

MINUTE

Meeting of:	Scottish Futures Trust Limited - Board
Date & Time:	Tuesday 5 May 2020, 2pm
Place:	By video conference
Present:	Ian Russell, Chair (IR) Ann Faulds (AF) Bill Matthews (BM) Pauline Mills (PM) Graham Watson (GW) Ann Allen (AA) Peter Reekie (PR)
Apologies:	none
In attendance:	Liz Petrie (LP) Colin Proctor (CP) (part meeting) Caroline Whyteside (CW)

FORMALITIES

1 Apologies

There were no apologies.

2 Declaration of Directors' interests

The current register of directors' interests was noted and confirmed as being up to date.

IR's chairmanship of the National Infrastructure Commission for Scotland was noted.

3 Minute of previous meeting

The minute of the meeting of the Board of Directors of 16 March 2020 was approved as a correct record.

4 Action tracker

Completed actions and timescales for ongoing actions were noted.

DISCUSSION

5 Business Context: COVID-19

The Board noted the papers outlining the Company's responses to the COVID-19 emergency, describing both the Company's proposals for infrastructure and green recovery and Company's operational resilience.

PR described the significant impacts of the crisis across the infrastructure sector. It was highlighted that all non-essential construction has ceased in Scotland, use of transport systems has plummeted, energy consumption reduced with changed demand emerging through altered working patterns and increased demands on digital and health infrastructure which have proved resilient.

Discussion took place on the impact on the Scottish construction sector of the cessation of all but essential construction work in Scotland while construction activity has been allowed to continue elsewhere in the UK. The risk to contractors and hub companies was discussed along with the challenges of construction restarting including the impacts of new safe working practices on productivity.

The Board noted the Company's immediate response activities, including publishing guidance for PPP contracts and the hub programme and agreed to the Company pursuing the response and recovery activities outlined in the report in alignment with business as usual through the first half of the financial year. GW commented on the need for an attractive alternative investment structure to allow investment into areas such as affordable housing. The Board further noted and agreed the leadership arrangements established to support the response activities.

IR provided a brief update on the Phase 2 work of the Infrastructure Commission for Scotland which is due to conclude in June with publication expected in July. The Board agreed that a separate meeting of directors, chaired by GW, should be scheduled in the coming weeks for discussion of any input to the Commission's work in the absence of IR.

A meeting of directors to be set up in the coming weeks.

6 **Business area strategy – Construction Industry and Delivery**

CP gave an overview of the work being carried out with the public sector and industry on improving outcomes for the construction industry in Scotland and described engagement and thought leadership taking place with Scottish Government, trade bodies and industry.

CP advised that work in the coming year will build on the work to date on the early project development support, innovation in infrastructure technology and construction quality. CP described the two main areas of work on construction quality, learning and challenging through hub projects and co-leadership of the sub-group on quality of the Construction Leadership Forum to prioritise and drive through the cultural change required to improve quality.

CP further outlined continued work on the role and fee structure for architects, post operation evaluations and digital tools for whole life performance.

CP also described several areas of new activity: social infrastructure procurement arrangements; pre manufacture and offsite production; digital twin; and the

establishment of a pipeline database to gain a central understanding of paused projects and inform phasing.

AA welcomed the examination of the potential for offsite manufacture in Scotland. The Board agreed the importance of gaining an understanding of pipeline as well as resource for re-start of construction in Scotland.

The Board agreed that updates on re-start and recovery work should be provided to the Board prior to the June meeting covering in particular contractual liability for hub projects and implications for the construction industry and project pipeline and resource for re-start and recovery phases.

Updates on re-start and recovery work to be provided between board meetings.

CP left the meeting.

MONITORING

7 Business Area Summary Reports

The Board noted the reports on the four business areas: Infrastructure Finance and Programmes; Development and Housing; Management and Investments and Construction Industry and Delivery. The Board noted the early outline of the progress of work stream activities in pursuit of 2020/21 business plan objectives together with the impact of COVID-19 related activities on the pursuit of these objectives.

[REDACTED]
[REDACTED]
[REDACTED] It was noted that the impact assessment of the hub programme is being re-tendered and agreed that the assessment will be important in considering any future development or transition of the programme.

8 End of Year Report 2019-20

The Board noted the report. It was noted that of the 45 business objectives for the year, 42 were successfully achieved with three ending the year below target. The Board noted the overall achievement including the significant progress made against the three missed objectives.

9 Finance Report

The Board noted the finance report comprising two papers:

End of Year Report 2019-20

The Board noted the report outlining the financial position at the end of March 2020. CW advised that the net year-end financial position is a £42k underspend. CW outlined the reasons for the variance against expected outturn previously reported to the Board including the impact of COVID disruption in March leading to delays in expenditure and

the treatment of IFRS16 lease accounting. The Board noted that the increased underspend which had been highlighted at the January Board meeting had been offset by the £200k supplementary employer's pension contribution to reduce the deficit in the fund.

The Board noted the overspend against budget on advisory which CW advised had been facilitated by the release of corporate contingency and the budget allocated at the beginning of the year for a possible office move which had not been required. The Board further noted the analysis of the allocation of the advisory to different business areas through the year to support the achievement of the Company's business objectives. The Board requested an analysis of the proportion of advisory spend to fixed costs over recent years. The Board discussed the importance of ensuring value for money is achieved from the significant advisory allocated over the year and asked that this be addressed in the analysis.

Analysis of historical advisory spend to be circulated.

CW further highlighted the cashflow forecast for Q1, 2020/21 and confirmed that the Company currently has adequate cash resources with possible recourse to contingency use of SFTi funds.

CW asked the Board for any comment on the format or content of the finance report and it was agreed that directors would send any comment to CW outside the meeting.

Budget 2020/21

The Board noted that the Scottish Government 20/21 Budget Allocation letter had been received. It was noted that the core grant is £0.3m less than the 19/20 grant letter, representing a 7% core budget cut that SFT received in line with other public bodies. The programme funding is £0.2m less than the 19/20 grant.

The Board expressed concern regarding the request by Scottish Government for capital grant repayments referred to in the budget allocation letter. CW advised that a report would be brought to the audit committee in June on the impact of this request.

10 Employee Opinion Survey

Discussion of this item was deferred due to technical difficulties. It was agreed that a meeting should be set up in week commencing 18 May 2020 to discuss.

11 Corporate Services Report

The Board noted the report covering recent and planned activity across finance, HR, communications, business technology, office management, procurement and data protection.

DECISION

12 Expenses Policy

The Board noted the Expenses Policy which was last reviewed in 2017. The Board noted and discussed the substantive changes proposed and subject to the inclusion of an approval process for any 1st class rail travel, the Board approved the Policy. It was noted that the next review will be in three years' time.

13 AOB

There was no further business.