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## MINUTE

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Monday 31 January 2022, 2.15pm

Place: by video conference

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

Apologies: none

In attendance: Liz Petrie (LP)  
Caroline Whyteside (CW) (part meeting)  
Colin Proctor (CP) (part meeting)  
Paul Dodd (PD) (part meeting)  
Triona Tiernan (TT) (part meeting)

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### 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 15 November 2021 were noted and approved as a correct record, subject to the removal of a typographical error on page 3.

#### 4 Action tracker

Completed actions and timescales for ongoing actions were noted. It was confirmed SFT's lead sponsor minister, the Minister for Business Trade Tourism and Enterprise, has been invited to meet with the Board at its May or June 2022 meetings.

### DISCUSSION

#### 5 Context Discussion

PR led the discussion on infrastructure trends for 2022, describing four expected trends and their interaction with areas of the Company's activities:

- Localism, reflecting a reduction in international travel and changes in commuting and logistics patterns with an increase in communities' expectations of local services and infrastructure.
- Energy transition, driven by climate change targets including the technological and economic challenges of the future of building heating.
- Smart assets, developing digital solutions for the way assets are both maintained and utilised.
- Emerging standardisation to enable areas such as the decarbonisation of homes and development of heat networks at scale, with a trend in construction towards standardisation and manufacturing.

The Board discussed the affordability and challenges of reaching Scottish and UK Government emissions reduction targets as well as the Company's roles and relationships in working towards the Scottish targets with Scottish Government and industry. Further discussion took place on the challenges of increasing standardisation in design and construction with the costs of non-standardisation, as well as its benefits, needing to be more widely communicated and understood.

## 6 Business Area Discussion

*CP, PD and TT joined the meeting for this item.*

CP, PD and TT gave an overview of the work carried out within the Construction Industry and Delivery area of the business. CP described the purpose set out in business plan of working with the public and private sector to improve outcomes for the construction industry as a key part of Scotland's economy. The breadth of activities being undertaken at project, programme and national scale was highlighted and PD and TT described activities and achievements in a number of areas: the launch of the construction pipeline forecast tool; the Civtech challenge, using technological solutions to understand how schools are being used; Transforming the Value of Consultancy including developing a toolkit; and the development of a briefing and evaluation framework to support an outcomes based approach to infrastructure investment. PD also highlighted the strengthening of the team through the recruitment during the year of two new posts to support modern methods of construction and data and insights work. The Board discussed the areas of work highlighted and how to measure and demonstrate the progress and benefits of the activities.

## 7 Key Deliverables

The Board noted and discussed the update on progress against the eight key deliverables for 2021-22.

PR highlighted the growth in the pipeline of projects in the hub programme in the year and advised the Board that the first of the 19 LIBOR to SONIA transitions on DBFM projects has been completed subject to Authority approval.

With the Learning Estate Investment Programme moving into delivery phase, PR highlighted the continued diversion of resource to dealing with ventilation issues in response to the pandemic and the Board discussed the implications of taking on such additional work to planned activities on the Programme.

The Board noted that SFT has been invited to be a member on the Strategic Oversight Board for the Heat in Buildings Strategy published in the autumn and PR advised that K Alexander will represent SFT on the Board. PR further outlined the progress with the Net Zero Public Sector Building Standard and noted the public bodies' resourcing and capacity challenges in rolling out implementation.

The Board noted that discussions continue with Scottish Government on the Construction Accord.

The Board noted and discussed the constraint on progress impacting a number of key deliverables as a result of limited resource within partner organisations across the public sector and PR advised that such constraints are being factored into developing priorities and objectives for the coming year.

## **8 Business Area Reports**

The Board noted the business area report highlighting areas of activity within Infrastructure Finance and Programmes, Development and Housing and Construction Industry and Delivery which are complementary and additional to work directly aimed at key deliverables and business plan objectives.

The Board noted that with the handover of the Clydebank Health and Care Centre in December 2021, 55 individual hub DBFM project sites have been delivered and the DBFM project delivery completed. The Board asked that its congratulations be passed on to the team. The Board further noted that while discussions with Scottish Government's Building Standards team are taking place on developing strategies for re-cladding work, there is no commitment to a longer term role in this area.

## **9 Business Plan Objectives**

The Board noted the report outlining progress against the 45 business plan objectives as at the end of December 2021.

The Board noted that currently it is expected that two objectives will not be achieved and the Board noted the issues which have arisen including the impact of COVID on public sector resources contributing to slower progress than expected on establishing Connected hubs. The Board noted that a further four objectives are classed as 'amber' at moderate risk of non-achievement.

Acknowledging that monitoring of workstream activity is spread across key deliverables, business areas and business plan objectives, the Board agreed that consideration should be given to how best to receive reports and monitor progress in the coming financial year.

*Consideration to be given to future reporting on business plan activities.*

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## 10 Public Inquiry

PR provided an update on the timetable and arrangements for the Scottish Hospitals Public Inquiry. PR advised that work on the Inquiry is expected to ramp up in the coming weeks to prepare for the Inquiry hearings in May 2022.

## 11 Board self-assessment and stakeholder feedback

The Board noted the report summarising the processes, feedback and actions taken in the year following the Board's review of its own performance and stakeholder feedback from early 2021.

The Board agreed to close the performance tracker for 2021/22 and agreed the proposed process and schedule for self-assessment of Board performance over 2022/23, mirroring that of the current year.

## 12 Report from Chair of Group Audit Committee

*CW joined the meeting for items 12 to 17*

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 reviewed the Audit Plan presented by Azets and recommended the Board approve the terms of Azets audit and non-audit services engagement, including the increased fees proposed. The Board accepted this recommendation.
- The Committee had reviewed compliance with the current Management Statement and Financial Memorandum and the impact of future compliance with the Scottish Public Finance Manual as part of a move to the new Framework Document to be discussed under item 15.
- The Committee had reviewed the Whistle-blowing Policy and noted that there had been no instances of whistle-blowing in the last year.
- The Committee had noted the Project and Programme Governance overview and agreed that having gained robust oversight over the past year at each meeting, consideration would be given to less frequent review in future reporting cycles.
- The Committee had reviewed and agreed the methodology and scope of validation work for reporting against outcomes.
- The Committee had reviewed the Corporate risk register and GW highlighted the continued high risk identified in the register of constrained resources in Government and procuring authorities.

## 13 Finance Report

The Board noted the Finance Report showing the financial position for the SFT Group for the nine months to the end of December 2021. Following the approved hand-back of £200k core grant, the Board noted the current forecast underspend of £178k.

The Board noted and discussed the increased advisory spend in the year. The Board was advised that this has been driven by budget being secured through the year with, for

example, the release of budget to advisory when additional funding for the Public Inquiry was secured.

The Board further noted the key conditions of the Company's grant in aid budget allocation letter from the Scottish Government and CW confirmed that all conditions are being met.

#### **14 Corporate Services Report**

The Board noted the report covering human resources, communications, information technology, office management, legal and an update on policy reviews.

CW highlighted that a review to obtain Cyber Essentials Plus certification for 2022/23 has commenced with results expected in May 2022.

CW further advised that following the most recent Scottish Government guidance the office is to be re-opened on 7 February 2022 and that refurbishment works to provide more collaborative working spaces are planned to be implemented by the end of March 2022.

#### **DECISION**

#### **15 Scottish Public Finance Manual**

The Board noted that in September 2021 it had requested that the Group Audit Committee review the Group's ability to comply with the detailed SPFM requirements in advance of the Board issuing a formal response on the adoption of a Framework Document for Non-Departmental Public Bodies to Scottish Government.

GW reported on the Group Audit Committee's discussions at its meeting held immediately prior to the Board meeting. He advised that the Committee had acknowledged the need to update the Company's governance document given that the existing Management Statement and Financial Memorandum does not fully reflect current practice in the relationship with the Scottish Government. The Committee had discussed the detailed implications of the transition to the SPFM as part of the move to adopt the Framework Document and noted associated internal and external resourcing costs for the coming financial year to implement the transition. The Committee had agreed the importance of maintaining the Company's ethos and operational independence through any move to new governance arrangements and in particular had highlighted the need to consider the corporate presentation of the Annual Report when adopting the Financial Reporting Manual.

GW advised that the Committee recommended transition to the SPFM in the coming financial year 2022/23, and had agreed that it is for the Board to decide how to address pay policy within the context of the Committee's recommendation.

The Board agreed the Committee's view on the importance of maintaining the organisation's ethos and operational independence through any move to new governance arrangements, including both the Framework Document itself and the SPFM as part of it, and agreed that this should be highlighted in ongoing discussions with Scottish Government on the transition.

**The Board agreed** in principle that the Company would adopt the Framework Document in the form presented to it, including transition to the SPFM in the financial year 2022/23.

**The Board agreed** to continue to reserve its position on pay policy until the executive had undertaken a full analysis of its implications.

**The Board requested** the Executive to:

- make a formal submission of the marked-up Framework Document to Scottish Government and continue negotiations with a view to bringing a final draft to the Board for approval at a future meeting;
- continue to stress in these negotiations the importance attached by the Board to operational independence for SFT to be able to fulfil the role set by Ministers; and
- to undertake a review of the operational impacts of adopting pay policy when resource is available.

*Marked up Framework Document to be submitted to Scottish Government*

## 16 Business Plan 2022/23

The Board noted the report on the development of the business plan 2022/23 and PR gave a presentation expanding on the detail of the report covering: policy direction and corporate priorities for the year; areas where activities will be reduced or ceased; cross work stream activities; delivering Corporate Plan 2019/24 outcomes; budget; corporate services priorities; and leadership priorities.

PR outlined the high level context against which the business plan is being developed and highlighted that it is proposed to maintain the corporate priorities agreed for 2021/22, which reflect the three areas of focus of Scottish Government's Infrastructure Investment Plan and have resonated with teams across the business in the past year. The Board noted the proposed priorities as: enable the transition to net zero emissions; drive inclusive economic growth; and build resilient and sustainable places.

PR further outlined a number of areas where it is planned that activity is reduced or ceased both where programmes are coming to an end, such as Early Learning and Childcare and the now established regional and city deals, and in support to projects and initiatives where there is a lack of collaborative resourcing such as Clyde Mission.

PR advised that prior to focussing on developing individual work stream objectives, a review of cross workstream activities was undertaken to identify collaborative activities and any resource requirements across the business which are not anchored in a single work stream. PR described the analysis carried out and conclusions drawn in the areas considered of: accelerating additionality of investment into decarbonisation; decarbonisation of the public sector estate; delivering wider benefits from project delivery; housing of all tenures; small places and islands; and towns. PR advised that although it had been concluded that separate objectives outwith the 14 workstreams will not be developed, the review had been useful in identifying areas of shared focus and resource.

PR outlined how activities currently being planned for inclusion in the business plan contribute to each of the ten Corporate Plan outcomes, highlighting a number of areas

where additional funding and resources are required. PR further outlined the draft budget for the coming year, noting the reduction in core grant and some programme budgets with some additional programme income still in discussion. PR advised that consideration is being given to whether or not to build internal capacity through recruitment or retain greater flexibility in the advisory budget.

**The Board agreed** the three corporate priorities proposed. The Board discussed the breadth and diversity of activities described in the presentation for inclusion in the business plan and agreed that there should be a clearer focus linked to outcomes. The Board acknowledged the wide scope of activity required to contribute to all corporate outcomes but considered that different outcomes could be focussed on through the five year period. The Board further emphasised the importance of focussing on objectives which will be supported by adequate resourcing in partner organisations and not proceeding with areas of work where collaborative resource is not available. The Chairman invited PR to discuss the development of the Plan with directors over the coming weeks.

**17 AOB**

There was no further business.