
MINUTE

Meeting of:	Scottish Futures Trust Limited - Board
Date & Time:	Monday 24 June 2024, 2.05pm (Meeting ran 1.50pm to 4.35pm)
Place:	Shared boardroom, Thistle House, 91 Haymarket Terrace, Edinburgh, EH12 5HE
Present:	Joe Philipsz (JP) (Chair) Bill Matthews (BM) Pauline Mills (PM) Stella Matko (SM) Nick Rowan (NR) Stephen Slessor (SS) Graham Watson (GW) Peter Reekie (PR)
Apologies:	none
In attendance:	Liz Petrie (LP) (minutes) Tony Rose (TR) (part meeting) Caroline Whiteside (CW) (part meeting)

FORMALITIES

1 Apologies

There were no apologies.

2 Declaration of Directors' Interests

No new interests were declared.

3 Minute of Previous Meeting

The minutes of the meeting of the Board of Directors of 14 May 2024 were noted and approved as a correct record. Members of the Board confirmed that they were content to receive the future draft minutes within the pack for the subsequent board meeting, following early review by the Chief Executive and Chair.

There were no matters arising not dealt with in the agenda.

4 Action Tracker

Completed actions were noted together with timescales for ongoing actions.

PR confirmed that workstream leads were being consulted on possible project venues for future board meetings.

PR advised that Lar Housing Trust had recently completed a development for mid-market rent in Edinburgh and if any directors wished to view the development in the coming weeks that could be arranged.

PR confirmed that the pay award had been funded from the totality of both core and programme budgets, with contingency reduced.

DISCUSSION

5 Business Context

PR led discussion on the context within which the Company is operating, concentrating on the political landscape in the run up to the UK general election on 4 July 2024.

The Board discussed the varying prioritisation and emphases given to infrastructure in the different parties' manifestos, ranging across infrastructure planning and strategy, housing, planning, energy and net zero. Discussion took place on possible impacts for the organisation of anticipated election results and noting the challenges and opportunities for infrastructure delivery over the period between the current UK election and the 2026 Scottish election.

The Board acknowledged the current constraints on infrastructure investment both in respect of public finances and workforce supply. PR advised that he has been invited to attend the next meeting of the Scottish Government's Exchequer Board where future financing of infrastructure is due to be considered. Further discussion took place on the constraints on private investment imposed by shortages of appropriately skilled labour in Scotland, as well as housing supply to accommodate workforce where needed.

PR provided a summary of discussions held with the Scottish Labour leader prior to the UK election being announced and confirmed that engagement across political parties would recommence after the election period. The Board discussed the possible changes to the public sector landscape suggested in the different manifestos including the establishment of a housing agency and centralised planning resource, whilst noting the extent of devolved and reserved powers.

JP confirmed that, in addition to the SFT six month review meeting with Scottish Government that he and PR had attended since the last meeting, he had also had a separate introductory meeting with the director of the Company's sponsor directorate, Alison Cumming (AC), Director for Budget and Public Spending. JP confirmed that he had distributed a note to non-executive directors following the meeting where AC had recognised the value and strengths of the organisation. Both had agreed the importance of building and maintaining strong relationships and clear and consistent communications with partners.

6 Business Area Strategy: Strategy, Place and Economy

TR joined the meeting for this item.

TR gave an overview of housing activity within the Place, Housing and Economic Investment workstream. He described the ambition of delivering more homes in more ways and outlined some of the challenges to housing delivery in Scotland.

The Board discussed the range and impacts of challenges to the sector including planning pace and resources and cost escalation coupled with reduced grant provision.

TR outlined the team's activities in three areas: to deliver the right homes in the right places, including repurposing buildings in town centres; to deliver more homes at pace and scale, with the example of the Edinburgh Housing Demonstrator using a joint procurement approach; and to build on existing funding and financing models for housing delivery.

The Board recognised the role of housing as an enabler of economic growth and discussed the current challenges in providing sustainable housing in Highland communities to support growth industries. The Board discussed the barriers to deliver homes at pace and the potential to overcome them. The Board noted the recent establishment by Scottish Government of a housing investment taskforce to which the Company provides support and recognised the importance of a joined-up approach across procurement, economy, housing and planning to achieve housing outcomes.

TR left the meeting.

MONITORING

7 Workstream Activity Report

The Board noted the workstream activity report summarising the progress made on the activities outlined in the 2024-25 Business Plan under the Company's fifteen workstreams.

PR noted that following feedback on the format and content of previous years' workstream reports, a RAG status has been included for each business plan activity. This is in addition to the commentary highlighting milestones achieved in the period, risks to the workstream and any milestones missed, as well as opportunities outwith business plan activities. PR referred to the detailed report listing all milestones under each activity which the Board had reviewed at its meeting in May and advised that Leadership Team track the RAG status of all of the milestones monthly.

PR noted that one activity is rated red as the Senior Associate Director leading digital infrastructure work has taken up a new leadership role embedded within Scottish Government. The change in internal resource has led to a reassessment of what can be achieved in the year. PR advised that consideration is currently being given to how best to backfill the position.

PR further highlighted that, following the Board's request, a table indicating the lifecycle stage of each of the Company's fifteen workstreams has been included in the report. The Board noted that the majority of the workstreams are mature. PR advised that although many workstreams have mature programmes and portfolios, much of these workstreams'

activities continue to focus on innovation, thought leadership and challenge, creating a cycle of ongoing innovation within established workstreams.

The Board welcomed the revised reporting format.

8 Public Inquiry Update

PR provided an update on the Scottish Hospitals Public Inquiry. He confirmed that SFT had made a closing submission in writing. SFT's appointed lawyers had attended the hearings and reported that the SPV delivering the Edinburgh hospital and Scottish Government had both aligned themselves with the principal point in SFT's closing submission on risk transfer.

CW joined the meeting.

9 Finance Report

The Board noted the report summarising the financial position for the two months to end May 2024. CW advised that due to variations in timing of some areas of corporate expenditure the year to date position is a £67k underspend.

CW advised that the grant letter from Scottish Government has not yet been received. She confirmed that all funding amounts have been agreed but some wording within the letter has yet to be finalised. CW advised that funding is able to be drawn down and that drawdowns are made monthly. The Board discussed whether or not funding, or elements of programme funding, could be drawn down in a block in advance and CW undertook to review the possibility.

CW to review possibility of drawing down funding as a block rather than monthly.

CW advised the Board that, as referenced in the SFT Investments audit plan, the external auditors have requested a list of the Company's key personnel's close family members to carry out related party checks. She advised that she would be sending an email request to Board members for this information and confirmed that the information would be accessed only by herself and SFT Investments Ltd's auditors.

10 Report from Chair of Audit Committee

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

- RSM had been reappointed as Internal Auditors and the Committee had approved the Internal Audit Plan for the year to cover business continuity, sickness absence management and cyber security.
- The Committee had noted that the highest level of opinion had been received for the Internal Audit 2023-24.
- The Committee had reviewed and approved the Internal Controls and Financial Procedures Manual.
- The Committee had reviewed the Corporate Risk Register noting that there was no significant change in risks in the period since the last review. GW noted that issues are now identified within the register.

- The Committee had noted that the external audits are in process and on track, noting the two potentially challenging areas of the pension asset and SFT Investments Ltd's investment valuations.
- The Committee had reviewed and agreed the recommendations on equity and subordinated debt valuations for SFT Investments Ltd including agreeing a discount rate of 8.25%. The Board acknowledged that the adoption of the fair value approach made the valuation of investments more sensitive to movements in interest rates which will lead to greater annual fluctuations in the valuation of the company's investments.
- The Committee had reviewed and agreed the recommendation on estimated credit losses on the hub West working capital loan.
- The Committee had reviewed the comparison of reporting requirements under FReM against those of the UK Corporate Governance Code. The Committee had asked that the Executive consider including two areas covered by the Code which are omitted from FReM in regard to the views of key stakeholders and the future prospects of the company.
- The Committee had reviewed its performance and agreed to ask the Chair of the Board to seek independent feedback from both internal and external auditors on the Committee's performance. JP agreed to seek feedback later in the year following the completion of the external audit.

JP to seek feedback on the performance of the Group Audit Committee from internal and external auditors.

PR referred to Audit Scotland's Section 22 report on the Water Industry Commission for Scotland and invited the non-executive directors to advise if there were any areas of the business they would like to see an internal control review carried out which were not covered in the internal audit plan agreed by the Committee.

11 Corporate Services Report

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

CW highlighted key areas for action identified in response to the employee opinion survey including specific actions to be undertaken in the period to end July and noting that a staff engagement group is to be formed to help to drive forward actions in the coming period.

The Board noted the interim staffing structure put in place following the departure of the Senior Associate Director – Legal, and CW outlined the intention to recruit to a new post which will span both corporate and commercial responsibilities following the planned retirement of another Senior Associate Director.

CW confirmed that exit interviews were carried out with all leavers and the Board was advised that the feedback is used in a number of ways including informing recruitment to the role vacated, reviewing for alignment with other feedback such as from the employment opinion survey and to engage and develop line management.

The Board noted and discussed social media engagement through the Company's LinkedIn platform.

The Board further noted that a number of staff have been embedded in Scottish Government for extended periods with no end-dates agreed. PR agreed to carry out a review of these arrangements.

PR to review long-term embedding arrangements.

12 Outcomes – Interim progress report

The Board noted the interim progress report providing an update on work completed to date along with key activities to be undertaken in the coming months in respect of the 2023/24 SFT Outcomes reporting. CW confirmed that all activities are on track. It was noted that an assurance review of the outcomes reporting is carried out annually and the this review will be reported to the Group Audit Committee in August 2024.

13 Health and Safety – Annual Review

The Board noted the Health and Safety report providing an update on Health and Safety management and monitoring over the past year. PR highlighted that this was the first Health and Safety report to be brought to the Board since the move to the new office premises. He advised that the landlord who also part-occupies the building, Scottish Legal Aid Board, is generally responsible for Health and Safety in the office and that areas of responsibility are being verified to confirm full coverage.

The Board noted and discussed increase in the mental health and wellbeing related absences in 2023/24 in comparison with the previous year. PR confirmed that the increase was driven by the longer term absence of a very small number of staff and support had been provided for their return to work. The Board agreed that such absences should be closely monitored and widespread, multiple, work-related stress absences would become a matter for the Board.

DECISION

14 Corporate Planning 2025-30

The Board noted the report providing and update on progress in corporate planning since its last Board meeting. PR advised that the Leadership Team continues to develop the Plan based on the three unique characteristics of remit, organisational position, and skills mix and the three primary areas of activity of strategy, funding & financing, and delivery

PR described the work that has been carried out to inform further discussion with Scottish Government on the Company's future funding. The work has included a consideration of the interaction between core and programme funding including overhead recovery.

PR highlighted that the Company's sponsor team within Scottish Government has sought feedback from Scottish Government stakeholders including those currently providing programme funding. He advised that a range of feedback has been received and differences noted in the degree of direction funders wish to exert on the Company's activities. The Board discussed the importance of maintaining strong relationships with funders as well as independence to manage activity across the Company. The Board

further discussed the implications of funders directing specific activities. The Board recognised the range and diversity of relationships with Scottish Government funders and stakeholders and noted that clarifications on some of the feedback received through the sponsor division are being sought.

The Board further noted that direct engagement with Scottish Government stakeholders will take place over the coming months as part of the stakeholder engagement plan. The engagement meetings will be supported by the five-year review document which PR advised has now been produced and copies will be given to directors at the end of the meeting.

PR highlighted the other strands of ongoing work with an initial plan developed and group set up to review whether to change or maintain the current outcomes and a group established to review the Company's values. PR advised that the group reviewing the values had proposed that the Company's vision also be considered. The Board agreed to a review of the organisation's vision.

The Board noted also the proposed review of the outcomes included in the current corporate plan and agreed to developing a refreshed outcomes and measurements framework for the 2025-30 Corporate Plan.

NOTING

15

AOB

There was no other business.

The meeting ended at 4.35pm.