

MINUTE

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Tuesday 17 September 2019, 1.50pm

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)

Apologies: Ann Allen (AA)

In attendance: Liz Petrie (LP)
Kerry Alexander (KA) (part meeting)
Sarah Eynon (SE) (part meeting)
Derek Graham (DG) (part meeting)
Warren Adkins (WA) (part meeting)
Triona Tiernan (TT) (part meeting)
Viv Cockburn (VC) (part meeting)
Caroline Whyteside (WC) (part meeting)

FORMALITIES

1 Apologies

Apologies were noted from Ann Allen.

2 Declaration of Directors' interests

No new interests were declared. IR's chairmanship of the Infrastructure Commission for Scotland was noted.

3 Minute of previous meeting

The minute of the meeting of the Board of Directors of 25 June 2019 was approved as a correct record.

4 Action tracker

The actions were reviewed and timescales for ongoing actions noted. PR highlighted that a Leadership Team meeting on talent and succession was now scheduled for October and the staffing report to the Board would follow completion of that review.

DISCUSSION

5 Business context

Discussion centred on three areas:

Programme for Government - PR led discussion on the Programme for Government published by Scottish Government on 3 September 2019. It was noted that a main focus of the Programme is climate change and includes reference to a Net Zero Carbon Standard for new public buildings, a standard proposed by SFT, and the Green Growth Accelerator, based on the Growth Accelerator developed by SFT.

The Programme also includes reference to the new schools investment where SFT has been central to the development of the learning estate investment programme. KA described the basis of the model for the programme whereby the Scottish Government would make ongoing payments to Local Authorities for outcomes including the education of young people in well maintained, low-carbon and digitally enabled facilities. Local authorities would be able to decide to procure learning facilities, borrowing from the Public Works Loan Board (PWLB) or using their own capital monies to pay for the upfront cost, which could enable them to deliver the funded outcomes.

Prior to discussion of this item, IR highlighted his chairmanship of the Infrastructure Commission for Scotland and advised that he would absent himself from discussions should he or others deem that a conflict of interest arose.

Future of delivery – PR recalled that discussions had taken place in the previous year on establishing a Scottish National Infrastructure Company for delivery of infrastructure to sit alongside the Scottish National Investment Bank for the financing of infrastructure. It was further noted that within the Infrastructure Commission for Scotland’s remit is advice to ministers to include consideration of the possible creation of a Scottish National Infrastructure Company.

It was agreed that the Board should, in the coming period, consider its position in this context and a discussion should be scheduled for the next meeting in November. It was further proposed that PR meet non-executive directors individually in the coming period to discuss.

Future delivery to be included in November agenda.

PR to meet with non-executive directors individually to discuss future delivery.

Quality – PR provided a brief update on quality issues on projects delivered within hub and NPD programmes.

6 Business area strategy – Infrastructure Finance and Programmes

SE, DG and WA joined the meeting.

KA introduced the update on the business area of infrastructure finance and programmes spanning the Finance, Education Infrastructure, Low Carbon Infrastructure and Digital Infrastructure workstreams.

DG led discussion on the Digital Infrastructure workstream highlighting in particular the work carried out on the recently published 5G strategy and the ongoing leadership role in establishing Scotland's 5G Centre and creating optimum conditions for private investment in 5G infrastructure.

KA, SE, DG and WA left the meeting.

MONITORING

7 Business Plan Objectives

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

It was highlighted that a further objective has moved to amber. Due to the Place Programme lead's leaving SFT in early October, there is now a concern that objective 19 will not be met. The Board was advised that the recruitment process for new resource is underway, but it is likely that the new post will only be filled towards the end of the year.

PR highlighted that it is planned to launch an OJEU procurement for technical advisory services to support the Digital Infrastructure team to deliver its objectives associated with the 5G strategy and the Board noted the advisory input is likely to be substantial. The Board noted that significant budget within the digital workstream will be expended on advisory services over the coming period. The Board noted the need for specialist expertise in this area of the business and questioned if there was a requirement for expertise at Board level in this area and other key areas of the Company's activity.

Areas of board expertise to be given continued consideration as part of board effectiveness.

8 Finance Report

CW joined the meeting.

The Board noted the finance report outlining the financial position for the four months to 31 July 2019. The Board further noted the report on the Quarter 1, 2019-20, position which had been distributed to the Board outwith the formal meeting cycle. CW advised that the year-end position had not changed significantly since the Q1 report.

CW highlighted the reasons for the variances in expenditure against year end forecast including an underspend of £290k on advisory. It was noted that recent budget requests to address emerging workstream priorities totalling £280k are under review and will be incorporated in the next update to the Board. CW further outlined the treatment of the funding for the Infrastructure Commission staffing and the variance against budget to date due to procurement of research earlier than anticipated.

The Board discussed the financial performance dashboard which was being presented for the first time. It was agreed that the funding section comprising static information should be extracted and presented within the narrative report for future meetings.

The Board further agreed that the reforecast should be presented against the base of the Scottish Government grant letter.

9 Hub update

The Board noted the update report on the hub programme, following its review of the challenges and opportunities facing the programme and individual hub companies in April 2019.

VC led discussion on the Company's role in relation to the hub programme and the associated risks. It was agreed that the Company has a responsibility to look at the wider delivery landscape in addition to hub's role within it. VC advised that close engagement continues with the hub companies and the Board asked that a watching brief be maintained with a report to be brought to the Board at the financial year end in line with annual accounts preparation.

Update report on hub to brought to Board at financial year-end.

DECISION

10 Annual Report and Financial Statements

10.1 Recommendation from Group Audit Committee

The Board noted the draft minute from the Group Audit Committee meeting of 19 August 2019 and that, subject to agreed revisions, the Committee had recommended approval of both the SFT Investments Ltd Annual Report and Financial Statements and the SFT Annual Report and Financial Statements.

10.2 SFT Annual Report and Financial Statements

The Board noted the Annual Report and Financial Statements 2018-19.

VC listed the changes made in accordance with the Group Audit Committee's recommendations. The Board confirmed satisfaction that disclosure requirements had been met and there were no subsequent events that require to be disclosed.

The Board commended the SFT Finance team for its professional work on the preparation of the financial statements.

The Board approved the Annual Report and Group Financial Statements for the year ended 31 March 2019 and authorised their signing by IR and PR.

10.3 Letter of Representation

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

VC left the meeting.

11 SFT Outcomes – Measuring Progress and Impact

TT joined the meeting.

The Board noted the report on measuring progress and impact against outcomes including a summary of progress on developing methodologies and datasets since the last Board meeting.

The Board noted and discussed the drafting of a shadow report based on the information collated in the recent period, noting that some datasets upon which the report is based are not complete at this stage.

The Board welcomed the flexibility of the approach which would allow, within the reporting against each outcome, different areas of activity and achievement to be highlighted in different years and to varied audiences as priorities shift. The Board approved the approach and requested that, in addition, a measurement of the financial benefit of the Company's work continue. PR was asked to review the feasibility of estimating a financial benefits figure.

PR to review feasibility of measuring and reporting a financial benefits figure and bring to future board meeting for discussion.

The Board further agreed that external assurance of the proposed approach was required and requested that the scope of work and related costs be identified and brought back for future consideration.

PR to review scope and cost of external assurance and bring to future board meeting for decision.

TT left the meeting.

12 Corporate Risk

The Board noted that the Group Audit Committee had considered the corporate risk register at its meeting in August and that a discussion on how reputational risk is captured and tracked had taken place. The Committee had requested that following further consideration, the risk register be brought to the September Board meeting.

The Board noted the revisions to the register. It was highlighted that reputational risk continues to be considered at the point where a risk is added to the register and when scoring the risk. CW advised that a specific risk around quality issues arising on past

projects leading to reputational risk for the Company has been added to address this area of reputational risk and the measures being implemented to reduce the impact.

It was further noted that a risk on future classification and/or budget guidance affecting the use of revenue funded infrastructure models developed by the Company was also added to the register since the Audit Committee's review.

NOTING

13 HR Update

The Board noted the HR report. PR highlighted the increased profile being given to performance management including the implementation of a new ratings structure.

14 Corporate Update - Insurances

The Board noted that all necessary insurances including Directors' and Officers' have been renewed through brokers AON.

Communications Activity Report

The Board noted the update on recent and planned communications activity.

PR highlighted that earlier in September SFT, supported by the Scottish Government, hosted the PuRE-net (Public Real Estate Network) conference in Edinburgh attended by 20 countries. The event provided an opportunity for countries to share knowledge as well as raising the perception of Scotland.

PR further highlighted the revised key messages and the re-drafted high-level description of SFT's role. PR invited directors to provide comment on the drafting.

CW left the meeting.

6 AOB

There was no other business.