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**MINUTE**

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Tuesday 20 June 2023, 1.45pm

Place: SFT Boardroom, 11-15 Thistle Street, Edinburgh, EH2 1DF

Present: Ian Russell (IR) (Chairman)  
Graham Watson (GW)  
Pauline Mills (PM)  
Stella Matko (SM)  
Nick Rowan (NR)  
Bill Matthews (BM)  
Peter Reekie (PR)

Apologies: Stephen Slessor (SS)

In attendance: Liz Petrie (LP) (minutes)  
Caroline Whyteside (CW) (part meeting – items 8 to 12))  
Tony Rose (TR) (part meeting – items 1 to 6))  
Alison Cumming (AC), Infrastructure Investment Division, Scottish Government  
Rebecca Winterstein (RW), Infrastructure Investment Division, Scottish Government  
Shona Robison (SR), Deputy First Minister & Cabinet Secretary for Finance, Scottish Government (part meeting – item 13)  
Robbie Baillie (RB), (part meeting – item 13), Assistant Private Secretary to the Deputy First Minister and Cabinet Secretary for Finance, Scottish Government

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**FORMALITIES**

**1 Agenda and Apologies**

Apologies were noted from SS.

IR welcomed AC and RW to the meeting.

**2 Declaration of Directors' Interests**

No new interests were declared and no interests were highlighted in relation to the meeting agenda.

**3 Minute of Previous Meeting**

The minute of the meeting of the Board of Directors of 9 May 2023 was noted and approved as a correct record.

**4 Action Tracker**

Completed actions were noted together with timescales for ongoing actions. Following the deferment of the review of risk appetite with the Board from the meeting in May

2023, PR confirmed that a further workshop with the leadership team is being arranged for over the summer and it is intended to hold the review with the Board at its September meeting or at the strategy day in early October.

## **DISCUSSION**

### **5 Business Context**

PR highlighted that the workstream activities report includes a section on new opportunities and areas of possible future activities. He advised that the leadership team keeps a range of potential activities under consideration where, for example, stakeholders have requested support or input from SFT.

He outlined several areas under live consideration including hydrogen where SFT has been asked to provide financial and cross-cutting infrastructure expertise. Scope and associated resource requirements are under consideration in this and other possible new areas of activity. PR noted that hydrogen, and more widely energy, is an example of the growing trend for funding and financing support being sought for investment in assets that are privately owned rather than publicly owned.

The Board noted and discussed the range and breadth of new opportunities and PR confirmed that either new funding would have to become available to take on work in any new area or current activities would need to be de-prioritised. He confirmed that he would keep the Board informed of the opportunities being considered and the impacts on current staffing and resources of any proposal to take on new activities.

The Board noted the emergence of new areas within Scottish Government such as hydrogen and Scotwind and acknowledged the challenge of working across the groups to avoid silo working.

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

TR gave a briefing on work within the Strategy, Place and Economy business area concentrating on three areas of research activity: infrastructure demand scenario modelling; town centre living research; and inclusive growth action research.

He described the work being undertaken by the Infrastructure Strategy team to analyse and understand infrastructure demand in Scotland across infrastructure types and taking different industry, population and behavioural dynamics into account. Regional differences across Scotland are also being analysed. TR outlined initial findings and advised that discussions with SFT staff are being scheduled through the summer to further analyse the findings.

TR outlined the work being carried out by the Place Housing and Economic Investment team to look across town centre projects to see what has worked well and build an evidence base to inform future policy for town centres. TR further described the medium and longer term research and actions planned to promote delivery within town centres.

TR advised that to date there has been limited evaluation data to determine the role of infrastructure in supporting inclusive growth priorities. He described evidence gathering which has been undertaken using SFT's own projects with a view to develop a framework and metrics to help inform future prioritisation.

The Board welcomed the research being undertaken and discussed its importance to support future evidence-base policy making. The Board requested that updates on progress in these three areas of research are included in the upcoming monthly work stream activity reports.

*Updates on progress in these three areas of research to be included in the upcoming monthly work stream activity reports.*

## MONITORING

### 7 Workstream Activities

The Board noted the report setting out progress against business plan activities 2023/24 as at the end of May 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 changed. The Board requested that the activities report at the mid-year point include a review of what has been achieved at that point and what is still to be achieved against planned activities.

*A mid-year review of what has been achieved at that point and what is still to be achieved against planned activities to be brought to the Board.*

PR described the risk in many of the workstreams where constrained resources in partner organisations may restrict the capacity to move work forward at the pace envisaged in the business plan. PR acknowledged that as the year progresses it may be necessary to move away from activities where partners do not have capacity to engage in planned activities.

PR highlighted recent progress on the sale of the former Inverness College site which has been vacant since 2015. He described the Real Estate team's early engagement on a number of significant public sector owned sites due to become vacant to reduce the period sites are not utilised.

The Board noted that long term budget approval for Green Growth Accelerator has been challenged within Scottish Government and work on future projects halted. The Board was advised that engagement had not taken place with the Company in advance of the decision and discussions are now being sought. The Board discussed the reputational risk associated with the suspension of this funding route and agreed the need for closer and better engagement with relevant parties in Scottish Government.

PR noted the progress and described the challenges in collaborating across the public sector and construction industry on the Construction Accord Transformation Plan.

The Board discussed and agreed the need for regulation and legislation to drive decarbonisation of privately owned buildings. PR advised that the timing of the re-release of the Net Zero Public Sector Buildings Standard to incorporate existing as well as new buildings is being reconsidered in light of changing timing of Scottish Government announcements.

PR advised that a safety risk has come to light associated with the use of Reinforced Autoclaved Aerated Concrete (RAAC) in some buildings which pre-date SFT on the Learning Estate and confirmed that the team is working with Scottish Government and local authorities to understand the extent of the issue.

PR highlighted the Operation Contract Management team's continued activity on preparing for hand back, noting the risk around public sector organisations' capacity and capability on preparing for hand back.

The Board welcomed the report on early progress against the year's workstream activities and in discussion requested that future reports include also the Leadership Team member responsible, and the funding split between core and programme funding, for each workstream.

*Leadership team members responsible for each work stream to be indicated in future monthly reports.*

*Funding split between core and programme to be indicated for each work stream in future monthly reports.*

## **8 Health and Safety**

The Board noted the report providing an update on health and safety management and monitoring over the past year. The Board noted and discussed the impacts of the changes in working patterns with post-COVID hybrid working being adopted across the business including the guidelines and principles issued to staff on new ways of working on a hybrid basis. The Board discussed in particular the arrangements for fire evacuation. It was confirmed that since the return to the office post-COVID procedures for fire evacuation have been reviewed in line with best practice guidance and the majority of staff have already been given fire evacuation training on the new procedures so that they can take appropriate steps should designated fire wardens not be present at any given point in time. Training will be undertaken by the remainder of staff in the coming weeks.

## **9 Finance Report**

The Board noted the report outlining the financial position of the SFT Group for the two months ended 31 May 2023.

CW confirmed that there is a small underspend forecast made up primarily of an underspend on car allowances where members of staff have not yet taken up their allowances. CW explained that this underspend is offset by an overspend in the Scottish Hospitals Public Inquiry legal fees where costs have been incurred earlier than budgeted. CW advised that Public Inquiry costs continue to be very closely monitored.

CW further confirmed that the grant letter from Scottish Government had been received recently and future finance reports would include a section monitoring grant letter conditions.

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**10 Group Audit Committee Feedback**

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 considered and approved the Internal Audit Plan for the year.
- The Committee had reviewed and discussed the Corporate Risk Register. GW highlighted that the funding risk had been split into current year and future years funding with both categorised as 'red'.
- The Committee reviewed and agreed the preliminary recommendation on estimated credit losses on the hub West and hub South West working capital loans, subject to external audit.
- The Committee reviewed and agreed the recommendations on equity and subordinated debt valuation, subject to external audit.
- The Committee had been provided with an update on the progress of the external audits of SFT and SFT Investments.
- The Committee had agreed the recommended approach of producing a plain set of full accounts as in previous years and publishing, in addition, a glossier summary accounts document.
- 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.

IR thanked GW for his continued work in chairing the Group Audit Committee.

**11 Corporate Services Report**

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

CW highlighted the actions being undertaken in relation to cyber security, noting the ongoing work to achieve re-certification in Cyber Essentials. The Board noted that refresher training in cyber security is to be rolled out to all staff in the coming months.

CW advised that designs for the new office have been drafted and are to be discussed with all staff at a staff briefing on 22 June. The Board was advised that the move dates are to be finalised within the time frame of late September/early October.

**12 Outcomes update**

The interim progress report on SFT outcomes reporting for the year ended March 2023 was noted and discussed. The Board was advised that good progress is being made with quantitative data collection on track. CW confirmed that no additional quantitative measures are being added during this reporting year.

CW highlighted that around 40 new case study topics have been identified. The Board cautioned against holding too many case studies on the Outcomes website which could dilute the messaging and it was confirmed that it is intended that some older case studies will be archived.

The Board further noted the scope, process and timetable for the annual assurance service for outcomes reporting which is to be undertaken by internal auditors, RSM, for the first time.

*Item 15 was discussed prior to item 13:*

**15 Public Inquiry update**

PR provided a verbal update on the progress of the Scottish Hospitals Public Inquiry, noting the conclusion of the latest hearings in May 2023 and advising on ongoing work on closing submissions. PR noted that the next phase of hearings will be in relation to the delay to the opening of the hospital and the scope of that phase has yet to be advised.

**13 Discussion with Deputy First Minister**

IR welcomed the Deputy First Minister and Cabinet Secretary for Finance to the meeting and introductions were made.

PR gave a high level overview of SFT's activities concentrating on the three areas of: prioritisation; funding and financing; and delivery. He described the variety and breadth of approaches to asset strategies where strategies can be developed for organisations, places or sectors.

PR advised that to date SFT's funding and financing activities have been concentrated on assets in public ownership (e.g. learning estate), whereas increasingly Scottish Government is looking to use resources to stimulate increased investment in assets that are typically privately owned such as heat networks and EV infrastructure.

Current Scottish Government budget constraints were acknowledged and discussed balanced with the challenges of delivering net zero targets and ambitious health priorities. SR outlined factors continuing to impact budget including falling UK budget, COVID, Brexit and inflation. The need to achieve best value and outcomes and maintain investment in an environment of falling budgets was acknowledged along with the challenges this presents.

SFT's experience in innovative finance initiatives was acknowledged and discussed including the development of the Mutual Investment Model and it was agreed that a separate discussion with PR on funding and financing structures and their possible applications should be set up with the Deputy First Minister.

Further discussion took place on the need to create conditions to unlock private investment including clear policy ambition and regulatory regimes to develop new markets. The need for investment in grid infrastructure necessary to underpin heat and EV market development was also recognised.

IR thanked SR for meeting with the Board and SR thanked the Board for its time and looked forward to the further discussion on funding and financing options.

*AC and RW left the meeting at the end of this item.*

**14 Follow on discussion**

The Board reviewed its discussions with the Deputy First Minister and asked that a letter of thanks be drafted confirming that a follow up session on infrastructure funding and financing approaches will be set up.

*Letter to be drafted to the Deputy First Minister and Cabinet Secretary for Finance.*

**DECISION**

**16** **CEO Performance** - *PR and LP left the meeting for this item.*

The Board noted and discussed the Chief Executive's 2022-23 performance appraisal undertaken by the Chair of the Board and the Chief Executive's proposed objectives for the coming year.

The Chair undertook to discuss the outcome of the Board's discussion and finalise the current year's objectives with the Chief Executive at their next meeting.

*IR to follow up on CEO performance and objectives with PR.*

**17** **AOB**

There was no AOB