
MINUTE

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Monday 20 June 2022, 2pm

Place: Boardroom, SFT offices, 11-15 Thistle Street, Edinburgh

Present: Ian Russell (IR) (Chairman)
Bill Matthews (BM)
Graham Watson (GW)
Pauline Mills (PM)
Peter Reekie (PR)

Apologies: Ann Allen (AA)

In attendance: Liz Petrie (LP)
Caroline Whyteside (CW) (part meeting)
Kerry Alexander (KA) (part meeting)

FORMALITIES

1 Apologies

Apologies were noted from AA.

2 Declaration of Directors' interests

AA's appointment as Director of Campus Innovation and Development at the University of Leeds was noted and it was requested that this be added to the register of interests.

No interests were highlighted in relation to the meeting agenda.

3 Minute of previous meeting

The minutes of the meeting of the Board of Directors of 9 May 2022 were noted and approved as a correct record, subject to the correction of Katherine White's initials to 'KW' within the listing of meeting attendees.

4 Action tracker

Completed actions and timescales for ongoing actions were noted.

DISCUSSION

5 Business Context

KA joined the meeting for items 5 and 6.

PR led discussion on the recent Scottish Government Resource Spending Review (RSR) for the period 2023/24 to 2026/27 and its interaction with the Capital Spending Review (CSR) 2022/23 to 2024/25.

The Board discussed the impact of constrained resource across different areas of the public sector, noting the limited areas where increases in budget are planned across health, care and social security. The Board discussed the impact on Scottish Government departments and partner organisations, recognising that even where capital budgets are available for projects, the staff resource to deliver the projects may remain constrained.

The Board discussed the further pressure on capital project budgets imposed by supply chain inflation.

Discussion took place on achievement of Scottish Government's National Infrastructure Mission's commitment to increase annual infrastructure investment by £1.5 billion (compared to 2017) by the end of the current Parliament noting that the projection includes the potential deployment of the Mutual Investment Model. Additional revenue funded investment in the coming period through the Learning Estate Investment Programme and Green Growth Accelerator was noted.

PR further highlighted the planned public sector bodies landscape review by Scottish Government as well as the multi year estates programme.

6 Business Area Strategy

KA gave an overview of the Infrastructure Finance and Programmes business area comprising the workstreams Innovative Finance, Learning Estate, Digital Infrastructure, Net Zero- Buildings, Net Zero- Transport and Operational Contract Management. KA described the balance of activities in the different workstreams across the design and delivery of programmes and financed infrastructure with the majority of workstreams currently concentrated at the design stage. KA highlighted how the Learning Estate Investment Programme moved from design and development in recent years to its current delivery stage.

KA described also the role in designing and delivering tools and guidance to support implementation of policy and noted the current challenge in a number of areas where new 'user pays' funding and associated financing arrangements require to be developed.

KA advised that 70% of the funding in the business area is from portfolios rather than core funding and therefore subject to separate negotiations on annual basis. The Board discussed the challenge of developing and maintaining strong relationships across a number of different Scottish Government portfolios and the risks associated with short term funding, in particular in relation to attracting and retaining key staff. The Board agreed the importance of attracting the right staff and identifying and being able to retain key individuals.

MONITORING

7 Workstream Activity Report

The Board noted the report setting out progress against business plan activities 2022/23 as at the end of May 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 changed.

PR highlighted recent publications by the Company including guidance on pathways to net zero for assets delivered under PPP contracts and on phasing out petrol and diesel cars and vans from public sector fleets.

PR advised that constrained resource in partner organisations continues to present a risk across a range of activities and this is being closely monitored. He further highlighted the position [REDACTED] which had been discussed and will continue to be monitored by the Group Audit Committee. PR also confirmed that discussions are continuing with Scottish Government Digital Connectivity to shape the Company's ongoing and future activity in this area.

The Board reviewed and discussed the reports for each of the 14 workstreams. PR explained that the undertakings on free school meals impacts the kitchen requirements in schools and therefore school infrastructure.

PR highlighted that the Operational Contract Management team is to support two pilot projects to implement the SFT guidance to assist authorities managing PPP projects to transition those assets towards the net zero carbon requirement by 2038.

The Board was advised that [REDACTED] who has led on the Asset Strategy Central Estate is to retire over the summer and PR confirmed that a resource and handover strategy is being worked through.

The Board discussed activity in the Infrastructure Strategy area and IR questioned if Scottish Government had undertaken any assessment on progress on implementing the recommendations of the Infrastructure Commission for Scotland.

The Board broadly welcomed the revised reporting format and asked that PR consider further the clarity of reporting against planned milestones.

PR to give further consideration to milestone tracking within the workstream activity report.

8 Finance Report

CW joined the meeting for items 8 to 12

The Board noted the finance report outlining the financial position for the two months ended 31 May 2022. CW advised that the presentation of the financial information has been revised in line with FReM. It was noted that the IFRS's 'Statement of Comprehensive income' is termed a 'Statement of Comprehensive Net Expenditure' under FReM and shows the organisation's operating costs less its operating income to give net expenditure. The Board noted that this revised formatting is being adopted in anticipation of adoption of the Framework Agreement and will be reviewed at the mid-year point if agreement on the Framework has not been reached.

CW advised that the Scottish Government grant letter has now been received and is in line with expectations, reflecting the information in the report. CW advised that she would circulate that grant letter following the meeting.

CW to circulate grant letter to the Board.

CW advised the Board that work is in hand to allocate the majority of the unallocated advisory for the year before the end of June 2022 and that this will be split between advisory costs and temporary salary costs. The Board further noted that the budget and costs in relation to the ongoing hospitals inquiry are still being finalised.

9 Report from Chair of Group Audit Committee

GW provided a verbal update on the meeting of the Group Audit Committee which had taken place immediately prior to the Board meeting, noting:

- The Committee approved the Internal Audit Plan for the year which will cover: risk management; governance; HR recruitment and retention; and budgetary management.
- The Committee had noted outstanding actions from internal controls reviews and reviewed progress.
- The Committee reviewed the Corporate Risk Register and had discussed the assessment of whether or not the risks after mitigation were acceptable. The Committee recommended to the Board Chairman that a review of risk appetite be undertaken at Board level which was agreed.

Board review of risk appetite to be scheduled.

- The Committee had undertaken an early review of two aspects of the SFT Investments Ltd's annual accounts. [REDACTED]
[REDACTED]
[REDACTED] The Committee had agreed the recommendation that a gain on the fair value of equity of £34k be recognised.
- The Committee had discussed its own performance and agreed to seek third party evaluation from the internal and external auditors. IR agreed to co-ordinate feedback from the auditors.

IR to liaise with internal and external auditors to gain feedback on Group Audit Committee performance.

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

10 Corporate Services Report

The Board noted the report covering human resources, communications, information technology, office management and an update on the move to the Scottish Public Finance Manual.

CW highlighted that the Thistle St office lease has a break point on 31 July 2023 and in line with Scottish Government's property control rules alternative options, particularly within the public sector estate, require to be considered at any break point. CW advised that an options appraisal is being carried out and a business case and will be brought to the Board in September.

CW further highlighted that given the current environment and inflationary pressures, further salary benchmarking and analysis is planned during 2022/23.

The Board noted that tenders had been invited for strategic public relations support and CW advised that there had been strong interest.

The Board further noted the increase in phishing emails to staff and that resilience and vigilance continues to be supported and encouraged through communications to staff regarding their cyber resilience responsibility.

11 Outcomes – Interim Progress Update

The Board noted the report providing an update on work completed and activities to be undertaken in the coming months on outcomes reporting for the year 2021/22. CW advised that stakeholder feedback had been sought through an on-line survey but responses had been very poor. CW confirmed that approaches are now being made to key sponsors to gain their direct feedback and a further update will be taken to the Group Audit Committee in August. The Board agreed the importance of stakeholder feedback in order to gauge the value of the work and resource dedicated to the reporting.

12 Board Recruitment Update

The Board noted the report outlining progress on the recruitment of two new non-executive directors. CW advised that the first meeting of the recruitment panel had taken place and bids against the Invitation to Quote assessed with an executive search firm now appointed. It was noted that the positions will be advertised after the summer period.

13 Public Inquiry Update

The Board noted the update legal advice note prepared by the company's solicitors Addleshaw Goddard providing oversight of the Company's position in respect of the Scottish Hospitals Public Inquiry. It was noted that PR had given oral evidence at hearings in May 2022 and all evidence is now in the public domain. The Board noted and discussed the assessment of risk in relation to the ongoing Inquiry.

The Board further noted that hearings planned for the autumn have recently been postponed but witness statements are still being sought over the summer period from two SFT staff. The

Board recognised the pressures on individuals and asked that every support be given to them by the organisation.

14 Health and Safety

The Board noted the report on Health, Safety management and monitoring over the past year. It was noted that there have been no incidents or near misses reported in the year and no issues raised by staff with the Health and Safety representatives.

The Board noted health and safety measures for home-working and that a suite of policies and guidance is being reviewed to reflect the hybrid working environment. The Board requested a progress update on the policy review at its next meeting.

Update on progress on health and safety policy review to be provided in September.

PR highlighted the Company's continued emphasis on employee well-being and the Board noted the reduction in mental health and wellbeing related absence over the past year.

15 CEO Performance and Objectives

PR and LP left the meeting for this item

The Board noted and discussed the Chief Executive's 2021-22 performance appraisal the Chief Executive's objectives for 2022-23.

The Board agreed the Chief Executive's objectives for 2022-23. IR undertook to provide feedback on discussions to PR at their next meeting.

IR to provide feedback to PR.

16 AOB

The intention to hold the November meeting of the Board in-person at a project site was highlighted and it was agreed that a Board dinner could potentially be arranged for the previous evening.