

MINUTE

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Monday 18 November 2019, 2pm

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

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

In attendance: Liz Petrie (LP)
Christa Reekie (CR) (part meeting)
Karen Campbell (KC) (part meeting)
Neil Rutherford (NR) (part meeting)
Colin Proctor (CP) (part meeting)
Caroline Whyteside (CW) (part meeting)

FORMALITIES

1 Apologies

There were no apologies.

2 Declaration of Directors' interests

AF declared a new interest as Lay Governor of Glasgow School of Art.

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 17 September 2019 was approved as a correct record.

4 Action tracker

The actions were reviewed and timescales for ongoing actions noted. It was noted that PR had met with the majority of non-executive directors on a one to one basis since the last board meeting. PR encouraged directors to contact him between meetings.

DISCUSSION

5 **Business context**

IR provided the Board with an overview of the work of the Infrastructure Commission for Scotland. IR advised that the first phase of the Commission's work which is to develop a 30 year vision for Scotland's infrastructure is coming to an end with recommendations due to be made to Scottish Ministers by end of December 2019. The second phase of work due to be completed by end June 2020 will consider how infrastructure should be delivered including consideration of a Scottish National Infrastructure Company.

IR advised that the Commission's overarching themes informing all recommendations are inclusive economic growth and net zero carbon, together with the place principle.

IR described the consultations and research undertaken and outlined the seven core draft recommendations which are currently being finalised for submission to Ministers.

Given IR's roles as chairman of both SFT and the Commission, AF suggested the Board appoint a Senior Independent Director to lead future Board discussion in this area and the Board agreed to give this further consideration under the Item 13.

6 **Business area strategy – Housing and Development**

CR, NR and KC joined the meeting.

CR introduced discussion on the business area of Housing and Development. NR led discussion on the Economic Investment workstream, describing the outcome based funding models of Tax Incremental Financing and the Growth Accelerator. NR described the challenges and opportunities in supporting the development of the Green Growth Accelerator, announced in the Programme for Government in September and outlined how internal resource has successfully been allocated to this new area of work outwith the current business plan objectives.

KC led discussion on the Housing workstream, describing the activities undertaken by the team, in particular the changing landscape of the rental market and the cost challenges in delivering affordable rent housing. KC further outlined opportunities that the team is looking at to address land and construction costs as well as a range of innovative financing measures to deliver affordable rent housing.

CR, NR and KC left the meeting.

MONITORING

CW joined the meeting.

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. PR provided a commentary on the reports.

The Board noted that Audit Scotland's NPD review will be issued to the Company at the end of November, and following a clearance period, publication is expected in January. The Board asked to be advised of the conclusions of the report.

PR to provide to the Board a summary of the conclusions of the Audit Scotland report issued at end November.

PR highlighted that the hub programme will reach its 10th anniversary next year and a review with the hub companies is being undertaken to consider opportunities and challenges for the next ten years.

PR further highlighted the launch of the Infrastructure Technology Navigator in September and the Board requested that a link to the Navigator be circulated.

PR to circulate link to the Infrastructure Technology Navigator.

IR asked for comments on the reports which were being considered for the first time. The non executive directors confirmed that the reports were useful highlighting in particular the opening summary of allocation of core and programme budget to the different business areas, and it was agreed that the report should be updated for the January board meeting with new elements highlighted. IR encouraged directors to come to the January meeting with observations on the reports.

8 Business Plan Objectives Summary

The Board noted the report monitoring progress against business plan objectives as at the end of October 2019.

The Board noted that a further objective had been completed in the period since the last board meeting with support having been given to seven business cases in development and six projects having progressed to the capital support stage within the Low Carbon Infrastructure Transition Programme. The Board noted that two objectives remain 'amber' and PR advised that a fuller update on the 4G infill target which the recent announcement by mobile network operators of a shared rural network could impact will be brought to the January meeting.

The Board further noted the Company's role in tracking and reporting on the delivery of infrastructure for the Scottish Government's Early Learning Programme and the support

that the Company is giving to mitigate the risk of non-delivery of the planned infrastructure by August 2020.

9 Finance Report

The Board noted the finance report comprising the dashboard and narrative report outlining the financial position at 30 September 2019. CW provided a verbal update on the position at 31 October 2019, advising that a £12k surplus is currently forecast at the year end.

CW advised that this forecast foresees the handback of £275k to Scottish Government's digital directorate and the allocation of up to £200k unused contingency (corporate and related to the expiry of the office lease in 2020) to offset the deficit in the pension scheme.

CW described the process for allocating advisory spend to emerging priorities throughout the year and the Board requested that a report be brought at the end of the financial year on the allocation of advisory spend through the year.

Report on advisory spend 2019-20 to be brought to the May 2020 Board meeting.

CW advised that work has commenced on budgeting for 2020-21, noting that a reduction in 5% core grant is being modelled and discussions are being undertaken with providers of programme funding.

The Board was advised that in accordance with Property Controls guidance it has been identified that there is no office availability meeting the Company's requirements across the existing Scottish Government or public sector estate. As a result private market options have been considered, focussing on remaining in the current accommodation, and negotiations are ongoing with the landlord for a five year lease with break option at three years. The Board noted that a business case requires to be submitted to Scottish Government and ministerial approval gained for entering into any new lease.

The Board approved the proposal that the current bank mandate be amended to add Caroline Whyteside to the list of authorised cheque signatories for both SFT and SFTi with immediate effect.

10 Corporate Plan

The Board noted the report outlining progress towards the outcomes in the Corporate Plan 2019-24.

The Board considered that the outcomes set out in the Plan are robust in the evolving context of the past six months including the introduction of the 2045 Net Zero commitment and the 2019 Programme for Government.

PR led discussion on the proposal of increasing the focus during 2020 - 21 Business Planning on the outcome of reducing infrastructure related CO2 emissions in the context of the climate emergency and Net Zero commitment. It was agreed that the outcome of

delivering inclusive economic growth should also be prioritised and evidenced along with carbon reduction.

The Board agreed the proposed focus for the 2020-21 Business Plan as:

- The corporate plan outcome of reducing infrastructure-related CO2 emissions;
- Seeking opportunities to deliver additional investment through financing innovation, and drawing in internationally mobile capital; and
- Develop and deliver opportunities, selected for their potential contribution to reducing emissions, inclusive growth, and progressed using a place-based approach

The Board further agreed that any objective or area of activity for 2020-21 which contributes to the Company's overall outcomes but is likely to have a negative impact on the outcome of reducing CO2 emissions should be brought to the Board for specific agreement.

11 Board Effectiveness

The Board noted the report on Board effectiveness tracking progress against areas for improvement which were identified and discussed in April 2019.

AF advised that she had recently attended a non-executive director forum and would send information round directors. The Board agreed that informal lunches with Senior Associate Directors should be set up in the coming year.

Informal lunches with Senior Associate Directors to be arranged in 2020.

DECISION

12 Governance Report

The Board noted the report providing an annual overview of the powers reserved to the Board and its delegation to committees as well as the terms of reference for programme boards relating to workstream activities where SFT is responsible for the secretariat.

The Board noted that the CEO continues to sub-delegate authority through the Financial Controls and Procedures Manual rather than a separate written statement of delegated authority as referred to in the Statement of Reserved Powers. The Board agreed the Statement should be updated to reflect this practice and otherwise approved the Statement.

The Board noted that the only active committee is the Group Audit Committee. The Board noted that the Group Audit Committee had asked the Board to consider the composition of the Committee which currently comprises all non-executive directors bar the Chairman of the Board. It was requested that PR research if an external, independent non-executive director could be recruited to the Committee.

PR to research recruitment of an external director to Committee.

The Board approved the Group Audit Committee Terms of Reference pending an update its membership.

The Board noted the Programme Board Terms of Reference for the hub National Programme Board and Schools National Programme Board as well as the draft Terms of Reference for the Programme Governance Board being established to oversee the Learning Estate Investment Programme. PR advised that in contrast to the role of the Schools National Programme Board the remit of the Board governing the Learning Estate Investment Programme will advise on project selection.

13 Future Delivery

CP joined the meeting.

The Board noted the report on the future delivery of infrastructure with reference to the Infrastructure Commission for Scotland's second phase of work and how the Company should interact with the Commission for that phase of work.

PR highlighted that it is proposed that the SFT input to the Commission should be from the point of view of delivering the Company's Vision rather than concentrating on narrower corporate interests. In this context AF raised directors' responsibility in relation to corporate interests. In discussion it was agreed that the wider vision and public good is not inconsistent with Company interests and the Board agreed that input should be as infrastructure experts pursuing whatever is best to deliver World Class Infrastructure for the People of Scotland.

Discussion took place on the Company's engagement with the Commission and the Board agreed that the Company should have early engagement with the Commission on Phase 2 to share the Company's considerable experience and expertise. The Board further noted that any formal consultation is likely to be issued by the Commission in January and a formal submission should be considered at that stage.

The Board acknowledged the Chairman's dual role chairing both SFT and the Commission. After discussion, the Board agreed to the proposal that the Chairman should be engaged in the informal discussions but that the Chairman should absent himself from agreement of any formal response from SFT to any consultation issued by the Commission. The Board agreed that a Director should be appointed to lead the Board in these discussions.

Board to appoint director to lead the Board's formal engagement with the Commission.

The Board further noted the recent commercial and technical challenges with major project delivery across sectors together with the Company's current role in supporting early stage development in setting up projects for success.

CP left the meeting.

NOTING

14 Public Interest Directors

The Board noted the report detailing the role of Public Interest Directors on the Boards of Non Profit Distributing projects and the Company's role in nominating these. It was noted that the directorships are currently fulfilled by SFT employees and confirmed that there are no duties to report back to SFT as these are independent roles. The Board was advised of the training and support given to employees fulfilling these roles.

The Board discussed the resource dedicated to these roles and was advised that this is being reviewed within the context of developing the business plan for 2020-21.

15 HR Update

The Board noted the HR update report covering current activity and areas of focus for the next quarter.

16 Corporate Update

Hospitality

The Board noted and endorsed the Policy on Gifts and Hospitality and noted the most recent register recording all relevant gifts and invitations received by employees in the period July to September 2019.

Freedom of Information

The Board noted the annual review of Freedom of Information activity in the period 2 August 2018 to 7 November 2019, comprising 18 new requests.

17 Communications Activity Report

The Board noted the update on recent and planned communications activity. PR advised that a publication is being finalised to reflect SFT's key benefits over the 10 years since the company started operations which will be launched as a microsite. PR provided a preview of the site and the Board requested that a link be distributed.

PR to distribute link to the microsite.

18 AOB

It was noted that Alyson Stafford is scheduled to attend the Board meeting in January.

It was requested that the Lobbying Act guidance be recirculated to directors.

LP to circulate Lobbying Act guidance.