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## MINUTE

Meeting of:	Scottish Futures Trust Limited - Board
Date & Time:	Monday 30 January 2023, 2pm to 5.30pm
Place:	SFT Boardroom, 11-15 Thistle Street, Edinburgh, EH2 1DF
Present:	Ian Russell (IR) (Chairman) Bill Matthews (BM) Graham Watson (GW) Pauline Mills (PM) Stella Matko (SM) Nick Rowan (NR) Stephen Slessor (SS) Peter Reekie (PR)
Apologies:	none
In attendance:	Liz Petrie (LP) (minutes) Caroline Whyteside (CW) (part meeting) Tony Rose (TR) (part meeting) Lynsey Brown (LB) (part meeting)

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### FORMALITIES

#### 1 Introductions and Apologies

IR welcomed SM, NR and SS to their first Board meeting. There were no apologies.

#### 2 Declaration of Directors' Interests & Subsidiary and Committee Appointments

It was noted that all SFT Board directors are appointed to the Company's subsidiary, Scottish Futures Trust Investments Ltd (SFTi). The Board agreed to the appointment of SM NR and SS as non-executive directors of SFTi.

The Board further noted that the membership of the SFT Group Audit Committee currently comprises all independent non-executive directors with the exception of the Board Chair. The Board agreed to the appointment of SM, NR and SS to the Group Audit Committee.

The Board noted the updated Register of Directors' Interests, including the declarations of the three new directors. The Chair requested that any changes in interests be advised to LP as they occur to allow an up-to-date register to be maintained.

The Board was further advised that following the recent expansion in membership and given that some directors' commercial interests may overlap from time to time with areas of the Company's activities, it is intended to set up a new Committee to consider conflicts of interest. The Committee will be dormant and convene as necessary. The Board agreed

to the formation of the new Committee and noted that Terms of Reference will be drafted.

*PR to develop terms of reference for the new Committee.*

### **3 Minute of Previous Meeting**

The minutes of the meeting of the Board of Directors of 14 November 2022 were noted and approved as a correct record.

### **4 Action Tracker**

Completed actions were noted together with timescales for ongoing actions.

IR confirmed that the questionnaires for the annual self-assessment of Board effectiveness had been completed and that a report would be brought to the Board in March.

## **DISCUSSION**

### **5 Context Discussion**

PR led discussion on the landscape within which the Company is operating and the current challenges in funding and financing infrastructure. The Board discussed the impacts of continued constrained public sector finances and inflation.

PR highlighted that a consultation on Heat in Buildings will be carried out by Scottish Government in 2023 although the timescales and scope are not yet known. The Board discussed the challenges of financing heat decarbonisation and the achievability of the current targets together with the risk of being associated with unachieved targets. It was agreed that SFT should be clear on the scope and limitations of its roles and activities across the net-zero sector. PR outlined the Company's current roles in programme management support to Heat in Buildings, support to the Green Heat Finance Taskforce, implementation of the Net Zero Public Sector Building Standards' governance and supporting its roll-out, and supporting the work of Scottish Government's Heat Networks Support Unit.

### **6 Business Area Strategy – Strategy, Place and Economy**

TR gave a presentation on the work across the Strategy, Place and Economy business area describing the activities of its four workstreams: Asset Strategy; Land; Place Housing and Economic Investment (PHEI) and Infrastructure Strategy.

The Board noted and discussed the breadth and volume of partner organisations and how projects are chosen and prioritised as well as the challenges of customer relationship management with multiple stakeholders within many organisations. TR highlighted the geographic spread of the projects in which the team is involved across both urban and rural settings.

TR further led discussion on strategic issues influencing the business area activities including: resource constraint and capacity; public sector rationalisation; having the right funding in the right place; and the challenge of policy alignment.

*TR left the meeting.*

## **MONITORING**

### **7 Workstream Activity Report**

The Board noted the report setting out progress against business plan activities as at the end of December 2022, highlighting milestones achieved in the period, risks to the achievement of planned milestones and milestones which will not be achieved or have had to be altered. PR described the reporting and monitoring process undertaken by the Company. Progress reports from each of the 14 workstreams are reviewed monthly, including progress against internal milestones relating to the published business plan activities. GW requested that consideration be given to further clarifying reporting on milestones to include commentary looking forward to milestones expected to be achieved in the coming period.

PR confirmed that performance has remained strong across the business plan activities through the third quarter of the year although with constrained resources both within SFT and partner organisations, some re-prioritisation of activities has taken place within the year.

The Board noted the current activity of the Innovative Finance team in developing funding and financing solutions for the just transition to net zero including work in the hydrogen sector as well as short term resource recruited to develop funding and financing methodologies for decarbonising the public sector estate within the Net Zero Buildings workstream. PR highlighted progress on imposing tariffs on public sector electric vehicle charging points to make the market attractive to private investors with implementation of tariffs being made a condition of further funding for Local Authorities.

PR described the challenge of inflationary conditions to the Learning Estate Investment Programme as it builds-up to announcing Phase -3 of the programme.

The Board was advised that the target of building 55 mobile masts in the S4GI programme remains on track for the end of the financial year although activation of some may be delayed. PR confirmed that consideration is being given to the Company's future role in the work of the 5G Centre.

The Board noted the continued work and challenges in supporting the handback of Public Private Partnership projects and discussed the reputational risk for SFT as it is seen as being a key body working in the area of PPP contracts in Scotland.

PR advised that the Improving Delivery team has recruited a member of staff to manage work on the Construction Accord and partially back-fill work on Transforming the Value of Consultancy but with a start date of a few months time, resourcing in these areas remains challenging and has impacted some progress. The Board noted recent progress on the portal for improving payment transparency.

The Board noted that engagement continues with Scottish Government on the Company's role in the central office estate strategy with clarification on the workstream's focus required for business planning for 2023-24.

## **8 Public Inquiry Update**

PR provided an update on the Scottish Hospitals Public Inquiry. He advised that the Inquiry is scrutinising the procurement phase which is requiring input of SFT time and resource, including his own, over the coming months in preparation for the hearings to be held in late April/early May 2023. PR advised that budget planning for associated costs over the year end remains challenging.

## **9 Appointment of Accountable Officer**

The Board noted the report confirming that in line with the adoption of the Framework Document and Scottish Public Finance Manual, the Company's Chief Executive has been formally designated as Accountable Officer.

The Board noted the responsibilities of the Accountable Officer in relation to advice to the Board and in relation to having a dual role of Accountable Officer and Board Director in particular the Accountable Officer's responsibility to report concerns, under certain circumstances, to the Auditor General and Public Audit Committee. PR confirmed that he was not aware of any such circumstances having arisen in the life of Company and that he would make it clear to the Board if in future any matter under the Board's consideration would give rise to such circumstances and action. The Board noted the position.

The Board further noted that the Accountable Officer is required to designate a senior officer in the body to act on their behalf during periods of absence. PR confirmed that he has nominated CW and would consult with the Chairman on any periods of concurrent leave or extended absence.

It was requested that Directors' and Officers' insurance be checked in context of the Accountable Officer appointment.

*Directors' and Officers' insurance to be checked in the context of the Accountable Officer appointment.*

*CW joined the meeting*

## **10 Report from Audit Committee Chair**

GW reported on the meeting of the Group Audit Committee that had taken place prior to the Board meeting, highlighting the following:

- The Committee had reviewed the proposed approach to outcomes validation for the coming year with the assurance work to be undertaken by RSM.
- The Committee had reviewed the Corporate risk register and GW highlighted that a session facilitated by RSM on risk appetite is being scheduled to take place at the Board meeting in May 2023.

- The Committee had reviewed three internal audit reports on: risk management and governance; budgetary management; and HR recruitment and retention. All reports had been positive with some areas for improvement identified particularly in the implementation of company-wide HR processes rather than in HR management itself.
- The Committee had reviewed compliance with the Management Statement and Financial Memorandum and considered the format and scope for future compliance reviews under the Framework Agreement.
- The Committee had discussed the impact of the move to FReM on the format of the front end of the Annual Accounts and, subject to a mapping exercise to compare compliance requirements under the UK Corporate Governance Code and FReM/SPFM compliance, agreed to stop reporting against the Corporate Governance Code. GW further advised that the new external auditors, Grant Thornton, are to be asked to provide a training session on FReM.
- The Committee had reviewed the Whistle-blowing Policy and noted that there had been no instances of whistle-blowing in the last year.
- The Committee had noted the overview of Project and Programme Governance across the business.

IR thanked GW for his continued chairmanship of the Group Audit Committee.

## **11 Finance Report**

The Board noted the report outlining the financial position for the nine months ended 31 December 2022.

CW advised that an underspend of £139k is currently forecast which includes a £120k underspend on Digital workstream advisory. CW outlined the significant changes in the digital workstream resourcing over the year which have led to the underspend. The Board noted the position and that should the surplus remain a proposal will be brought to the next Board meeting on making a supplementary pension scheme contribution.

CW further confirmed that all conditions of the grant-in-aid budget allocation are being met as laid out in section 5 of the report.

## **12 Corporate Services Report**

The Board noted the report covering human resources, communications, information technology and office management.

CW highlighted the work being carried out on salary benchmarking and confirmed that the results of the benchmarking and any recommendations on pay award will be brought to the Board meeting in March.

CW further highlighted the completion of the cloud first programme removing all reliance on the SFT office for IT systems.

*LB joined the meeting.*

## **13 The Work of SFT's Legally Qualified Staff**

The Board noted the report on the work of SFT’s legally qualified staff and legal advice to the Company.

LB described the two aspects of work carried out by legally qualified staff: advice given to SFT (“Internal Advice”) and work carried out in collaboration with other, third party organisations (“External Collaboration”). The Board noted and discussed the risks associated with each aspect of the work and welcomed the actions already taken and planned to mitigate the risks.

## **DECISION**

### **14 Procurement Policy Update**

The Board noted the update report on the Procurement and Contracts Policy and the fully updated Policy. LB advised that a review of policy had been undertaken and that many of the recommended changes are clarificatory in nature and, rather than changing practice, seek to ensure that practices are applied uniformly and a clear audit trail established.

It was noted that the Policy includes procedures to follow for exemptions from the Policy and LB confirmed that an exemptions log would be put in place.

The Board further noted the recommended consequential interim changes to the Internal Controls and Financial Procedures Manual to ensure alignment of the authorisations set out in each document.

The Board approved the Procurement and Contracts Policy and the consequential interim amendments to the Internal Controls and Financial Procedures Manual and agreed that the Policy should be brought for review in January 2025 unless required earlier due to significant changes in legislation.

*LB left the meeting.*

### **15 SFT Code of Business Conduct**

The Board noted the report on the adoption of an updated SFT Code of Business Conduct. PR recalled that the Board had previously agreed to update SFT’s Code of Business Conduct to more closely reflect the provisions of the Model Code for Non-Departmental Public Bodies whilst remaining at a relatively high level and clearly referencing existing relevant SFT policies and guidance. PR further highlighted that the nine principles of public life set out by Scottish Government replace the seven Nolan principles laid out in the previous SFT Code.

The Board reviewed and agreed to adopt the updated SFT Code of Business Conduct to guide its directors, management and employees.

### **16 Business Plan 2023-24**

PR gave a presentation on the development of the Business Plan 2023-24 which will be brought to the Board in March for approval.

PR outlined the high level context against which the business plan is being developed and noted that this Plan will be the last annual plan in the current Corporate Plan 2019-24. PR outlined the budget for 2023-24 with some programme funding yet to be confirmed and highlighted the challenge of matching ambition with resources. The Board noted that 48% of budget covering element of 11 workstreams is from programme funding which restricts flexibility in the use of budget by the Company.

PR further advised that the Business Case for remaining in the Thistle Street office for a further year has not been accepted and the Company will require to move office within the coming year which puts additional pressure on next year's budget. PR advised that the requirement to move has only just been confirmed and the associated costs are being assessed together with the additional pressure on staff resource.

PR outlined key areas of activities being planned for the year across corporate services and each business area.

The Board noted and discussed the pressures on budget including the uncertainty on costs arising from the office move and Scottish Hospitals Public Inquiry. The Board discussed and agreed the principle that, if necessary, areas of activities should be reduced rather than spreading resource too thinly across activities.

*SS left the meeting.*

## **17 Corporate Plan 2024-29**

PR gave a presentation on the early development of the Corporate Plan 2024-29.

The Board discussed the uncertainty of the public bodies landscape and how to develop a corporate plan within that context. PR outlined in particular the history of the proposition that a Scottish National Infrastructure Company (SNIC) be created. The Board noted that the role and remit of the proposed SNIC remains unclear.

PR led discussion on different stages of work to be undertaken to improve infrastructure outcomes: strategy; development planning; knowledge advancement and preparation; delivery; evaluation; and governance. PR further outlined the wide range of sectors and bodies currently involved in these stages of work and potential proposals for enhanced resourcing.

The Board noted the mapping of SFT's current activities across each of the work stages and discussed where future work could be concentrated to improve infrastructure outcomes. The Board considered emerging new areas of interest for the corporate plan period such as hydrogen, flooding and retrofit. The Board discussed the opportunity to develop a bold and ambitious plan defining the Company's future scope of activity to improve infrastructure outcomes in Scotland.

PR outlined the next steps for the corporate planning and advised that an update will be brought to the next Board meeting.

The Board requested that the presentation slides be circulated after the meeting.

*PR to circulate business plan and corporate plan slide presentation to directors.*

**18 NOTING**

**AOB**

There was no other business.