

Confidential

MINUTE

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Monday 7 September 2020

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)
Caroline Whyteside (CW)
Viv Cockburn (VC) (part meeting)
Donna Stevenson (DS) (part meeting)
Alastair Nicol (AN) (part meeting)

FORMALITIES

1 Apologies

There were no apologies.

2 Declaration of Directors' interests

No new interests were declared.

3 Minute of previous meeting

The minute of the meeting of the Board of Directors of 22 June 2020 was approved as a correct record.

4 Action tracker

Completed actions and timescales for ongoing actions were noted. PR advised that following completion of the annual accounts, further information on historical advisory spend will be circulated prior to the next Board meeting.

DISCUSSION**5 Context discussion – new ways of working/living post COVID-19**

PR led discussion on emerging economic trends and the longer-term impacts of the pandemic. PR outlined a number of high level trends which existed pre-COVID and have been strengthened by the pandemic and lockdown, such as increased remote working and active travel, and additional pressure on high street retail. The Board discussed the challenges for economic recovery including achieving climate change targets and ensuring that 'shovel worthy' projects are prioritised. The Board noted the emerging theme of digital and electric vehicle infrastructure attracting greater capital spend and the growing trend away from construction of new buildings to refurbishment. The challenge to the construction industry in adapting and maintaining a pipeline of projects with a growing emphasis on refurbishment and re-use was acknowledged and discussed.

6 Business area – Management and Investments

VC, DS and AN joined meeting for this item only

VC advised that following the SFT Investments board meeting where the investments and work with the hub companies had been discussed it was proposed to concentrate on the Operational Contract Management workstream.

AN and DS outlined progress against the business plan objectives and described the main areas of activity within the workstream. The impact of COVID-19 on operational projects was acknowledged and the Board noted that the team had published a number of guidance documents to help address the issues raised in early lockdown.

The Board noted the risks and issues arising from the hand-back of PPP projects, commencing in 2024, and agreed the importance of early engagement to support stakeholders through the process. The Board noted the progress on implementing a programme approach to the hand-back but that it may not be possible to undertake planned survey activities due to COVID-19 restrictions. Similarly, the pilot reviews of projects to assess the potential for reducing carbon emissions through lifecycle plans are dependent on access to site although good progress is being made through desk-based analysis.

AN and DS further described the ongoing work with the established collaborative groups and the transition of the Company's role to being a strategic facilitator.

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.

PR highlighted the significant progress in the work towards adoption of the Net Zero Carbon Standard for public buildings. PR further advised that the bid for UK Digital, Culture, Media and Sport funding for the development of 5G use had not been successful

and that feedback is being sought. The Board welcomed the ambition shown in leading the consortium for the bid.

PR further highlighted the Company's work as part of the Construction Leadership Forum in developing a Construction Industry Recovery Plan and noted that the work and relationships developed have established a platform for future engagement including on establishing an Accord with industry.

The Board noted the ongoing challenges involved in the provision of affordable housing and PR and PM agreed to meet separately to discuss.

PR to set up meeting with PM to discuss housing.

The Board noted that the Mutual Investment Model (MIM) has not yet been utilised and discussed the suitability of projects to the model. It was noted that the Infrastructure Investment Plan which is due to be published later in the month will set out progress against the requirement to increase infrastructure expenditure under the National Infrastructure Mission and may clarify any requirement for the additionality offered by MIM.

8 Business Plan Objectives

The Board noted the report on the status of business plan objectives at the end of July 2020, including the new objectives relating to changed circumstances brought about by COVID-19 agreed at the last Board meeting. The Board noted that one objective has moved to 'amber' reflecting the recent diversion of resource to supporting the development of the Construction Industry Recovery Plan and the wider work of the Construction Leadership Forum brought about by the pandemic and lockdown.

The Board further noted the completion of one of the new objectives reflecting the conclusion of the Company's involvement in the SME liquidity fund evaluation panel set up in response to COVID-19.

9 Corporate Services Report

CW joined the meeting

The Board noted the Corporate Services Report covering Human Resources, Communications, Business Technology and Office Management.

The Board noted the outcome of the staff consultation on car allowances providing longer lead in times for the introduction of changes than previously advised to the Board.

CW advised that the Employee Opinion Survey group had updated staff on progress at a virtual event on 3 September and an additional survey to better understand staff motivation is being issued.

The Board noted the gender pay gap report and the areas for possible action.

CW confirmed that the office is ready for COVID-secure occupation and that processes are in place for employees to return to the office. CW further confirmed that staff will be asked to comply with a code of conduct on any return to the office. It was noted that the possible return to the office is due to be reviewed later in September, in line with Scottish Government advice. The Chairman advised that it is hoped to be able to hold the next Board meeting in person in the office.

10 Finance Report

The Board noted the Finance Report reflecting the four month position at end July 2020.

The Board noted a forecast surplus at the year end and that expenditure is yet to be confirmed in a number of areas including the suspended pay award and noted the untouched general contingency. The Board reviewed the revised phased advisory cost forecast to the end of the year and CW confirmed that this would be closely tracked.

PR advised that in the coming weeks, at the mid-year point, the Leadership Team will review the suspension of the pay award and it is proposed to circulate a recommendation to the Board for decision at the end of September. The Board agreed to consider the proposal by circulation.

PR to circulate recommendation on the annual pay award for decision at end September 2020.

11 Report from Chair of Audit Committee

The Board noted the draft minute from the Group Audit Committee meeting of 24 August 2020 and that, subject to requested revisions, the Committee recommended approval of both the SFT Investments Ltd Annual Report and Financial Statements and the SFT Annual Report and Financial Statements.

GW advised that the Committee agreed to defer the requested agreement to the outcome of the assurance process in respect of the Demonstrating our Impact work (item 14 below) and ask the Board to agree that the outcome of the assurance work is acceptable once it has seen the outcome of the process for the 2019-20 year at the current Board meeting.

CW provided an update on the appointment of internal auditors advising that three tenders had been received against the invitation to tender, and following evaluation, RSM was to be appointed.

DECISION

12 Annual Report and Financial Statements

The Board noted the Annual Report and Financial Statements 2019-20 and the report outlining the changes made since the Group Audit Committee meeting. The Board noted the principal changes across the Group as:

SFTi

- An impairment of £36k to the working capital loan provided to hub West Scotland and a reduction in the corporation tax charge of £7k in respect of the impairment.

SFT

- A reduction in the pension liability of £227k as a result of the update to the McCloud ruling.
- A reduction in the revenue from the Scottish Government of £227k as a result of the reduction in the pension liability.

SFT Group

- The Group financial position has changed from a profit of £68 to a loss of £29,092.

The Board noted the operational risks and approach to mitigation detailed in the Annual Report and CW outlined the changes since the previous year, including the new reputational and resource risks associated with the Scottish Hospitals Public Inquiry.

The Board confirmed satisfaction that disclosure requirements had been met and there were no further subsequent events that require to be disclosed. Following further discussion, the Board requested clarification and verification on a number of detailed points prior to approval of the Annual Report and Financial Statements and agreed to delegate approval jointly to the Chairman of Board and the Chairman of the Group Audit Committee. Subject to this approval, the Board authorised signature of the Annual Report and Financial Statements by the IR and PR.

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

13 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.

14 Demonstrating our Impact

TT joined the meeting for this item only

The Board noted the report summarising the work on the implementation of an outcomes-based approach to demonstrating impact and progress of the Company's work. TT described the positive engagement across the business to produce the quantitative data and qualitative reporting and the Board acknowledged the substantial amount of work carried out. The Board noted the assurance report provided by Grant Thornton and its recommendations as reviewed by the Group Audit Committee. The Board requested in particular that the recommendation on setting targets and expectations within outcomes reporting be actioned.

The recommendation on setting targets and expectations for outcomes in future years to be actioned.

The Board noted that many of the outcomes described and quantified reflect work carried out over a number of years and agreed the importance of stating relevant timeframes clearly.

The Board noted that an online platform has been developed to publicise the outcomes. The Board was advised that a link to the platform would be sent to them in the coming week and agreed to review and feedback comment and approval. Given the significant work carried out the Board requested that further consideration given to use of the store of knowledge built up to maximise the value from it. The Board further requested that they be advised of the timing of the public release of the website.

Further consideration to be given to use of the store of knowledge built up and a report brought to a future meeting.

Board to be advised of public release of website.

The Board agreed that the quantitative and qualitative outcomes implemented reflect the intentions set out in the 19-24 Corporate Plan and commended the team on the innovative work undertaken.

15 Succession Planning

The Board noted and discussed the report on succession planning. The Board acknowledged that the shape of the organisation reflects a generally senior-level team employed for their experience and depth of technical skill. The Board noted that short and long-term cover / replacement strategies are in place for key roles. The Board further noted that the Leadership Team resilience cover advised at the beginning of the COVID crisis remains in place. The Board was further advised that talent management and progression are being considered as part of the follow up to the Employee Opinion Survey and reports on progress will continue to be included in the regular Corporate Services Report.

PR left the meeting.

The Board discussed succession to the CEO role and experience required to fulfil it. It was agreed that IR should discuss further with PR.

IR to discuss CEO succession with PR.

PR returned to the meeting.

16 Schedule of Meetings

The schedule of meetings for the SFT Board, its subsidiary and Group Audit Committee for the remainder of 2020, 2021 and 2022 was noted.

17 AOB

PR advised that he and Kerry Alexander are to give evidence to the Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee in relation to Audit Scotland's report on Privately Financed Infrastructure Investment on 17 September 2020. PR confirmed that he would keep the Board advised of any outputs from the session.