

MINUTE

Meeting of:	Scottish Futures Trust Limited - Board
Date & Time:	Monday 27 January 2025 Scheduled: 2pm to 5.30pm Actual: 1.30pm to 4.30pm
Place:	Shared board room, Thistle House, 91 Haymarket Terrace, Edinburgh, EH12 5HE
Present:	Joseph Philipysz (JP) (Chair) Pauline Mills (PM) Stella Matko (SM) Nick Rowan (NR) Stephen Slessor (SS) Peter Reekie (PR)
Apologies:	Graham Watson (GW)
In attendance:	Liz Petrie (LP) (minutes) <u>Part meeting: Items 1 & 2</u> Shona Robison (SR), Cabinet Secretary for Finance and Local Government Katherine White (KW), Deputy Director Infrastructure Division, Scottish Government Liam O'Brien (LO), Policy & Sponsorship Manager Infrastructure Division, Scottish Government Sam Brown (SB), Assistant Private Secretary, Office of the Cabinet Secretary for Finance and Local Government <u>Part meeting: Items 7 to 13</u> Caroline Whyteside (CW)

FORMALITIES

1 Apologies, agenda and introductions

Apologies were noted from GW. JP welcomed the Cabinet Secretary to the meeting and introductions were made.

DISCUSSION

2 Context discussion with the Cabinet Secretary

SR thanked JP for the opportunity to meet with Board and thanked the directors for the experience and skill sets they bring to the work of the Company. She recognised the Company's unique position as a centre of infrastructure expertise, well respected in both the public and private sectors.

SR outlined current budget challenges faced by Scottish Government and the difficult decisions required in reprioritising limited capital budget. SR recognised the importance of infrastructure for economic growth. She referred to the Company's proven ability to

develop innovative models to lever in private investment and the continued need for this especially to achieve the transition to net zero. She recognised also the opportunity for public investment to catalyse further growth.

SR referred to the additional funding allocated to the Company for the coming financial year to enable increased activity in important areas such as PFI handback, innovative finance and asset strategies to further support Scottish Government priorities.

SR advised that she looked forward to further discussions with PR at a meeting in the coming period on the Company's corporate plan.

PR provided an overview of the challenging infrastructure environment. He noted that combining the rise in gilt rates and construction inflation over the last four years an infrastructure asset bought in January 2025 and financed over 25 years will cost approximately double the same asset bought in January 2021. He described also the need for changes in the regulatory environment to enable infrastructure investment.

The Board discussed Scotland's housing emergency and the barriers to housing development. PM described blockages to development which can exist even after planning has been granted including provision of utilities or enabling infrastructure and changes in project viability. SR highlighted the opportunity to use outcomes based funding for housing development.

Workforce and skills shortages were recognised as presenting ongoing challenges to infrastructure development. NR noted the shift of workforce from building construction to the energy/civils sector.

The Board discussed the significant challenge of retrofitting existing buildings to meet net zero targets including how to finance the extensive work required. The opportunity for public sector buildings to be used as anchors for district heating schemes to demonstrate projects at scale was recognised. PR described the benefits of a programme approach to establish pipeline and create a viable market for the development of heat networks.

PR provided a high level overview of the development of the Company's corporate plan 2025-30, highlighting the vision of 'sustainable infrastructure for a thriving Scotland'. He described the Company's remit to work across infrastructure sectors and lifecycle and noted its position aligned with, and outside, Government. He further noted the strength of the SFT team with considerable experience across a range of professional disciplines. He confirmed that the Company is open to change and this is reflected in the draft plan which provides the flexibility to adapt to meet emerging priorities over the life of the plan.

PR outlined the Company's four principal areas of collaborative infrastructure activity: strategy; investment; delivery; and management. He described the ambition for major achievements in each area over the course of the plan.

The Board discussed risks and opportunities in the areas of PFI handback, digital connectivity and data technology and noted the Company's ongoing activity and expertise in these areas.

JP thanked SR for meeting with the Board and SR thanked the Board for its time.

FORMALITIES

3 Declaration of Directors' Interests

No new interests were declared nor highlighted in relation to the agenda.

4 Minute of Previous Meeting

The minutes of the meeting of the Board of Directors of 18 November 2024 were noted and approved as a correct record.

PR asked the Board to consider an amendment to the approval at the last meeting to move salary bands such that all staff may be eligible to receive an annual pay increase in April. The Board asked that PR circulate a note for directors' consideration post-meeting.

PR to circulate a note on proposed adjustment to salary bands for the Board's consideration outwith the meeting.

PR recalled the appointment of Nial Gemmill to act as SFTi's 'A' Director on the five hubCo Boards which had been approved by the SFT Group Committee: Conflicts in December 2023 and that it had been agreed that Board/Committee approval should be sought prior to any extension to the contract. He recommended extension of the contract by one year and directors agreed to the extension.

5 Action Tracker

Completed actions were noted together with timescales for ongoing actions.

JP provided an update on the recruitment of Board directors confirming that the response has been good and noting that shortlisting is to take place later in the week.

DISCUSSION

6 Strategic discussion

PR referred to the Board's request for the Executive to present a short list of strategic, transformative ideas for Board consideration in parallel with developing and finalising the corporate plan.

PR advised that the transformative activities identified fall into three broad groupings: enhancement of aspects of the Company's current activities; change to the organisational landscape; and transition of the Company to address specific elements of infrastructure activity.

PR described the activities that could be enhanced including the three areas of innovative finance, operational PPP leadership and long-term infrastructure strategy where additional funding in 2025-26 is to be allocated. He described also the potential benefits of increasing activity, and leadership of that activity, in areas such a social infrastructure

delivery, property disposals programmes, the energy transition and data-led asset and built environment planning and management.

PR described opportunities for rationalising the infrastructure public body landscape as well as specific elements of infrastructure activity where leadership and ownership of the activity could lead to a transformation of the organisation.

The Board discussed the risks and benefits of the options presented and noted that many had been discussed during the corporate planning process. It was agreed that it would be useful to review the opportunities regularly, including at the next meeting, to maintain a strategic overview of the infrastructure landscape and identify any new opportunities and priorities for enhancement. The Board asked that the slides be circulated.

*Regular review of strategic opportunities to be undertaken including at next meeting.
Copy of the presentation to be circulated to the Board.*

DECISION

7 Corporate Plan 2025-30

The Board noted the report outlining progress on development of the corporate plan 2025-30 since the last Board meeting. The Board noted and endorsed the restructuring of activities into the four areas of: strategy; investment; delivery; and management. The Board noted the draft text of the corporate plan 2025-30. The Board endorsed the broad content and style of the draft and provided comments and recommendations on the wording of some sections for PR's consideration.

The Board supported the proposal to incorporate example activities within the plan and discussed how to deliver the plan's key messages to the section of the plan's audience who will skim rather than read the detail of the document. PR undertook to consider this further alongside the development of the other outstanding elements of the plan listed in the report.

PR advised that a final draft plan will be brought to the Board for approval in March.

8 Business Plan 2025-26

The Board noted the report providing an update on the ongoing business planning process, confirming current budget assumptions and outlining budget scenarios based on a range of pay awards for 2025-26.

The Board noted and discussed the significant recruitment activity required to deliver the 2025-26 plan. CW outlined the varied reasons for recruitment demand including: six current vacancies, some of which had been held vacant in the current year to deliver in-year savings against Scottish Government 2024-25 spending controls; three posts to provide additional resource in priority areas where additional 2025-26 core funding has been granted; planning for one upcoming retirement; backfilling a programme funded position following internal promotion; and a number of recruitments where advisory spend and inward secondments would be replaced with staff resource.

The Board discussed the risk to the Company of managing the recruitment and induction of a significant proportion of staff in the coming period. The Board further noted the recent loss of two staff to the energy market and the importance and challenges of remaining competitive in a tightening market. The Board noted that updates on staffing would be continue to be provided through the corporate services report and asked that progress on recruitments be included in future reports.

Recruitment progress to be included in future corporate services reports.

The Board noted that discussions on programme funding for 2025-26 continue and agreed the principle that a reduction in funding in a given area should lead to a reduction in the Company's activities in that area.

PR confirmed that a recommendation on pay award will be brought to the next Board meeting for approval.

MONITORING

9 Workstream Activity Report

The Board noted the workstream activity report reflecting progress against Business Plan activities as at end of December 2024. The Board noted the movement in RAG status since end October 2024 as reported at the last Board meeting. It was noted that one activity has moved to 'red' due to previously reported resource restraints within the hub workstream.

PR highlighted the approach being taken to assessing the RAG reporting for activities given that a number of milestones are tracked against each activity. He described the example of activity 21 where contributory missed, 'red', milestones outwith the Company's direct control are advised to the Board in the report's narrative, while the overall activity remains 'green' as the actions and milestones within the Company's control have been completed as anticipated in the year to date. The Board noted and endorsed the approach.

PR further noted the inclusion of a summary of his engagement with stakeholders over the recent period. The Board welcomed this addition to the report and asked that this be updated for future meetings.

Updates on CEO's stakeholder engagement to be included in future workstream activity reports.

PR highlighted challenges in taking forward housing initiatives and provided an update on hub procurement where a consensus has been reached with stakeholders on communication and sign off awaited from Scottish Government -Legal.

10 Report from Audit Committee

It was noted that a meeting of the Group Audit Committee had taken place immediately prior to the Board meeting. It was highlighted that the current scheduling of audit work by SFT's external auditors would not meet the planned sign off of the SFT Group Annual

Report and Financial Statements at the September 2025 Board meeting and that the Committee had asked that the audit scheduling be reviewed.

11 Finance Report

The Board noted the finance report for the nine months ended 31 December 2024 with an update forecast as at 13 January 2025. CW noted the current forecast for the year of a £28k underspend and advised that discussions continue on the utilisation of the remaining digital programme budget.

12 Corporate Services Report

The Board noted the corporate services report covering human resources, communication, information technology, and legal and procurement activities in the recent period.

The Board noted a number of short-term inward secondments to support current business plan activities which are scheduled to terminate at the end of the financial year.

The Board further noted the progress on the procurement of an IT Managed Services Provider. The Board asked that it be advised of any OJEU level procurements in advance of tender.

13 AOB

There was no other business.

The meeting ended at 4.30pm