

Scottish Futures Trust Framework Document¹

Introduction

1. This framework document has been drawn up by the Scottish Government (SG) in consultation with the Scottish Futures Trust (SFT). It sets out the broad framework within which SFT will operate, taking its own decisions within a strategic framework set by Ministers, and defines key roles and responsibilities which underpin the relationship between SFT and the SG. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and should be reviewed and updated as necessary, and at least every 2-3 years. Any proposals to amend the framework document either by the SG or SFT will be taken forward in consultation in the light of SG priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with SFT. Legislative provisions shall take precedence over any part of the document.
2. References to SFT include any subsidiaries and joint ventures owned or controlled by SFT. SFT shall not establish subsidiaries or enter into joint ventures, which would be consolidated or accounted for as an Associate, without the express approval of the SG.
3. Copies of the agreed framework document must be published on SFT's website.

Purpose

4. SFT is to contribute to the achievement of the Scottish Ministers' objectives and priorities by aligning its aims and objectives with the [National Performance Framework](#), [Scotland's Economic Strategy](#) and [Programme for Government](#).
5. SFT's purpose, strategic aims and objectives, as agreed by the Scottish Ministers, are to:

to improve the efficiency and effectiveness of infrastructure investment and use in Scotland by working collaboratively with public bodies and industry, leading to better value for money and providing the opportunity to maximise the investment in the fabric of Scotland and hence contribute to the Scottish Government's overarching purpose to increase inclusive economic growth.

Relationship between Scottish Government and SFT

6. Effective strategic engagement between the SG and SFT is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Both the SG and SFT will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on '[Strategic Engagement between the Scottish Government and Scotland's NDPBs](#)'.

¹ Based on the latest template on SG website dated March 2021

Governance and accountability

Legal origins of powers and duties

7. SFT is established as a company limited by shares. The constitution of SFT is set out in the Articles of Association. SFT does not carry out its functions on behalf of the Crown.

Ministerial responsibilities

8. The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of SFT and its use of resources. They are not however responsible for day to day operational matters. Their responsibilities include:
 - agreeing SFT's strategic aims and key targets as part of the corporate planning process
 - agreeing the budget and the associated grant in aid requirement to be paid to SFT, and securing the necessary Parliamentary approval
 - carrying out responsibilities specified in the Articles of Association such as appointments to SFT's board and approving the terms and conditions of board members, collaborating with the Chairman of the SFT Board over the appointment of the Chief Executive and other matters such as laying the accounts (together with the annual report) before the Parliament.

NDPB Board Responsibilities

9. The SFT board, including the chair, normally consists of a minimum of one Director as specified within the Articles of Association, a majority of non executive Directors appointed by the Scottish Ministers in line with the [Code of Practice](#) for Ministerial Public Appointments to Public Bodies in Scotland and executive directors appointed by the non-executives. The role of the board is to provide leadership, direction, support and guidance to ensure the Body delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers. It has corporate responsibility, under the leadership of the chair, for the following:
 - taking forward the strategic aims and objectives for the body as agreed by the Scottish Ministers during the Corporate Planning process
 - determining the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of SFT or on the attainability of its operational targets
 - promoting the efficient, economic and effective use of staff and other resources by SFT consistent with the principles of [Best Value](#), including, where possible, participation in shared services arrangements.
 - ensuring that effective arrangements are in place to provide assurance on risk management (including in respect of personnel, physical and cyber risks/threats/hazards), governance and internal control. (The board must set up an [audit committee](#) chaired by a non-executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems)

- approving the annual accounts and ensuring Scottish Ministers are provided with the annual report and accounts to be laid before the Scottish Parliament. The chief executive as the Accountable Officer of the public body is responsible for signing the accounts and ultimately responsible to the Scottish Parliament for their actions
- ensuring that the board receives and reviews regular financial information concerning the management and performance of SFT and is informed in a timely manner about any concerns regarding the activities of SFT
- appointing, following agreement of the Scottish Ministers, SFT's chief executive. Appropriate performance objectives should be set which give due weight to the proper management and use of resources within the stewardship of SFT and the delivery of outcomes
- demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making.

Further guidance on how the board should discharge its duties is provided in appointment letters and in [On Board – A Guide for Members of Statutory Boards](#).

The Chair's Responsibilities

10. The chair is accountable to the Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament. Communications between SFT board and the Scottish Ministers should normally be through the chair. They are responsible for ensuring that SFT's policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity.
 11. In leading the board the chair must ensure that:
 - the work of the board is subject to regular self-assessment and that the board is working effectively
 - the board, in accordance with recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to directing SFT's business, and in terms of protected characteristics under the Equality Act and the [Gender Representation on Public Boards Act](#) and [Guidance](#), where these apply.
 - the board members are fully briefed on terms of appointment, duties, rights and responsibilities
 - they, together with the other board members, receives appropriate induction training, including on financial management and reporting requirements, severance policy and, as appropriate, on any differences that may exist between private and public sector practice
 - succession planning takes place to ensure that the board is diverse and effective, and the Scottish Ministers are advised of SFT's needs when board vacancies arise
 - there is a code of conduct for board members in place, which is in line with the Scottish Government code of conduct.
-

12. The chair assesses the performance of individual board members on a continuous basis and undertakes a formal appraisal at least annually. The chair, in consultation with the board as a whole, is also responsible for undertaking an annual appraisal of the performance of the chief executive.

Individual Board Members' Responsibilities

13. Individual board members should act in accordance with the responsibilities of the board as a whole and comply at all times with the code of conduct adopted by SFT and with the rules relating to the use of public funds and to conflicts of interest. (In this context "public funds" means not only any funds provided to SFT by the Scottish Ministers but also any other funds falling within the stewardship of SFT, including trading and investment income, gifts, bequests and donations.) General guidance on board members' responsibilities is summarised in their appointment letters and is also provided in [On Board](#).

NDPB Chief Executive responsibilities

14. The chief executive of SFT is employed and appointed by the board, in collaboration with the Scottish Ministers. They are the board's principal adviser on the discharge of its functions and is accountable to the board. Their role is to provide operational leadership to SFT and ensure that the board's aims and objectives are met and SFT's functions are delivered and targets met through effective and properly controlled executive action. Their general responsibilities include the performance, management and staffing of SFT. General guidance on the role and responsibilities of the chief executive is contained in [On Board](#). Specific responsibilities to the board include:

- advising the board on the discharge of its responsibilities - as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers - and implementing the decisions of the board
- ensuring that financial considerations are taken fully into account by the board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the [Appraisal and Evaluation](#) section of the [Scottish Public Finance Manual](#) (SPFM), are followed
- ensuring that SFT adheres, where appropriate, to the SG's [Programme and project management principles](#)
- having robust performance and risk management arrangements - consistent with the [Risk Management](#) section of the SPFM - in place that support the achievement of SFT's aims and objectives and that facilitate comprehensive reporting to the board, the SG and the wider public. Risk management arrangements should include full consideration of organisational resilience to physical, personnel and cyber risks/threats/hazards.
- ensuring that adequate systems of internal control are maintained by SFT, including effective measures against fraud and theft consistent with the [Fraud](#) section of the SPFM
- establishing appropriate documented internal delegated authority arrangements consistent with the [Delegated Authority](#) section of the SPFM

- advising the board on the performance of SFT compared with its aims and objectives
- preparing SFT's corporate and business plans, in the light of the strategic aims and objectives agreed by the Scottish Ministers
- ensuring effective relationships with SG officials
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the SG; that the SG is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the SG in a timely fashion

NDPB Accountable Officer responsibilities

15. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the chief executive as the Accountable Officer for SFT. Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the [Memorandum to Accountable Officers for Other Public Bodies](#).

These include:

- ensuring the propriety and regularity of SFT's finances and that there are sound and effective arrangements for internal control and risk management
- ensuring that the resources of the public body are used economically, efficiently and effectively, and that arrangements are in place to secure Best Value and deliver Value for Money for the public sector as a whole
- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM signing the annual accounts and associated governance statements
- a statutory duty to obtain written authority from the board/chair before taking any action which they considered would be inconsistent with the proper performance of the Accountable Officer functions. The Accountable Officer should also notify the relevant Portfolio Accountable Officer.

16. It is incumbent on the chief executive to combine their Accountable Officer responsibilities to the Scottish Parliament with their wider responsibilities to the board. The board / chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the chief executive, including the statutory duty described above.

Portfolio Accountable Officer responsibilities

17. The Principal Accountable Officer for the Scottish Administration will designate the Director-General for the Scottish Exchequer as the Accountable Officer for the SG portfolio budget for SFT. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#). They are personally answerable to the Scottish Parliament for ensuring that:

- the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally that those being applied by SFT conform to the requirements both of propriety and of good financial management
- the key roles and responsibilities which underpin the relationship between the SG and SFT are set out in a framework document - and that this document is regularly reviewed
- effective relationships are in place at Director and Deputy Director level between the SG and SFT in accordance with the strategic engagement principles
- there is effective continuous assessment and appraisal of the performance of the chair of SFT, in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland.

Scottish Government Director and Deputy Director

18. The Director for Budget and Public Spending and Deputy Director for Infrastructure and Investment have responsibility for overseeing and ensuring effective relationships between the SG and SFT which support alignment of SFT's business to the SG's Purpose and National Outcomes and high performance by SFT. They will work closely with SFT chief executive and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with SFT characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in discharging these functions. The Portfolio Accountable Officer shall be responsible for assessing the performance of SFT chair at least annually.

Sponsor unit responsibilities

19. The SG sponsor unit for SFT is the Infrastructure and Investment division. It is the normal point of contact for SFT in dealing with the SG. The unit, under the direction of the Director/Deputy Director, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of SFT and undertakes the responsibilities of the Portfolio Accountable Officer on their behalf.

Specific responsibilities include:

- discharging sponsorship responsibilities in line with the principles and framework set out in the document '[Strategic Engagement between the Scottish Government and Scotland's NDPBs](#)' and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and SFT
- ensuring that appointments to SFT board are made timeously and, where appropriate, in accordance with the [code-practice](#) for Ministerial Appointments in Scotland
- proportionate monitoring of SFT's activities through an adequate and timely flow of appropriate information, agreed with SFT, on performance, budgeting, control and risk management
- addressing in a timely manner any significant problems arising in SFT, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate

- ensuring that the objectives of SFT and the risks to them are properly and appropriately taken into account in the SG's risk assessment and management systems
- informing SFT of relevant SG policy in a timely manner.

Internal audit

20. SFT shall:

- establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](#) and the [Internal Audit](#) section of the SPFM
- set up an audit committee of its board, in accordance with the [Audit Committees](#) section of the SPFM, to advise both the board and the chief executive in their capacity as SFT Accountable Officer
- forward timeously to the SG the audit charter, strategy, periodic audit plans and annual audit assurance report, including SFT Head of Internal Audit or the outsourced Internal Audit firm's opinion on risk management, control and governance and other relevant reports as requested
- keep records of and prepare and forward timeously to the SG an annual report on fraud and theft suffered by SFT and notify the SG at the earliest opportunity of any unusual or major incidents.

21. The SG's Internal Audit Directorate has a right of access to all documents held by SFT internal auditor, including where the service is contracted out. The SG has a right of access to all SFT records and personnel for any purpose.

External audit

22. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, SFT's annual accounts and passes them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. For the purpose of audit, the auditors have a statutory right of access to documents and information held by relevant persons. SFT shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to the SG.

23. The AGS, or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which SFT has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by SFT to secure Best Value. For the purpose of these examinations the examiners have a statutory right of access to documents and information held by relevant persons. In addition, SFT shall provide, in contracts and any conditions to grants, for the AGS to exercise such access to documents held by contractors and sub-contractors and grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

Annual report and accounts

24. SFT must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report must cover the activities of any corporate, subsidiary or joint ventures under the control of SFT. It should comply with the Government [Financial Reporting Manual](#) (FReM) and outline SFT's main activities and performance against agreed objectives and targets for the previous financial year.
25. The accounts must be prepared in accordance with the Companies Act and other relevant statutes and the specific accounts direction (including compliance with the FReM) and other relevant guidance issued by the Scottish Ministers. Any subsidiary or joint venture owned or controlled by SFT shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.
26. The draft report should be submitted to the SG for comment, and the draft accounts for information, by 30 September. The final version should be available for laying before the Scottish Parliament by the Scottish Ministers by 30 November. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, there is an expectation on the part of the Scottish Ministers that accounts will be laid and published as early as possible. The accounts must not be laid before they have been formally sent by the AGS to the Scottish Ministers and must not be published before they have been laid. SFT shall be responsible for the publication of the annual report and accounts and submission to Companies House by 31 December, in line with Companies Act deadlines.

Management responsibilities

Corporate and business plans

27. SFT must ensure that a corporate plan, agreed with the Scottish Ministers, is in place and published on SFT's website. SFT shall agree with the SG the issues to be addressed in the plan and the timetable for its preparation and review. The finalised plan shall reflect SFT's strategic aims and objectives as agreed by the Scottish Ministers, and any priorities set by the Scottish Ministers. It shall demonstrate how SFT contributes to the achievement of the purpose and national outcomes set out in the SG's [National Performance Framework](#) (NPF). The corporate plan for SFT should include:
 - the purpose and principal aims of SFT
 - an analysis of the environment in which SFT operates
 - key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the SG's primary purpose and alignment with the NPF
 - indicators against which performance can be judged
 - details of planned efficiencies, describing how SFT proposes to achieve better value for money, including through collaboration and shared services

- other matters as agreed between the SG and SFT.
28. The corporate plan should inform the development of a separate business plan for each financial year. The business plan for SFT should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of SFT's business plan should be provided to the sponsor unit prior to the start of the relevant financial year.

Budget management

29. Each year, in the light of decisions by the Scottish Ministers on the allocation of budgets for the forthcoming financial year, the SG will send to SFT a formal statement of its budgetary provision, and a note of any related matters and details of the budget monitoring information required by the SG. The terms of that letter, referred to as the Budget Allocation and Monitoring letter, should be viewed as complementing the content of this document. The monthly monitoring is the primary means of in-year budgetary control across the SG. As such bodies must comply with the format and timing of the monitoring together with any requests for further information. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (RDEL), capital DEL (CDEL) and Ring-fenced (non-cash) (RfDEL). SFT will inform the sponsor unit at the earliest opportunity if a requirement for Annually Managed Expenditure (AME) budget is identified. The SG should also be advised in the event that estimated net expenditure is forecast to be lower than budget provision. Transfers of budgetary provision between the different classifications require the prior approval of the SG Finance Directorate. Any proposals for such transfers should therefore be submitted to the sponsor unit. Transfers of provision within the classifications may be undertaken without reference to the SG, subject to any constraints on specific areas of expenditure
30. If the trading and other resource income realised (including profit or loss on disposal of non-current assets) – scored as negative RDEL, or the net book value of disposals of non-current assets – scored as negative CDEL is less than included in the agreed budget SFT shall, unless otherwise agreed with the SG, ensure a corresponding reduction in its gross expenditure. (The extent to which SFT exceeds agreed budgets shall normally be met by a corresponding reduction in the budgets for the following financial year.) If income realised is **more** than included in the agreed budgets SFT must consult and obtain the prior approval of the SG before using any excess to fund additional expenditure or to meet existing pressures. Failure to obtain prior approval for the use of excess income to fund additional expenditure may result in corresponding reductions in budgets for the following financial year. The only exception is where the income is from gifts, bequests and donations but this must be spent within the same financial year as the receipt, otherwise additional budget allocation will be required. In any event, income from all sources and all planned expenditure should be reflected in the monthly budget monitoring statement.

Cash management

31. Any [grant in aid](#) (i.e. the cash provided to SFT by the SG to support the allocated budget) for the year in question must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid will normally be paid in monthly instalments on the basis of updated profiles and information on unrestricted cash reserves. Payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of SFT - and the level of funds required to meet any relevant liabilities at the year-end. Grant in aid not drawn down by the end of the financial year shall lapse. Grant in aid shall not be paid into any restricted reserve held by SFT.
32. The banking arrangements adopted by SFT must comply with the [Banking](#) section of the SPFM.

Risk management

33. SFT shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance, and develop an approach to risk management consistent with the [Risk Management](#) section of the SPFM. Reporting arrangements should ensure that the sponsor unit is made aware of relevant risks and how they are being managed. SFT audit committee is also required, at the earliest opportunity, to notify the relevant Director General Assurance meeting if it considers that it has identified a significant problem which may have wider implications.

Organisational security and resilience

34. As part of risk management arrangements, SFT shall ensure that it has a clear understanding at board level of the key risks, threats and hazards it may face in the personnel, physical and cyber domains, and take action to ensure appropriate organisational resilience to those risks/threats/hazards. It should have particular regard to the following key sources of information to help guide its approach:
 - [Having and Promoting Business Resilience \(part of the Preparing Scotland suite of guidance\)](#)
 - [The Scottish Public Sector Action Plan on Cyber Resilience](#) and associated guidance, in particular the [Cyber Resilience Framework](#)

Counter fraud arrangements

35. SFT should adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the [Fraud](#) section of the SPFM. Application of these processes must be monitored actively, supported by a fraud action plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud.

Performance management

36. SFT shall operate management information and accounting systems that enable it to review, in a timely and effective manner, its financial and non-financial performance against the strategic aims, objectives, targets and milestones set out in the corporate and business plans. The results of such reviews should be reported on a regular basis to SFT board and copied to the SG. The SG shall assess SFT's performance, proportionately, on a continuous basis and hold a formal review meeting at least twice a year. The responsible Cabinet Secretary / Scottish Minister shall meet SFT chair at least once a year.

NDPB staff management

Broad responsibilities for NDPB staff

37. SFT will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness
- the performance of its staff at all levels is satisfactorily appraised and SFT's performance measurement systems are reviewed from time to time
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve SFT's objectives
- proper consultation with staff takes place on key issues affecting them
- adequate grievance and disciplinary procedures are in place
- effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place
- a code of conduct for staff is in place, which is in line with the Scottish Government code of conduct

Pay and conditions of service

38. SFT's inclusion within SG Pay Policy remains under discussion with a view to agreeing an approach which aligns with the organisation's purpose.

39. Payment of salaries should also comply with the [Tax Planning and Tax Avoidance](#) section of the SPFM

Pensions, redundancy and compensation

40. Superannuation arrangements for SFT staff are subject to the approval of the SG. SFT staff shall normally be eligible for a pension provided by LGPS]. Staff may opt out of the occupational pension scheme provided by SFT, but the employers' contribution to any

personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.

41. Any proposal by SFT to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office outside contracted terms and conditions, requires the prior approval of the SG.

Asset and property management

42. SFT shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the [Property: Acquisition, Disposal & Management](#) section of the SPFM. 'Non-current' assets should be disposed of in accordance with the SPFM. The SG's Property Division should be consulted about relevant proposed disposals of property that SFT holds for operational purposes (rather than investment) at the earliest opportunity so it may be advertised internally. An [Internal Advertisement](#) form must be completed and submitted at least one month prior to property being advertised on the open market. Any proposal to acquire land, buildings or other rights in property for accommodation / operational purposes should comply with the SPFM. SFT is also subject to the [SG Asset Management Policy](#), including the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.

Specific financial provisions

Delegated authorities

43. SFT's specific delegated financial authorities - as agreed in consultation between SFT and the SG - are set out in the attached **Appendix**. SFT shall obtain the SG's prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. SFT shall also comply with any requirements for prior SG approval included in the SPFM and/or this document. Prior SG approval must always be obtained before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

Income generation

44. SFT shall seek to optimise income - grant in aid does not qualify as income - from all sources and ensure that the SG is kept informed. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by the SG. Fees or charges for any services supplied by SFT shall be determined in accordance with the [Fees & Charges](#) section of the SPFM.
45. Gifts, bequests or donations received by SFT score as income and should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with the SG. However, SFT should be able to demonstrate that expenditure funded by gifts etc is additional to expenditure normally supported by grant in aid (i.e. SG core funding) or by trading and other income. Before accepting such gifts etc SFT shall consider if there are any

associated costs in doing so or any conflicts of interests arising. SFT shall keep a written record of any such gifts etc and what happened to them.

Financial investments

46. Unless covered by a specific delegated authority SFT shall not make any financial investments without the prior approval of the SG. That would include equity shares in ventures which further the objectives of SFT. SFT shall not invest in any venture of a speculative nature.

Borrowing

47. Borrowing cannot be used to increase SFT's spending power. All borrowing by SFT - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.

Lease arrangements

48. Unless covered by a specific delegated authority SFT shall not enter into any finance, property or accommodation related lease arrangement – including the extension of an existing lease or the non-exercise of a tenant's lease break - without the SG's prior approval. Before entering/ continuing such arrangements SFT must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored. Non-property/ accommodation related operating leases are subject to a specific delegated authority. SFT must have capital DEL provision for finance leases and other transactions which are in substance borrowing.

Tax arrangements

49. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. SFT must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of SFT to observe VAT legislation and recover input tax where it is entitled to do so. The implications of VAT in relation to procurement and shared services should be considered at an early stage to ensure that financial efficiency is achieved. SFT must also ensure that it accounts properly for any output tax on sales or disposals.

Lending and guarantees

50. Any lending by SFT must adhere to the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit SFT shall not, without the SG's prior approval, lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](#) section of the SPFM), whether or not in a legally binding form. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

Third party grants

51. Unless covered by a specific delegated authority SFT shall not, without the SG's prior agreement, provide grant funding to a third party. Such funding would be subject to the guidance in the [Subsidy Control](#) section of the SPFM. Guidance on a framework for the control of third party grants is provided as an annex to the [Grant & Grant in Aid](#) section of the SPFM.

Impairments, provisions and write-offs

52. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. Where an asset - and that includes investments - suffers impairment it is important that the prospective impairment and background is communicated to the SG at the earliest possible point in the financial year to determine the implications for SFT's budget. Similarly, any significant movement in existing provisions or the creation of new provisions should be discussed in advance with the SG. Write-off of bad debt and/or losses scores against SFT's resource DEL budget classification and is subject to a specific delegated limit.

Insurance

53. SFT has its own insurance policies, including the following:

- Office Combined – Property Damage/ Business Interruption/ Third Party Liability/ Employer Liability
- Computer
- Personal Accident/Business Travel
- Directors' and Officers' Liability/Employment Practices

In the event of uninsured losses being incurred the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to SFT.

Procurement and payment

54. In so far as they apply to another body subject to the SPFM, SFT's procurement policies shall reflect relevant guidance in the [Procurement](#) section of the SPFM and relevant guidance issued by the SG's Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving SFT's objectives consistent with the principles of [Best Value](#), the highest professional standards and any legal requirements. All external consultancy contracts over the value of £100,000 or any proposal to award a contract without competition (non-competitive action) over the value of £100,000 must be endorsed in advance by the Chief Executive.

55. Any major investment programmes or projects undertaken by SFT shall be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and is also subject to a specific delegated authority. The sponsor unit must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans outside of the normal course of business must be reported to the SG's Office of the Chief Information Officer.

56. SFT shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the [Expenditure and Payments](#) section of the SPFM and in doing so shall seek wherever possible and appropriate to meet the SG's target for the payment of invoices within 10 working days of their receipt.

Gifts made, special payments and losses

57. Unless covered by a specific delegated authority SFT shall not, without the SG's prior approval, make gifts or special payments or write-off of losses. Special payments and losses are subject to the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.

Clawback

58. Where SFT has financed expenditure on assets by a third party, SFT shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without SFT's prior consent. SFT shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if SFT contributed less than the whole cost of acquisition or improvement. SFT shall also ensure that if assets financed by SFT cease to be used by the third party for the intended purpose an appropriate proportion of the value of the asset shall be repaid to SFT.

Subsidy Control

59. The EU State aid regime was effectively revoked from UK law from 1 January 2021 and subsidy control provisions are now covered by the UK-EU Trade and Cooperation Agreement (TCA) and the UK's international obligations including various Free Trade Agreements and those arising as a consequence of World Trade Organisation membership. This position may be subject if the UK Government establishing its own domestic subsidies control regime: a UK wide consultation on this is set to take place in the first half of 2021. Currently any activity that SFT undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services is subject to the TCA subsidy rules. A full assessment is therefore required prior to disbursing any funding and would be subject to the guidance in the [subsidy regime section](#) of the SPFM.

Board expenses

60. Remuneration (daily fees), allowances and expenses paid to board members must comply with the SG [Pay Policy for Senior Appointments](#) and any specific guidance on such matters issued by the Scottish Ministers.

SFT framework document: Appendix

Specific delegated financial authorities

	Delegated Limit
Operating leases – other than property/ accommodation related leases	Unlimited for agreed budgeted projects
Gifts Received	£500 per individual case
Special payments	£Nil
Claims waived or abandoned	£20k
Write-off of bad debt and/or losses	£20k
Others as appropriate e.g. Guarantees etc. out with normal course of business Charges on assets Lending Grants Financial investments and equity shares Major investment programmes/ projects	 Unlimited for agreed budgeted projects Unlimited for agreed budgeted projects Unlimited for agreed budgeted projects £100k each grant Unlimited for agreed budgeted projects Unlimited for agreed budgeted projects