

MINUTE

Meeting of:	Scottish Futures Trust Limited - Board
Date & Time:	Monday 27 January 2020, 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)
In attendance:	Alyson Stafford, Scottish Government (AS) Liz Petrie (LP) Viv Cockburn (VC) (part meeting) Donna Stevenson (DS) (part meeting) David MacDonald (DM) (part meeting) Caroline Whyteside (CW) (part meeting) Colin Proctor (CP) (part meeting)

FORMALITIES

1 **Apologies**

There were no apologies.

2 **Introductions**

Introductions were made with Alyson Stafford, Director General Scottish Exchequer.

3 **Declaration of Directors' interests**

No new interests were declared.

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

4 **Minute of previous meeting**

The minute of the meeting of the Board of Directors of 9 November 2019 was approved as a correct record subject to a date correction.

5 **Action tracker**

The actions were reviewed and timescales for ongoing actions noted.

DISCUSSION

6 **Business area strategy – Management and Investments**

VC, DS and DM joined the meeting.

VC gave an overview of the areas of the business within her remit: SFTi Investments, hub and Operational Contract Management. DS gave a presentation on the Operational Contract Management work stream outlining in particular the team's role in the establishment of regional groups to share learning and experience on managing contracts across PFI, PPP, NPD and hub DBFM. DS further outlined work being carried out on managing lifecycle works during the latter stages of early PPP projects to prepare for their handback to the public sector and on increasing the energy efficiency of PFI project assets.

DM gave a presentation on the successes, opportunities and challenges of the hub programme noting that it is now in its tenth year. DM highlighted the cost certainty, pace and quality of projects delivered across the programme. The Board noted that the programme is entering a new, post DBFM phase and will shortly see the exclusivity period which hubCos had over the development of certain healthcare projects come to an end. DM advised that the sustainability of the programme is dependent on the pipeline of new projects being delivered by the five individual hub companies within the wider and evolving delivery landscape.

VC, DS and DM left the meeting.

7 **Business context**

Infrastructure outlook

PR and AS led discussion on the context in which the Company is operating, noting that UK elections had taken place since the last Board meeting with increased political rhetoric around infrastructure and discussed the implications for UK and Scottish funding for infrastructure. The timings of the Scottish budget on 6th February and UK budget on 11th March were noted and AS outlined the sequence of infrastructure reports due to be published in the course of 2020 including the Infrastructure Commission for Scotland Phase 2 report, Scottish Government Climate Change Plan, Scottish Government Infrastructure Investment Plan and the Capital Spending Review.

PR advised that KPMG had recently published their annual report on emerging trends in infrastructure and undertook to send a link to the Board following the meeting.

PR to circulate KPMG report.

Infrastructure Commission for Scotland update

It was noted that since the last Board meeting the Infrastructure Commission for Scotland's phase one report had been published. IR summarised four main conclusions from the report: the need to develop a new methodology for the prioritisation of

infrastructure delivery; a move to prioritisation of maintenance and repurposing over new build; the acceleration of heat and transport decarbonisation; and the delivery of full fibre to all premises. The Board discussed the challenges in achieving these recommendations.

MONITORING

8 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 that in the period since the board papers had been prepared, Audit Scotland had shared a copy of their report, 'Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models', due for publication on 28 January 2020. PR advised that SFT had commented on an earlier draft of the report and that as it remains an Audit Scotland opinion, not all comments been incorporated in the final report to be published. The Board was advised that a communications plan had been put in place in line with the Company's Incident Plan for media interest and that agreed lines for the press would be sent to non-executive directors following the meeting.

Press lines on Audit Scotland report to be circulated.

PR provided commentary on the business area reports and invited further comment from the other directors who agreed that this format of reporting was useful. The Board noted the significant areas of work funded through core budget and the risk to delivery of future work on these programmes of a budget reduction.

The Board noted the summary of the current work being undertaken on improving construction quality and requested that a future report provide more detail on the Company's activity in this area.

Report on activity on improving construction quality to be brought to a future board meeting.

9 Business Plan Objectives Summary

The Board noted the report monitoring progress against business plan objectives as at the end of December 2019. It was noted that a quarter of the objectives have now been achieved. PR advised that of the 30 'green' objectives, on track for completion, 12 objectives have defined targets yet to be met. The Board further noted that three objectives are classed as 'amber'. PR outlined the reasons for objective 12 being classed as red and the significant achievements made in the development of shared rural 4G network despite it now being considered that the specific target of 45 mast sites being deployed will not be achieved within the financial year.

The Board further noted the achievement of objective 16 with the signing of a Memorandum of Understanding between two private partners for the delivery of a subsea cable connection to Scotland.

The Board noted the progress and challenges on securing National Housing Trust homes for long term affordable rent and requested advice on the percentage of NHT homes which it is expected will remain in mid-market rent.

Percentage of National Housing Trust homes remaining in long term affordable rent to be advised to the Board.

10 Finance Report

CW joined the meeting.

The Board noted the finance report comprising the dashboard and narrative report outlining the financial position at 31 December 2019. CW highlighted the forecast of £55k of unused contingency at the year-end. In line with the Board's previous agreement that one-off annual additional contributions to the pension fund could be considered to reduce a pension deficit if there was surplus budget, CW advised that it is intended to make an additional payment to the Lothian Pension Scheme of £55k.

In response to a question on ensuring value for money for funds allocated to work streams through the financial year, CW outlined the internal processes and scrutiny prior to any additional budget being allocated to a work stream or project.

CW left the meeting.

11 Report from the Chairman of the Group Audit Committee

GW reported on the meeting of the Group Audit Committee that had taken place prior to the Board meeting, highlighting the following:

- The Committee had approved Scott Moncrieff's proposed audit plan.
- The Committee recommended that the Board approve the terms of Scott Moncrieff's audit and non-audit services engagement for 2019-20. The Board accepted this recommendation.
- The Committee had reviewed reports of Scott Moncrieff's internal controls reviews on records management and corporate governance, noting that both reports were positive and actions for recommended improvements were being taken forward.
- The Committee had approved the proposal and budget to source independent expertise to provide assurance on the new approach and methodology to assessing the impact and outcomes of the Company's work.
- The Committee had reviewed the Company's risk register noting increased risks in regard to the coming year's budget and the reputational impact of past project performance.

- The Committee had reviewed compliance with all relevant aspects of the Management Statement and Financial Memorandum (MSFM).
- The Committee had noted the whistleblowing policy and that there had been no instances of whistle blowing in the past year.
- The Committee had reviewed the Company's project and programme governance structures.
- The Committee had reviewed its own performance and training opportunities.

It was noted that discussions continue with Scottish Government on the proposed introduction of a new Framework to replace the MSFM.

12 Board Effectiveness

The Board noted and discussed the report on its own effectiveness.

The Board noted the progress against areas and actions identified in April 2019 following the Chair's discussions with individual board directors. The Board agreed to close the action tracker.

IR thanked the directors for their completion of the board appraisal questionnaire and the Board noted the summary of comments raised within the questionnaires. The Board agreed that the summary provided a comprehensive listing of issues raised and IR advised that a draft action list for tracking through the next financial year would be brought to the Board in March 2020.

Action list to be compiled from questionnaire comments.

The Board reviewed the board meeting cycle and agenda items for the coming year together with the review of how the Board's Reserved Powers are discharged through the annual cycle of meeting agendas. It was agreed that succession planning should be included in the scheduling.

Succession planning to be added to the board agenda scheduling.

It was further agreed that the proposed strategy discussions should be held on Tuesday 8 September 2020.

Subject to the inclusion of succession planning, the proposed meeting and agenda scheduling was agreed as comprehensive and approved.

The Board further noted the process outlined for Chairman and non-executive director performance appraisal and management and noted the draft of the chief executive's objectives for 2020/21. The Board requested that an indication of the allocation of time to the chief executive's activities be provided.

Time allocation schedule for chief executive to be provided.

The Board agreed to the objectives being finalised by the Chairman and Chief Executive in line with the business planning process for 2020/21.

DECISION

13 Business Plan 2020/21

VC re-joined the meeting.

VC tabled a presentation on the development of the business plan for the year 2020/21. VC recalled the strategic priorities agreed by the Board in November 2019 on reducing infrastructure-related CO2 emissions; seeking opportunities to deliver additional investment through financing innovation, and drawing in internationally mobile capital; and developing and delivering opportunities selected for their potential contribution to reducing emissions, inclusive growth and progressed using a place-based approach. VC outlined some high level objectives being drawn up to meet these priorities. VC further confirmed that objectives are being developed to address the outcomes set out in the Corporate Plan 2019/24 which link to the National Performance Framework. The Board agreed the importance of demonstrating the link of the Company's business plan objectives and activities to agreed outcomes.

VC advised that the business plan is being developed on the assumption of a 7% reduction to the core budget which will impact the flexibility of the Company and its ability to adapt to new or changed priorities through the year.

The Board noted the current stage of development of the business plan and agreed the assumption of current activities continuing with some change in emphasis to meet the agreed priorities. The Board further noted that this assumption is subject to the actual core and workstream budget settlements.

VC left the meeting.

14 Future of Delivery

CP joined the meeting.

IR recused himself from the discussion citing the potential conflict with his role as Chairman of the Infrastructure Commission for Scotland and GW took over the Chairmanship of the meeting.

The Board noted the report on emerging thinking in respect of the future of infrastructure delivery and in this context noted that it is understood that the Infrastructure Commission for Scotland is to complete its phase 2 work by summer 2020. This phase includes the provision of 'advice to ministers on the delivery of infrastructure in Scotland, including the possible creation of a Scottish National Infrastructure Company.'

The Board further noted the summary of the conclusions of the Commission's recently published phase 1 report. CP led discussion on the need for a more collective approach to

infrastructure planning, greater focus on delivery and a better informed approach based on improved data gathering and sharing.

The Board noted in particular the Commission's recommendation that Scottish Government 'give a body responsibility to provide independent long-term evidence-based advice on infrastructure investment decisions.' The Board agreed that SFT is one of the bodies which may be considered to host long-term independent advice on infrastructure investment to Scottish Ministers and that the team should engage with Scottish Government colleagues on this. The Board further agreed that given the remit and expected pace of the Infrastructure Commission for Scotland's phase 2 work, additional meetings of the Board could be called to further discuss the emerging infrastructure landscape and the Company's role.

CP left the meeting.

IR re-joined the meeting and resumed the Chair.

15 Policies

CW re-joined the meeting.

The Board noted and approved the Risk Management Policy and the Procurement Policy.

NOTING

16 Corporate Report

The Board noted the corporate services update report covering current and planned activities in the areas of HR, communications, business technology, office management, finance and procurement. The Board noted that an employee opinion survey is to be run in the coming weeks and it was confirmed that the results of the survey would be brought to a future board meeting. AS offered to provide contacts for Scottish Government comparators for the survey.

The Board noted that a staff wellbeing survey had received positive feedback and PR highlighted that the Company has established a wellbeing group to co-ordinate initiatives and several staff have been trained as mental first aiders.

17 AOB

PR advised the Board that he will be attending MIPIM as part of the Scottish delegation, comprising both public and private organisations.