
MINUTE

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Monday 28 April 2019, 1.30pm

Place: Board room, 11-15 Thistle Street, Edinburgh

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

Apologies: none

In attendance: Liz Petrie (LP)
Viv Cockburn (VC) (part meeting)
Donna Stevenson (DS) (part meeting)

1 FORMALITIES

Apologies

There were no apologies.

Declaration of Directors' interests

The Register of Interests for all directors was noted and changes to interests advised. LP to update Register accordingly.

Changes to interests to be incorporated in the register.

IR's chairmanship of the National Infrastructure Commission for Scotland was noted. No interests were highlighted in regard to the meeting agenda.

Minute of previous meeting

The minute of the meeting of the Board of Directors of 18 March 2019 was approved as a correct record.

Action tracker

The actions were reviewed and timescales for ongoing actions noted.

2 DISCUSSION

Business context

Discussion centred on three areas:

Publication of the Business and Corporate plans - It was noted that the publications in the week preceding the Board meeting had received a good level of positive interest in both national and trade press. It was noted that one element picked up by the press was the Company's role in developing infrastructure for electric vehicles. The Board discussed the opportunities and challenges of developing work in this area and the Company's current role providing structuring, commercial and financial support to policy development being led by Transport Scotland.

National Infrastructure Mission - The Board noted that the Scottish Government would like to be in a position to publish its response to the options appraisal being prepared by SFT to examine profit sharing finance schemes, such as the Welsh Government's Mutual Investment Model, to secure investment for the National Infrastructure Mission towards the end of May. PR outlined the development and conclusions of the paper and the Board requested that a draft be circulated.

Options appraisal to be circulated to Board.

Economy Energy and Fair Work Committee - The Board noted that both PR and AA had attended and given evidence at recent sessions of the Scottish Parliament's Economy Energy and Fair Work Committee in relation to its inquiry on Construction and Scotland's Economy. It was noted that AA had attended as a representative of Construction Scotland. The Board discussed themes arising from the Committee sessions and asked to be advised when outputs from the Inquiry are published. PR advised that it is intended to provide further information on the hub programme to the Committee by way of a letter to the Committee Chairman and the Board requested that a copy of the letter be circulated.

Advice on Inquiry outputs to be circulated to Board when available.

Business area strategy – Management and Investments

DS joined the meeting alongside VC.

VC advised that the business area comprises the hub programme, management of investments and operational contract management. As the Board has heard about the first two of these in recent discussions, the presentation focussed on the latter area.

DS provided an overview of the work being carried out in the area of operational contract management which falls within the Management and Investments business area led by VC.

The Board noted the three objectives set out in the business plan in this area and DS described the challenges and ambitions of the targets, working across legacy PPP, hub and NPD contracts. DS highlighted the setting up of regional structures for sharing information and best practice to improve contract management and the Board noted in

particular work to be undertaken to plan for the coming period when early PPP projects will be handed back to public sector.

DS left the meeting.

3 MONITORING

End of Year Report

The Board noted the report on the end of year position for business plan objectives and areas of growth and risk that have been tracked through the year. The Board further noted how the achievement of individual objectives had contributed to the overall corporate objectives set in the 2018-19 business plan including the production of an Estates Strategy for Scottish Government as an illustration of improvement in the management and effective use of existing infrastructure assets. The Board requested that the Estates Strategy be circulated.

Estates Strategy publication to be circulated to the Board.

PR advised that four of 44 objectives had not been achieved and outlined the reasons. The Board discussed the lessons to be learned. In particular, PR outlined the reasons for the agreement not being reached on two further SFT led innovative economic investment projects which he considered a key objective for the Company in the year. Reasons included focus and resource having had to move to supporting complex city and growth deals. .

The Board further noted the shortfall in the number of homes delivered in the year due to construction delays and the dependence of the target on a large number of homes on a single site.

The Board noted the work progressed in the area of planning and development during the past year and that this particular phase of work is now concluded. PR advised that there is currently no formal agreement to take forward work in this area in the coming year. The Board was advised that discussions are to be undertaken with Scottish Government regarding possible future work and resourcing in this area.

End of Year Finance Report

The Board noted the report detailing the Company's budgetary performance for the year ended 31 March 2019. The Board noted the outturn for the year of a £32k underspend against budget. VC advised that pension liability and SFTi investment valuations are yet to be finalised.

The Board noted in particular the allocation over the year of the funding which was unallocated at the business planning stage and VC described the leadership team's process for allocating budget to support both specific business plan objectives and broader purpose including reviewing areas of priority such as establishing the secretariat of Infrastructure Commission for Scotland towards the end of the financial year. The

Board noted that a number of grants to third parties had been made, for example, when procurement was being undertaken by a partner organisation.

Governance and Performance

The Board noted that the Chair had met with each board director during April 2019 and discussed the effectiveness of the board, the CEO and the Chair. It was noted that feedback on the Chair had been invited through the Chair of the Group Audit Committee.

The Board noted that directors were generally content with performance during the year and noted a series of suggestions for implementation in the coming year to further enhance board performance. It was agreed that the performance assessment should be shared with the Director General Scottish Exchequer.

It was agreed that the chair and chief executive should review the suggestions made for implementation and a review of progress be undertaken during the year.

Review of implementation of board performance measures to be scheduled for later in the year.

The Board further noted the summary of CEO performance during the past year and objectives set for the coming year.

PR left the meeting.

IR outlined the process undertaken for the assessment of CEO performance through the year and the Board discussed the past year's performance and priorities for the coming year.

PR rejoined the meeting.

4 DECISION

hub Programme

The Board noted the report and the strong track record of successful delivery of community infrastructure through the hub programme since the first hubCo partnership was procured in 2010. The Board noted also several challenges currently facing the programme including classification and procurement levels.

The Board discussed the maturing of the hub programme, the changing nature of ongoing project activity and the leadership of the programme at a national level by SFT's Programme Delivery Office (PDO). The Board considered the reduction in the size of the PDO which has accompanied the reduction in DBFM project activity and noted that central leadership and support to the programme remains important given its importance to community infrastructure project delivery across Scotland. The Board further noted that Scottish Government and SFT are currently considering future delivery approaches alongside funding and financing structures and investment need. The Board agreed that the SFT PDO team and support reflects the current status of the programme and the

[REDACTED]

recommendation that it should remain at its current level. The Board asked for updates from the Executive at the half-year point (September 2019) and as business planning for 2020-21 progresses (January 2020).

The Board noted that the Company's wholly owned subsidiary, Scottish Futures Trust Investments Ltd, has working capital loans outstanding to hub South West Scotland Ltd and Hub West Scotland Ltd. The Board carefully reviewed financial projections for these companies.

[REDACTED]

[REDACTED]

Updates on hub to be taken to September '19 and January '20 Board meetings.

Review of Management Statement and Financial Memorandum

The Board noted the report outlining the implications of updating SFT's key governance document from the current Management Statement and Financial Memorandum (MSFM) which has been in place since the Company's inception, to the updated Scottish Government standard NDPB Framework Document.

PR advised that the principal changes introduced by the new Framework Document will be driven by the need to comply with the Scottish Public Finance Manual (SPFM) which it was noted is subject to unilateral updating by Scottish Government. The Board noted the four main areas of change: the role of Accountable Officer; the accounting, auditing and financial regulation framework in which the Company would operate; procurement practice; and the measurement of SFT's performance.

The Board discussed the implications of these changes principally in the approach to financial management including following the principles and disclosure requirements of the Financial Reporting Manual, appointment of external auditors by Auditor General Scotland, and an internal audit function to supersede the current internal controls regime. The Board noted and discussed further implications of adopting the SPFM and the detailed mark-up of the Framework Document highlighting elements which it is

considered could impact the operating independence which has allowed SFT to fulfil its intended function since its inception.

Subject to further drafting of elements of the Framework Document and their approval by circulation to the Board, the Board approved the submission of the Document to Scottish Government and agreed that discussion be taken forward by the executive team.

Minor amendment of Framework Document to be circulated to the Board.

The Board further agreed that any final Framework Document will be subject to future Board approval prior to adoption.

Board Paper Management System

The Board noted the report on progress on identification of a board paper management system and VC provided a short demonstration.

The Board approved the selection of the recommended DecisionTime system and its implementation during the first quarter of 2019/20. GW requested clarification on the Outlook compatibility for attaching documents.

Clarifications on compatibility with Outlook to be obtained.

5 NOTING

HR update

The Board noted the HR update, in particular ongoing changes to the performance management system and that workshops are being set up for leadership team and senior associate directors to review the composite results of the survey. As previously agreed a report will be brought to a future meeting on the composite results.

Communications activity report

The Board noted the communications report including the activities undertaken for the publishing of the corporate and business plans and the preparation undertaken for the first of a series of seminars and events to mark the Company's tenth anniversary. GW commended the progress in communications activity and planning.

It was requested that it be checked that all board members had received invitations to the seminar.

Board invitations to 14 May seminar to be checked.

6 AOB

There was no further business.