
MINUTES

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Monday 22 August 2016, 2.30pm

Place: 1st floor, 11-15 Thistle Street, Edinburgh

Present: Graeme Bissett (Chair of meeting)
Carolyn Dwyer
Jim Fletcher
Fiona Mackenzie
Barry White
Peter Reekie

Apologies: Sir Angus Grossart (Chair)

In attendance: Liz Petrie
Christa Reekie (part meeting)
James King (part meeting)

1 APOLOGIES AND DECLARATION OF DIRECTORS' INTERESTS

Apologies were noted from the Chairman who had asked GB to chair the meeting. GB noted that he and the Chairman had a pre-board discussion to consider any relevant material points of business covered by the agenda. PR advised that he has been nominated for the position of Public Interest Director on the Board of Aberdeen Roads Ltd, the special purpose company contracted to deliver the Aberdeen Western Peripheral Road project.

2 MINUTE OF PREVIOUS MEETING AND MATTERS ARISING

The minute of the meeting of the Board of Directors of 14 June 2016 was agreed as being a correct record, subject to the correction of typographical errors.

BW confirmed that budget is available for allocation to the running of a competition or award for design of social/affordable housing and that this work will now be researched to consider what has been done before setting out an SFT approach.

PR is to circulate a note on the health and safety guidance given to staff on travel outwith the office.

PR to circulate health and safety note to Board members.

3 CHAIRMAN'S REPORT

There was no report from the Chairman.

4 CHIEF EXECUTIVE'S REPORT

4a Business overview

The Board noted the business overview.

It was highlighted that Eurostat guidance is due to be issued in late September and considered that this may have further impact on the revised NPD structures under consideration. PR confirmed that the first set of changes to the hub structure have been formally approved by the Office of National Statistics and the further changes made are being formally reviewed. It was noted that the hub companies are being encouraged to prioritise the implementation of the amended structures across all relevant projects.

Christa Reekie (CMR) joined the meeting.

Discussion took place on the challenges of identifying viable ways to deliver affordable housing.

[REDACTED]

[REDACTED]

[REDACTED] CMR advised that the market for such property in Edinburgh has been clearly demonstrated. Further research is being carried out on the demand for market rent housing.

CMR outlined the proposed governance and financing structures for the vehicle. [REDACTED]

[REDACTED]

[REDACTED]

CMR left the meeting.

The Board noted the shortlisting of the City of Glasgow College's Riverside Campus for the prestigious Royal Institute of British Architects Stirling Prize, which together with other awards received, demonstrates the design excellence that can be achieved under the NPD project structure. Within the NPD programme, BW advised that there has been some delay to the construction programme for the Royal Hospital for Sick Children in Edinburgh.

It was highlighted that against the £30m of capital receipts targeted for the year across the disposals programme, £18m has already been achieved with the advance preparation work allowing transactions to take place quickly after sites become redundant, thus

saving costs. PR advised that the disposals include the Victoria Infirmary, Glasgow and former hospitals at Mansionhouse Road, Glasgow, Cornhill, Aberdeen and Sunnyside, Montrose.

The Board was advised that SFT continues to provide assurance coordination across the Scottish public sector estate. It was noted that the issues identified in some Edinburgh schools constructed under PFI continues to draw media attention. PR advised that the faults have been identified as associated with construction quality and not the procurement route. It was acknowledged that as a result of some reporting in the public's perception poor quality construction has been linked with PFI. The Board agreed that a comparison between hub project processes, both DBFM and capital funded, and PFI, highlighting the distinctions would be useful to clearly differentiate current practices from historic PFI.

BW advised that the company is contributing high level thoughts on economic stimulus and efficiency measures to the dialogue with Scottish Government and a number of meetings have now taken place with Government Ministers in charge of new portfolios since the May election.

4b Progress against business objectives

The Board noted the description of progress against the 67 business plan objectives and that at this point in the year no significant issues have been identified.

4c Communications report

The communication report detailing activities since the last Board meeting was noted. It was noted that a replacement date is still being sought for an influencers' dinner with Lord Adonis, the Chair of the National Infrastructure Commission.

5 FINANCE REPORT

5a Finance report – 3 months to 30 June 2016

The Board noted the Finance Report covering the first three months of the financial year.

The Board noted in particular the additional detail in regard to source and application of funds. It was highlighted that there was an underspend against budget in the first quarter of the year and the Board was advised that consideration is being given to re-allocation of funds to other areas, including the housing design competition.

5b ANNUAL REVIEW AND GROUP FINANCIAL STATEMENTS 2015-16

The Board noted the Annual Report and Group Financial Statements for SFT Group. It was noted that the Board of Directors of SFTi Ltd had approved the Annual Report and Group Financial Statements 2015-16 for that company. GB advised the Group Audit Committee had reviewed the Annual Report and Financial Statements and confirmed that minor changes had been requested, most notably to the narrative of the strategic report but, subject to these being incorporated, the Committee recommended that the Group Annual Report and Financial Statements be approved by the Board.

GB commended the SFT Finance team for its professional work on the preparation of the financial statements. It was noted that due to compliance with IFRS guidelines the financial statements are very complex and it was agreed that it is important that the narrative in the strategic report clearly describe the company's business.

In respect of going concern the Board noted that Scottish Government funding is in place for 2016-17 and agreed that support is expected to continue for 2017-18 and beyond.

The Board further noted the Group Audit Management Report 2015-16 and it was noted that this had been reviewed by the Group Audit Committee. GB confirmed that the Group Audit Committee had reviewed the draft Letter of Representation and recommended its approval.

Following the recommendation of the Group Audit Committee and further discussion, the Board approved the Annual Report and Group Financial Statements for the year ended 31 March 2016 and authorised their signing by AG and BW.

The Board further approved the terms of the Letter of Representation for the Group and authorised BW to sign on its behalf.

6 BENEFITS 2015-16

James King (JK) joined the meeting.

The Board noted that the value of benefits for the financial year is estimated at £146m and this figure is included in the strategic report of the Annual Accounts.

JK outlined the methodology adopted to estimate SFT's benefits. JK recalled that an updated methodology had been approved and adopted in 2014-15 which is based on the 'in-year' impact of a rolling 10-year average. JK advised that for each of the 14 work areas the in-year benefit is based on two elements: a figure reflecting total in-year activity and an effectiveness factor, and outlined examples of each in the calculation of the benefits figure for 2015-16.

JK described the internal controls process carried out to ensure accuracy and consistency as well as good quality challenge and the Board noted that the benefits estimate had been reviewed and validated by both Grant Thornton (GT) and the London School of Economics (LSE). Full copies of the validators' terms of reference and reports, together with detailed reporting on the benefits calculation and methodology, had been circulated

to the members of the Group Audit Committee and discussed in advance with its Chairman.

After discussion the Board requested a supplementary report on a number of sensitivities including the application of different effectiveness factors to reflect a more and examples of items excluded from the calculation such as the additionality derived from the NPD programme which it was highlighted is not currently included.

BW to prepare report on sensitivities.

The Board noted that the annual benefits estimate has been subject to validation reviews by both the current validators, GT and LSE, since the Company's inception in 2009. The Board noted that a review had been carried out and agreed to the recommendation that in light of the duration of the existing mandates, a re-tender process be undertaken for implementation in 2017 as part of compiling the annual benefits estimate for 2016-17.

It was further agreed that in light of the developing maturity and simplification of the benefit estimation, the appointment of a single validator could be appropriate, provided that this would provide scrutiny and ongoing challenge to both the methodology adopted and its annual implementation.

Re-tender process to be undertaken for validation of benefits estimation.

The Board further noted the communications strategy for the benefits and was shown a number of case studies filmed using third parties to talk about the positive impact SFT's work is having on them, their organisation, their city or their local community. A small booklet with infographic will be produced in addition to the short films.

6 AOB AND DATE OF NEXT MEETING

The next meeting of the Board will take place on Monday 10 October 2016 at 2.30pm at 11-15 Thistle Street, Edinburgh.