

**ONE HUNDRED AND THIRTY-SECOND SNH BOARD MEETING, 23 FEBRUARY 2010,
SCOTTISH ENTERPRISE, APEX HOUSE, EDINBURGH**

CLOSED SESSION

CONFIRMED MINUTES

Members Present

Andrew Thin	Chairman
Keith Geddes	Deputy Chairman
Amanda Bryan	Member
David Crawley	Member
Michelle Francis	Member
James Hunter	Member
David Mackay	Member
Joan Mitchell	Member
Phil Thomas	Member

In Attendance

Ian Jardine	Chief Executive
John Milne	Deer Commission for Scotland Chairman
Nick Halfhide	Deer Commission for Scotland Chief Executive
Andrew Bachell	Director Operations South
Susan Davies	Director Policy & Advice
Joe Moore	Director Corporate Services
John Thomson	Director Strategy & Communications
Carole Wells	Head of Senior Management Unit
Julian Bishop	Board Co-ordinator

AGENDA ITEM 1: APOLOGIES AND OPENING REMARKS

Apologies

1. There were apologies from Andrew Campbell and Patrick Hunter Blair.

Opening remarks

2. There was none.

AGENDA ITEM 2: DECLARATIONS OF INTEREST

Declarations of interest

3. There was none.

AGENDA ITEM 3: MINUTES / MATTERS ARISING

Minutes

4. The minutes of the Closed Session meeting on 9 December 2009 were confirmed as a true and accurate record.

Matters Arising

5. There was none.

AGENDA ITEM 4: CURRENT ISSUES

6. There was none.

AGENDA ITEM 5: ALLOCATIONS 2010/11

7. This item was discussed in Closed Session because the paper included financial information about possible future funding which had not yet been considered by the Minister.
8. Whilst the SNH Grant in Aid for 2010/11 was expected to be £66.863m, representing an uplift against 2009-10, beyond 2010 the public sector financial outlook was bleak. There were uncertainties, such as the forthcoming General Election, with a Spending Review following the election looking certain, and the possibility of a mid-year budget affecting expenditure in 2010-11. Management Team had considered the likely future financial scenarios. Directors had sought to reprioritise expenditure and to create a £2m contingency fund. The purpose of the Contingency Fund was set out in paragraph 15 paper. It was noted that there were ongoing discussions with Scottish Government about the funding of goose schemes, as explained in paragraphs 21-22 of the paper.
9. Other key points were as follows:



- The Board discussed the scale of the contingency fund. Some Board Members urged caution about holding back large sums of money as doing so would affect SNH's business and the future was unpredictable so it might turn out better than expected. Other Board Members felt that a contingency of £2-3m was about right and reasonably cautious.
- Given the expectation that Grant-In-Aid funding would be reduced in 2011/12 and beyond, the Board asked whether there were any opportunities to use the contingency fund to create efficiency gains. It was noted that paragraph 15 referred to an Invest-to-Save programme to provide resources focused on reducing operating costs in future years and suggestions included funding for a Voluntary Early Retirement/Early Severance VES/VER scheme, rationalisation of the property portfolio and investment in new processes/systems to reduce administration.
- As part of the scenario planning being undertaken by Management Team, it was considered that the size of the organisation would have to be reduced by around 150 staff posts. Staff turnover was relatively low, and around 50 staff would soon be eligible for retirement. The Board agreed that there was a need to plan for a reduction in the staffing level and that a VES/VER scheme was one way to achieve this, though such schemes were not always fully effective as they did not normally allow organisations to target staff posts. Members noted that the Operations Director, North position had been filled on a temporary basis. It was suggested that only key vacancies arising should be filled in future. In addition it was noted that delaying recruitment when posts became vacant could cause increased workload on other staff expected to provide cover and this needed to be taken into consideration when

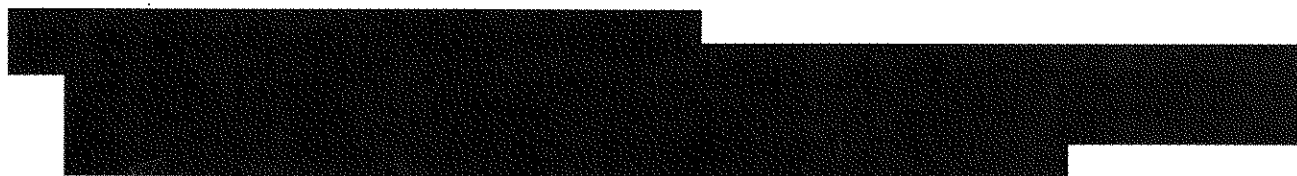
considering the vacancy management plan.

- The Board and Management Team discussed the reduction in the grants budget. It was noted that any agreements now being made for more than one year were on the basis that SNH agreed in principle the first year but reserved the right to review the funding in the second and subsequent years. It was also noted that there was a risk of public disquiet should SNH continue to cut the grants budget and not reduce paybill costs.
 - It had to be recognised that the flexibility in SNH's budget for discretionary spending was reducing. It was suggested that disposing of property should be considered in order to generate an income stream.
 - In relation to the property portfolio, it was suggested that there could be scope in outlying areas to work with non-SEARS partners and it was noted that SNH was discussing the potential for sharing offices with Local Authorities in the future.
 - Management Team would keep the Board informed about information received from SG about SNH funding. Directors were continuing to look at reprioritisation and they would put forward suggestions about what activities SNH could stop doing from 2011/12.
10. **The Board strongly supported the paper and agreed the proposals therein. The Chairman noted that Ministers would expect the Board to consider these matters over the coming 12 months, and such discussions should continue in Closed Session at every other formal Board meeting (the next in that cycle being June 2010).**

AGENDA ITEM 6: ANY OTHER BUSINESS

Update on Board appointments

11. Interviews for up to 4 Board Members had taken place and a submission made to the Minister. Sponsor Team was responding to some queries raised by the Minister, and it was expected that these would be resolved shortly, following which an announcement would be made.



Close of meeting

**Andrew Thin
Chairman**