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## MINUTE

Meeting of:	Scottish Futures Trust Limited - Board
Date & Time:	Monday 20 March 2023, 1.45pm to 5pm
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) Kerry Alexander (KA) (part meeting)

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### FORMALITIES

#### 1 Apologies

There were no apologies.

#### 2 Declaration of Directors' Interests

PM advised of Taylor Wimpey's interest in East Lothian site highlighted in the Place Housing and Economic Investment workstream activity report.

#### 3 Minute of Previous Meeting

The minutes of the meeting of the Board of Directors of 30 January 2023 were noted and approved as a correct record.

#### 4 Action Tracker

Completed actions were noted together with timescales for ongoing actions.

It was confirmed that PR's appointment as Accountable Officer has no impact on Directors' and Officers' insurance.

### DISCUSSION

#### 5 Context Discussion

PR led the discussion describing recent meetings with the Cabinet Secretary for Net Zero, Energy and Transport and the Cabinet Secretary for Health and Social Care. The Board discussed the current political uncertainty pending election of a new First Minister. It was noted that IR and PR had met with Alyson Stafford, Director General Scottish Exchequer,

for the Company's six monthly review meeting on 13 March and that a meeting is being sought with the Permanent Secretary.

PR highlighted Scottish Government's current work on Public Sector Reform which includes the public body landscape. The timescale for achieving clarity on the public body landscape was discussed and PR confirmed that given current uncertainty the appropriateness of deferring the corporate planning would be raised later in the agenda.

PR described the Company's early initiatives and evolving role in the funding and financing of infrastructure including development of the non profit distributing (NPD) model, halted due to classification changes, the current Learning Estate Investment Programme's outcomes based funding model, and the development of Mutual Investment Model which has yet to be utilised.

## **6 Business Area Strategy – Infrastructure Finance and Programmes**

KA gave a presentation on the work across the Infrastructure Finance and Programmes business area covering: innovative finance; net zero transport; operational contract management; digital infrastructure; net zero buildings; and learning estate. The Board noted that 20 full time equivalent staff work across the six workstreams and KA highlighted that 75% of funding is from portfolios with only 25% derived from core funding. KA confirmed that regular reporting on progress is required for programme funded areas and reporting on the basis of the Project Initiation Documents drawn up for internal reporting is recommended to the portfolio sponsors. KA described the outcomes based funding model for the Learning Estate Investment Programme and highlighted the increasing inflation pressure on the programme.

KA described increasing interest in developing innovative funding and financing for infrastructure which will ultimately be paid for private users. KA described the elements of the 'value chain' demonstrating readiness to unlock private investment: clear policy ambition; presence of underpinning infrastructure; the maturity of the necessary technologies; and market economics. The Board discussed these factors in relation to the pre-development market for large heat networks and the more speculative market for low carbon hydrogen. KA further described current work on heat networks and the Board discussed levers such as regulation and incentivisation required to accelerate the market.

The Board requested that a copy of the presentation slides be circulated by email following the meeting.

*A copy of the presentation slides to be circulate by email following the meeting.*

*KA 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 February 2023, 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 confirmed that some work streams have not made as much progress targeted principally due to resourcing pressures across the public sector and the changing market

conditions during 2022 including cost increases across the market and emerging budget pressures in the public sector. PR highlighted progress against a number of business plan activities:

In the Net-Zero Buildings workstream, PR recalled that during the year internal resource had been re-allocated away from decarbonising the public sector estate to support the Heat in Buildings Programme. This has slowed some progress on promoting the Net Zero Public Sector Building Standard with individual partners. PR further highlighted work in Net Zero Transport to develop a concession approach and contract for public charging points to move to Local Authorities introducing tariffs, noting strong overall progress although progress with pilot concession procurements has been slower than originally anticipated.

In Digital Infrastructure the Board noted and discussed risk around the leadership and SFT's future role in the Scotland 5G Centre where SFT was a founding partner. PR confirmed that a further update would be given at the next meeting. PR highlighted the Operational Contract Management team's focus through the year on preparing for hand-back and the challenge of constrained capacity and resource within the public sector to support the hand-back of projects.

The Board noted the launch of the Construction Quality Initiative in February 2023. PR advised that this was behind the programme originally intended but delivered a significant milestone within the year. PR highlighted the range of activities through the year to set up projects for success confirming that the team could deploy significantly more resources to the ongoing activities than is available.

[REDACTED]

[REDACTED]

[REDACTED]

SM expressed interest in the work being undertaken on digital twins and it was proposed that a discussion with the infrastructure technology team should be set up.

PR noted the success of the asset strategy co-location work across the blue-light estate which is being highlighted as an early exemplar for public service reform. The Board noted that Green Growth Accelerator projects have progressed at variable pace, with some not being progressed as quickly as had been anticipated at the start of the year.

PR highlighted the recent recruitment of a Manager to the Infrastructure Strategy team to support work across this area where staff resourcing has been the main risk reported through the year.

GW requested that further consideration be given to transparency of milestone reporting, with clearer reporting on planned milestones and whether or not they are achieved to targeted timescales.

*PR to further consider how to improve clarity on planned milestones within the workstream activity report.*

IR noted that in the past year each director had been allocated two or three workstreams to increase their knowledge of workstream activities. IR requested that a revised allocation be drawn up for the coming year to include the new Board members.  
*Proposed schedule for workstream allocation for 2023-24 to be drawn up.*

**8 Public Inquiry Update**

PR provided an update on the Scottish Hospitals Public Inquiry. PR advised that hearings are to be held commencing the last week in April where both he and a Senior Associate Director are to provide evidence. The Board noted the significant time commitment to prepare witness statements and agreed the importance of providing every support to staff called to appear as witnesses.

*CW joined the meeting.*

**9 Finance Report**

The Board noted the report outlining the financial position for the ten months ended 31 January 2023 with an updated year end forecast as at 7 March 2023.

CW confirmed that an underspend of £25k is currently forecast. It was noted that there remains some uncertainty on legal fees in relation to the Scottish Hospitals Public Inquiry due to the timing of elements of work over the year end. The underspend is not being allocated elsewhere in case required for legal fees in this financial year.

The Board further noted the allocation of £45k to cover part of the increased external audit fee from Grant Thornton and discussed the significant increase in fees compared to the fees charged by Azets. It was thought that a major element in the raised fee relates to the audit of SFT Investments and should the fee for future years remain at this level, consideration should be given to the possibility of competing the SFT Investments audit separately.

Given the major increase in fees by the Audit Scotland-appointed auditor, and resultant budget pressure, it was agreed that a letter should be sent to the Auditor General and the Board requested that a letter be drafted. It was further agreed that Grant Thornton should be asked to clearly account for time spent on the SFT Investments audit.

*CW to draft letter to Auditor General.*

*Grant Thornton to be asked to account for time spent on SFT Investments audit.*

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

**10 Corporate Services Report**

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

CW highlighted the re-certification process being undertaken for both Cyber Essentials and Cyber Essentials Plus and advised that following completion of the process a decision will be taken on scheduling testing of the Business Continuity Plan, noting that it may be more beneficial to undertake this after the office move.

CW further highlighted ongoing work on assessing dilapidations at the Thistle Street office and confirmed the current landlord's agreement to extend the lease on a month by month basis if required.

## **11 Corporate Plan 2024-29 Update**

The Board noted the update report on the planned development of the Corporate Plan 2024-29. PR outlined the meetings and discussions that have taken place with Ministers and the Company's Scottish Government sponsor team since the last Board meeting. PR recalled that the Board had previously agreed that a prerequisite for the development of the Corporate Plan should be a clearer understanding of the organisational landscape of infrastructure related organisations in Scotland and SFT's role within it. It was agreed that this baseline has not been achieved and that given recent changes in Scottish Government it is not expected that this will be clarified in the immediate future. In these circumstances the Board agreed that preparation of the Corporate Plan should be deferred for a year and the current Plan extended by a year, subject to confirmation from Scottish Government that this is acceptable.

The Board asked the executive to seek formal Ministerial/Scottish Government agreement to extend the Corporate Plan 2019 to 2024 to cover the period to 2025.  
*Formal agreement to the extension of the Corporate Plan to be sought.*

### **DECISION**

## **12 Annual Reward Review**

The Board noted the report and recommendations on the annual reward review. The Board noted the analysis of salary and recruitment trends in both the public and private sectors and PR highlighted the results of the extensive benchmarking process undertaken during February 2023 which had included detailed job-matching of individual roles. PR confirmed that SFT salaries benchmark around the median pay for similarly-sized jobs.

The Board recalled that SFT's 2022-23 pay rise had aligned with Scottish Government Pay Policy which was lower than many bodies across the sector finally settled on and that a non-consolidated increase of £1,100 for a period of six months ending March 2023 had been awarded in October 2022. The Board discussed the recommendation of a 5% salary increase, noting that the benchmark providers indicated that this would be consistent with the market and therefore maintain the benchmark position. PR confirmed that the Company continues to be successful in recruiting high calibre candidates to roles.

The Board approved a general 5% pay award with the exception of the chief executive, and the associated budget, subject to finalisation of the budget for 2023-24.

The Board further approved the recommended budgetary allowance for any salary amendments and promotions during the year.

The Board noted and approved the recommended changes to the salary ranges in line with the approved pay award and to bring the lower end of the business support grade to reflect Scotland's Real Living Wage.

PR highlighted that staff move through the salary bands on the basis of performance with staff graded above expectations awarded a performance increment on top of the annual pay award. The Board approved an annual performance increment budget of up to £22k.

The Board agreed that there should be no change to car allowance or mileage rates but agreed that consideration should be given to HMRC guidelines on variable rates for petrol, diesel and electric and proposals brought back to the Board.

*Review of mileage rates to be undertaken and proposals brought back to the Board.*

The Board further noted the non-salary reward package offered by the Company and the overall budget impact of the approved salary awards.

*PR, CW and LP left the meeting for during discussion of the CEO's and Non-executive director salary review.*

IR confirmed that the Board had agreed that there should be no change to the CEO's or Non-executive directors' remuneration at this stage but further consideration should be given to both in the coming period.

*Further consideration to be given to non-executive directors and CEO remuneration.*

### **13 Business Plan 2023-24**

The Board noted and discussed the draft Business Plan 2023-24. PR highlighted that the proposed Plan is based on continuity with activities planned across the Company's existing 14 workstreams.

The Board noted and discussed the 2023-24 budget. The Board noted the £200k decrease in core grant as previously reported and that the programme budget from housing is at risk with a reduced amount of £80k currently being discussed but not confirmed.

The Board noted the cost assumptions made. PR highlighted budget pressures including uncertainty on [REDACTED] legal fees and costs relating to the office move, as well as the confirmed significant increase in external audit fee. The Board noted the allocation of £150k to Scottish Hospitals Public Inquiry costs and PR advised that verbal agreement has been reached for additional budget should costs exceed this limit.

It was noted that the cost model shows a significantly lower level of available advisory expenditure than previous years and that until the housing budget is confirmed the available advisory sits below the £200k level that the Leadership Team has agreed as the minimum. The Board asked what the impact of the reduction in advisory would be on workstream activities. It was acknowledged that less progress than planned may be made in some activities. It was requested that a note on the impact on business plan 2023-24 activities of the reduced advisory allocation be circulated to the Board.

*A note on the impact on business plan activities of the reduced advisory allocation to be circulated to the Board.*

PR outlined the structure of the draft Business Plan, with broadly the same sections as the Plan for 2022-23. PR advised that it is intended to launch the Business Plan in the third

week of April and confirmed that a designed PDF version of the Plan would be circulated to the Board prior to publication.

*Designed version of the Business Plan to be circulated to the Board prior to publication.*

Directors were invited to comment on the Plan and to advise any small points of detail by phone or email by the end of the week.

*Directors to provide any comments on the detail of the Plan by Friday 24 March 2023.*

Subject to any comments provided and to finalisation of the budget, the Board approved the Business Plan 2023-24.

#### **14 Board Effectiveness and Succession**

The Board noted the report covering the Board's annual review of its performance and succession planning.

The Board noted the progress over the past year against actions agreed following the board self-assessment in early 2022. The Board agreed to close the 2022-23 action plan with any areas to be carried forward being integrated into the 2023-24 action plan.

The Board further noted and approved the proposed action plan based on feedback from the review carried out in January/February 2023. The Board requested that a progress report on the actions identified be given at the mid-year point.

*Progress on the action plan to be brought to the Board in September 2023.*

The Board noted the skills matrix illustrating areas of experience and expertise held by each director together with term expiration dates. IR requested that individual directors provide any feedback on their own skills and experience to LP and also to advise if they consider any relevant areas to be missing from the listing of skills and experience.

*Directors to advise of any revisions to matrix.*

The Board noted that IR and GW are due to retire from the Board within three months of each other, and discussed the proposal that, to avoid these departures being so close together, IR retire on 31 December 2023 or 31 March 2024, to leave at least a year between his departure and that of GW.

The Board agreed the proposal and asked that recruitment for a new Chair be put in hand to allow an appointment to be made to the required timescale. It was further requested that the personal specification for the new Chair's recruitment be brought to the Board for consideration.

*Draft personal specification for the new Chair to be brought to the Board.*

#### **NOTING**

#### **15 AOB**

There was no other business.