context to the Ardagh Glass approval, advising that this was the third project supported by SE relating to strengthening and improving competitiveness and sustainability of the whisky sector. Neil also updated on a recent

meeting with the CEOs of companies in the sector. Adrian acknowledged the work done by the team in supporting the projects.

4. Chairs Report

The Chair updated on Board Recruitment, advising that Anne Glover and Gavin Nicol's terms had been extended until the recruitment process had completed, and new Board members appointed. Willie would be Chairing the first meeting of the panel the following week and would update the Board as the process progressed.

An update was provided on recent discussions with Barry Whyte, Co-Chair of the NSET Delivery Board, which focused on the NSET actions and SE's focus on priority strategic opportunities.

Willie also updated on his and Adrian's meeting with Willie Watt and Sarah Roughead, SNIB.

5. Chief Executive's Report

Adrian provided an update on the continued challenges for the 22/23 Inward Investment Pipeline, advising that there had been an increase in enquiries and opportunities in some areas such as digital financial services, life sciences, and low carbon. In relation to Trade, Scotland continued to lead the way in Energy Transition, and the interest in our companies, supply chain, clusters and technology was intensifying. A number of inward visits and delegations were supported from Poland & Taiwan in Offshore Wind. The appetite for in-person events was also increasing, with very good attendance at recent events such as Seafood Expo and Food & Hotel Asia (FHA), Singapore and the SDI 2-day Global Insights event, in Edinburgh.

Mark Hallan and the team had supported engagements by Mr McKee on a recent Trade & Investment Visit programme in San Jose, San Francisco, Seattle and Vancouver. The visit had generated a number of potential inward investment opportunities for follow up.

An update on action taken in response to the cost of doing business was provided, advising that emails had been sent to account managed companies reinforcing SE's support and ways in which SE could assist during the months ahead. This had been positively received. The Strategy team had also designed and delivered Cost of Doing Business scenarios with Scottish Government colleagues to help them identify and test the types of actions that were likely to be most effective in supporting businesses.

Adrian updated on the consultation on SE's future property strategy proposals, advising that a meeting had been held with the trade unions on Thursday 20 October to start the consultation process. There was recognition for the basis of the approach and that SE's approach to everyday flexibility helps reduce the impact for the majority of staff, however, they raised concerns that there would be some staff where this wouldn't be the case due to their individual circumstances. Reassurance was provided that appropriate time would be built into the consultation process to consider these situations.

Adrian also updated that the negotiations with the Trade Unions on the pay deal for 2022/23 had concluded and the revised offer would be implemented on 1 December.

The Scottish Government had published the economy paper on Monday 17 October, as part of the suite of papers setting out the case for independence. Work was ongoing to understand the potential implications of any change in circumstances and guidance

would be provided to colleagues to enable them to direct any enquiries from customers to the appropriate resources.

Adrian updated on recent events - GlobalScot Induction session on 7 October, Scottish Manufacturing and Supply Chain Conference, 13 October and EIE22 on 6 October.

The following updates were provided on companies:

- Arjo Wiggins entered administration on 22 September with the immediate loss of 301 jobs in Aberdeen and 71 employees retained at the site to support the administration process. There had been a great deal of activity undertaken to support those made redundant and the PACE sessions were well attended.
- Mangata - the project was nearing completion with legal terms due to be finalised by the end of October, with an anticipated announcement mid-November.
- Edinburgh Bioquarter – the project was moving into the next phase of procurement, with two bidders invited to continue dialogue.
- Guala closures – SE had supported the company's investment in a new state-of-the-art superfactory in Gartcosh, Lanarkshire. The investment would secure the Scottish future of the company, which is crucial to the whisky industry; its supply chain and safeguard 400 jobs at the company's existing sites in Bridge of Allan and Kirkintilloch which would now be merged at the new centrally-located factory. SE was selling the land to the company for £1m, originally acquiring the site, which was the Gartcosh Steel Mill, for £1. The site now hosts a nature reserve and the Scottish Crime Campus. This was an excellent example of great partnership working and transformation of the site to see a return of jobs to the area.

Anne raised a question regarding transparency of GlobalScots and Adrian and Neil explained the process, including GDPR and ensuring criteria was met for potential members.

Poonam asked about expectations of SE in relation to the potential referendum and Adrian advised that SE would share practical publications and channel through any feedback or questions from companies to Scottish Government.

On Arjo Wiggins, Karthik asked about lessons learned in terms of helping industries in Scotland. Adrian highlighted the need for early insight and engagement with companies in a similar situation. Peter also raised the potential opportunities for the site.

The Board also discussed the energy challenges and support for companies. Rhona outlined the assistance being given to large energy users in terms of feasibility studies to progress to investment. In relation to smaller companies, support was available to help companies become more sustainable and energy efficient.

Alan Maitland and Linda Murray joined the meeting.

6. Finance Report as at end of September 2022 – SE(22)43

Alan Maitland joined the meeting to provide an update on the financial results to the end of September 2022 (Period 6) and an update on the latest full year forecasts for the 2022/23 financial year. Alan advised that the budget position remained very fluid and highlighted reductions in expenditure on Large Grants which was partially offset by the inclusion of a potential site purchase. There remained risks around delivery of the Capital programme and on Exit forecasts and further revisions to forecasts were possible in the second half of the year.

The Board was advised that Scottish Government had extended the Accountable Officer template to include C-Del for any uncommitted funding greater than £1m to be approved by SG whether or not included in the budget forecasts. This may have an impact on the ability to move funding from the Financial Transactions budget to the C-Del budget and this would be discussed further with Scottish Government the following week.

The pressure on the FT position had increased slightly primarily due to a decrease in projected income. The core RDEL underspend had increased primarily due to a net decrease in expenditure over the course of the month. RDEL – Expected Credit Loss (ECL) pressure had reduced slightly as a result of additional Capitalised Interest which was offset against the anticipated charge. Discussions were ongoing with Scottish Government regarding the funding arrangements for this pressure and an initial allocation was anticipated to be confirmed shortly.

Following positive discussions with Scottish Government on the ERDF programme, a change request would be submitted by the end of October for consideration by Scottish Government in mid-November. If accepted, SE would not be subjected to any clawback of ERDF monies received.

7. Performance Report as at end of September 2022 – SE(22)44

Linda Murray provided an update on performance for the first 6 months of the year, highlighting the changes to the dashboards for the global context to include OECD projects and a new dashboard on Innovation. Linda referenced recent analysis on performance against BERD compared with data from the HMRC which suggested that there was more R&D activity in small businesses than previously considered, resulting in a significant uplift to Scotland's BERD performance.

On Measures, current forecasts indicated that two target ranges would be achieved – International Export Sales and Co2 savings, highlighting that the export sales figure had changed since drafting of the paper.

Overall, the pipeline in performance remained slower than previous years due to challenging economic conditions. There had been a more positive sentiment in the business community as the country came out of covid and prior to the energy crisis and the conflict in Ukraine. However, currently more companies were pausing or delaying activity. This was not unique to SE and other agencies were reporting similar lower performance across the board.

The second measure slide outlined detail on the pipelines, with a further dashboard providing comparators, as requested by the Board at the last meeting.

Linda provided an overview of the dashboards on People, Health & Safety, Major Projects, Risk and Finance.

The Board discussed the innovation analysis in relation to SE's approach. Adrian advised that this may change part of the approach, however, the overall focus on innovation would stand. Sue suggested the need for a more nuanced approach to measuring growth.

The Board thanked Linda for the report and sought further information on comparators with other economic development agencies overseas.

FOR DISCUSSION/APPROVAL

8. Board Strategy Session

Susan Moore joined Linda Murray and Neil Francis to provide an outline of the strategy session discussion.

Neil Francis updated on the work being undertaken by a small group of colleagues from across the organisation working on options for future operating models to enable SE to deliver its objectives, achieve key outputs, resulting in a more influential, confident organisation that is agile and can move with pace. Engagement with the wider leadership had been undertaken on the options through a structured process, and ELT was scheduled to consider these further on 8 November. The outcome of this work would be shared with the Board for consideration and discussion at the Strategy Session, with decisions taken by the Board discussed thereafter with Scottish Government and reflected in SE's plan.

The Chair highlighted the opportunity, with the presence of the DFM at the strategy session, to seek clarity and guidance.

9. International – Review and Progress Update – SE(22)46

Mark Hallan and Jan Robertson joined the meeting to present an update on progress against delivery of the Scottish Government's four international strategic plans, and future areas of focus to enhance SE's delivery approach.

Mark highlighted the economic challenges since publication of the Scottish Government strategies, indicating the timely opportunity to reflect on progress and to consider changes to SE's delivery approach for future years.

Jan updated that recent progress reports to the Scottish Parliament indicated that the strategies remained relevant, however, consideration was required on how SE deploys around the strategies, NSET and SE's Corporate Plan to drive productivity, innovation and investment.

Progress was outlined, highlighting the challenging environment for Trade, however, noting that there had been a 5% increase in Scotland's trade from March 2020 to March 2022, while the UK had seen a decrease. The previous year had been the first full operational year of delivering the new Inward Investment Plan and saw 8000 jobs delivered through inward investment, 90% of which was from the nine opportunity areas. The current year, however, was significantly behind target, with 5000 jobs moved from the sales pipeline into the next financial year. In relation to the Capital Investment Plan, work was ongoing to build the investment pipeline with a particular focus on green investment portfolio, as well as relationship building, with networks being made in London and the West and East Coast of the States and specific investment opportunities proposed to investors.

The Board was asked for its views on how SE/SDI responds to the challenges that exist and, looking beyond, how levels of internationalisation could be increased.

The Board welcomed a Team Scotland approach, working with other agencies to respond at pace. A question was raised on areas for improvement and the team referenced the difference in resource compared with other countries, particularly in marketing and promotion. Also highlighted were challenges in relation to policy environment vs opportunities in newer areas, eg. Energy transition.

Richard Rollison provided feedback from a recent planning session with Mr McKee, where the role and success of SE was acknowledged on the Export plan and Inward Investment Plan. It was recognised that further work was required in relation to the Global Capital Investment Plan and the need for more collective resource, capability and skills. Work was also underway in relation to budgets, marketing and branding.

Neil Francis referenced the complexities involved in Trade for companies, highlighting the skills, expertise and market and sectoral knowledge that the team brings.

In relation to the Capital Investment plan, the Board encouraged the introduction of metrics over time.

The Board thanked the team for the presentation.

FOR INFORMATION

The following information papers were noted.

In relation to the Freedom of Information Annual Report, it was noted that there were a number of requests in relation to SE's support of the Defence Industry, however, there was nothing on the website to outline SE's values, the due diligence undertaken and what SE would invest in. This would be fed back to the team.

- 10. Notification of New Interest – SE(22)47**
- 11. Annual Complaints Report – SE(22)48**
- 12. Freedom of Information (FOI) Annual Report – SE(22)49**
- 13. Economic Commentary – SE(22)50**
- 14. Approval Within Delegated Authority – SE(22)51**
- 15. Testimonials & Complaints – SE(22)52**
- 16. Forward Events and Summary of Events in the past two months – SE(22)53**

AOB

There was no further business.