

MINUTE

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Monday 12 May 2025
Scheduled: 2pm to 4.30pm
Actual: 1.45pm to 4.15pm

Place: Shared boardroom, Thistle House, 91 Haymarket Terrace, Edinburgh

Present: Joseph Philipsz (JP) (Chair)
Nick Rowan (NR)
Stella Matko (AM)
Pauline Mills (PM)
Alistair Brown (AB)
Mark Dickson (MD)
Peter Reekie (PR)

Apologies: Stephen Slessor (SS)

In attendance: Liz Petrie (LP) (minutes)
Caroline Whyteside (CW)
Kerry Alexander (KA) (part meeting Items 1 to 6)
Alastair Nicol (AN) (part meeting Items 1 to 6)

FORMALITIES

1 Agenda, Introductions and Apologies

Apologies were noted from SS.

JP welcomed AB and MD to their first Board meeting. AB and MB introduced themselves providing an overview of their professional backgrounds and interests.

2 Appointments and Register of Directors' Interests

The Board formally noted the appointment of AB and MD to the Board by Scottish Ministers for a four year term from 1 May 2025. The Board further noted that all SFT Board directors are appointed to the Company's subsidiary, Scottish Futures Trust Investments Ltd (SFTi), and agreed the appointment of AB and MD as non-executive directors of SFTi to run concurrently with their appointment to the SFT Board.

The Board noted that following the recent Board effectiveness review the membership of the Group Audit Committee is to be reviewed. The Board agreed the appointment of AB to the Committee in the role as Chair and noted that he would lead the review.

The Board noted the updated Register of Directors' Interests, including the declarations of the two new directors.

PM highlighted Taylor Wimpey's interest in the Blindwells project referenced in the business plan activity report.

3 Minute of Previous Meeting

The minutes of the meeting of the Board of Directors of 17 March 2025 were noted and approved as a correct record.

4 Action Tracker

Completed actions were noted together with timescales for ongoing actions. PR confirmed that the Leadership Team had reviewed the Company's succession plan in April and had considered the redeployability of staff within this. He advised that the succession plan will be kept under review by the Leadership Team in the coming period to help inform the ongoing recruitments.

PR referred to the briefing paper circulated to Board members to provide prompts and common focus for stakeholder discussions on the Corporate Plan. The Board agreed the importance of consistent communication of the Company's ambitions and strengths with stakeholders. PR confirmed that arrangements are in hand to set up meetings with representatives of all Scottish political parties over the summer period.

DISCUSSION

5 Business Context

PR noted the publication of the Company's Corporate Plan earlier in the day, 12th May, and the stakeholder launch event planned for 22nd May 2025.

PR led discussion on the Scottish Government's recently published Programme for Government, noting that its publication had been brought forward to allow it to run for a full year in advance of the Scottish elections. PR confirmed that the Programme maintained the four priorities laid out in the previous year and referenced in the Company's new business plan. PR highlighted areas of the Company's activities which will contribute to the priorities and commitments set out in the Programme.

The Board noted the commitment in the Programme to implement the Housing Investment Taskforce recommendations and discussed the challenges and opportunities for the Company to support this work. PR advised that Scottish Government programme funding for SFT's housing activity has not yet been confirmed for 2025-26.

PR highlighted that the Programme commits to concluding decision-making on the use of the Mutual Investment Model (MIM) contracts for the A9 dualling programme. PR confirmed that the decision on whether or not to use MIM lies with Ministers and programme delivery would be undertaken by Transport Scotland. He confirmed that the SFT Investments Board has given its approval in principle to invest in projects procured under MIM and is one of the investors being considered by Scottish Government.

PR outlined the Programme's commitments in the area of decarbonisation. These include the introduction of a Heat in Buildings Bill with a focus on supporting the development of

heat networks, and hydrogen was identified as a critical component to achieve net zero by 2045. PR noted the Company's work in these areas.

The Board was advised that SFT had been referenced in the Programme to work with partners to support the development of the Barra and Vatersay Community Campus and PR confirmed that this strand of work will be accommodated within business plan activities.

6 Business Area Strategy: PPP contract management including PFI expiry

The Board noted the briefing note providing background to the discussion. KA introduced the work of the newly formed PPP workstream bringing together the operational contract management expertise with wider PPP expertise in the former "Innovative Finance" workstream. She described the range of the workstream's activities, confirming an increased focus on PFI expiry work which is being supported by additional core funding from Scottish Government.

AN led discussion on PFI expiry activity. The Board noted that nineteen projects across education, accommodation and health will reach the end of contract term by 2030. AN described the Company's development of a rolling programme to provide direct support to authorities to prepare for handback. The Board discussed and acknowledged the importance of this work to help mitigate the risk of facilities being handed back to public bodies with large liabilities. The Board agreed that early engagement, intervention and support across both public and private sector stakeholders is critical to help public bodies mitigate risk.

AN described the strong relationships held with both public and private sector stakeholders and the collective groups established to support work throughout the operational period of the contracts. These groups are able to share guidance, best practice and emerging themes on handback. AN confirmed that the handback process provides for post expiry reviews to capture lessons learnt to feedback into the programme.

The Board was advised of readiness reviews that are undertaken to identify areas of risk, inform relevant Boards and channel resource. AN highlighted that during the year it is intended to create a Scottish PFI Expiry Leadership Forum to include senior private sector industry experts, Scottish Government sponsors, non-government organisations and public bodies.

The Board agreed that this area is an important focus for the Company and acknowledged and discussed the challenge in measuring and demonstrating the Company's contribution. The Board asked to be kept informed of progress in this important area.

DECISION

7 Board Effectiveness

The Board noted the report summarising the board performance appraisal process undertaken by the Chair in the recent period. The Board noted the summary of feedback received and suggestions for areas of improvement and action.

The Board reviewed and agreed the proposed follow-up actions laid out in the report to be tracked through the year.

8 CEO Performance and Objectives

PR left the meeting for this item.

The Board noted the Chief Executive's 2024-25 performance appraisal undertaken by the Chair of the Board and the Chief Executive's proposed objectives for the coming year.

The Board discussed and agreed the assessment of the Chief Executive's performance in the past year. The Board discussed key person risk in relation to the Chief Executive and the need for succession planning for the Company's wider leadership. It was agreed that the Board should review succession planning for the Company following completion of the current recruitments.

Succession plan to be brought to the Board for consideration following completion of the current recruitments.

The Board further agreed the Chief Executive's proposed objectives for 2025-26.

PR rejoined the meeting.

9 Board Strategy Day Scheduling

The Board noted and discussed the options to facilitate and enhance strategic discussions by the Board in the coming year. The Board agreed the recommended proposal to hold a post-Board discussion dinner later in 2025 with the leadership team, noting the potential for external stakeholder input.

The Board asked that PR bring proposals to a future meeting for consideration.

Strategy discussion dinner proposals to be brought to a future meeting.

MONITORING

10 Business Plan Activities

End of Year Report 2024-25

The Board noted the End of Year Report summarising the progress made on the 47 activities identified in the 2024-25 Business Plan across the Company's 15 workstreams.

PR described how performance is tracked through the year by the Leadership Team with progress against multiple milestones contributing to each of the 47 activities reviewed monthly. The Board noted the annex to the report illustrating through one sample activity how milestones and activities are set, managed and tracked through the year.

The Board noted successful delivery against 38 of the 47 activities, with good progress and an amber rating across seven activities. PR confirmed that one activity had been discontinued in the year as previously reported and one activity remains 'red' where

progress had been slower than targeted due to reduced resource in the team and the need to refocus remaining resource.

PR advised that further reporting on the Company's achievements in the year will be brought to the Board in the Outcomes Report.

Opening Report 2025-26

The Board noted the report laying out the milestones which will be tracked through the year for each of the 49 business plan 2025-26 activities across 14 workstreams.

The Board noted the significant range of activities undertaken across sectors and infrastructure lifecycle within the 14 workstreams. The Board discussed the potential risks and benefits of both maintaining the breadth of activity and focusing on fewer activities.

The Board noted the early development work being undertaken in the year for the development of a new delivery model for social infrastructure and requested that the business area discussion at the next meeting focus on hub and the new delivery model.

Business area discussion at the next meeting to focus on hub and the new delivery model.

11 Finance Report

End of Year Report 2024-25

The Board noted the report for the year ended 31 March 2025. CW advised that since finalising the report for inclusion in the Board pack, discussions had taken place with Scottish Government on the Company's Non Departmental Public Body's return. She advised that agreement had been reached to change the treatment of capital repayments and rent charges and that a revised Finance Report incorporating this change will be circulated to the Board following the meeting and saved in the Board pack.

Revised report to be circulated and saved in the Board pack.

CW confirmed that under this changed treatment the forecast underspend for the year 2024-25 will increase to £94k and noted that spending capacity in future years will be improved.

Discussion took place on the timetable for the external audit by Grant Thornton. The Board recalled that they had been advised in January that the 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 in early September. CW confirmed that discussions have been undertaken with Grant Thornton and agreement reached that draft final accounts for SFT will be brought to the Group Audit Committee along with the SFT Investments draft final accounts in late August 2025. While the SFT Investments accounts are then scheduled for sign off in September the SFT accounts will be finalised only after the Pension Fund audit is complete in late September and SFT Board approval is scheduled for the November Board meeting.

The Board noted the schedule of consultancy spend greater than £30,000 in 2024-25. The Board requested that spend in the year be checked for any aggregate spend of over £30,000 with a single supplier for inclusion in future reporting.

Budget Update Report 2025-26

The Board noted the update on the budget for 2025-26. CW highlighted that the £283k programme funding for Energy Transition has not yet been confirmed and advised that some recruitments are on hold pending budget confirmations.

PR advised that the document management system contracted by the Company for the Scottish Hospitals Public Inquiry is being decommissioned and that the Inquiry has been formally advised of this. No further Public Inquiry costs are foreseen in the year.

12 Corporate Services Report

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

Referencing recent cyber attacks experienced by other organisations, CW outlined cyber security and business resilience work undertaken in the recent period including penetration testing and Emergency Management Team training as well as ongoing phishing awareness training for staff. CW confirmed that the Company has 'cyber essentials plus' accreditation.

The Board noted the summary of employee changes and ongoing recruitments and discussed the challenge of maintaining and building the company culture through this period of change.

The Board noted the work being undertaken on developing an Artificial Intelligence (AI) tool for the Company. The Board discussed the range of uses, risks and advantages of AI and agreed the need to develop a robust governance framework for the Company's use of AI. The Board was advised of the ongoing work to develop governance in this area and was content for the Executive to take this forward. The Board requested that should it be proposed that AI is used by the Company to make decisions, proposals should be brought to the Board in advance for consideration.

Board to be advised prior to AI being used for decision making.

15 AOB

There was no AOB.

The meeting ended at 4.15pm