

MINUTE

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Tuesday 8 May 2018, 2pm

Place: 11-15 Thistle Street, Edinburgh, EH2 1DF

Present: Ian Russell, Chair (IR)
Carolyn Dwyer (CD)
Fiona Mackenzie (FM)
Ann Faulds (AF)
Graham Watson (GW) – by video link
Peter Reekie (PR)

Apologies: none

In attendance: Liz Petrie (LP) minutes
Viv Cockburn (VC) (part meeting)
Christa Reekie (CMR) (part meeting)

1a APOLOGIES AND REGISTER OF DIRECTORS' INTERESTS

There were no apologies.

The register of directors' interests was reviewed.

The following interests were noted and it was requested that they be added to the register:

GW: Membership of the Institute of Chartered Accountants of Scotland
CD: Chair of the Legacy Foundation charity

It was confirmed that the following interests should be deleted from the register:

IR: Chair of Disabled People's Employment Corporation (GB) Ltd
CD: Panel member of Veolia Environmental Trust

1b DISCUSSION

IR invited PR to lead the discussion on the operational context.

PR highlighted the core aims of the Company at its inception in the areas of financial innovation to allow investment in infrastructure and to deliver financed infrastructure programmes. The Board discussed the wider areas of complementary and additional activity which have developed as the Company has matured and the Company's relationship with long-standing, newly established and proposed new bodies within the infrastructure and financing sectors. In developing the Corporate Plan an assessment and

definition of the areas of SFT's activities and their relationship to the activities of other bodies is being undertaken. PR summarised key areas of expertise within SFT which are applied across multiple sectors.

PR advised that since the last Board meeting he had spoken at both the 2018 UK Infrastructure Policy and Investment Summit sponsored by the National Infrastructure Commission (NIC) and Infrastructure and Project Authority and at a roundtable event hosted by NIC on the potential impacts for UK infrastructure investment of privatisation and Brexit. Summary notes on the events were tabled.

PR described the progression in the Company's roles highlighting the nature of partnerships which the Company has developed and implemented with partners for infrastructure provision, noting: a move from partnerships based on risk transfer to partnerships based on risk sharing; a move from the public sector seeking investment in projects to making places investable; and a move from centrally developed and rolled out models to locally co-created bespoke solutions.

The Board noted that support is being given to City of Edinburgh Council on continuing issues in Edinburgh Schools.

PR outlined the Company's ongoing involvement in propositions for the Building Scotland Fund.

2 2018/19 BOARD PRIORITIES

The Board noted the priority reporting areas for 2018/19, upon which the current set of Board papers was focussed. PR advised that an increased emphasis within the papers on corporate development and strategy is proposed. Reporting on work stream objectives will more clearly concentrate on milestones achieved and increased risks and their mitigation.

The Board discussed and endorsed the scope of focus for 2018/19 subject to consideration and incorporation of the following:

- the importance of sufficient detail continuing within the board papers for appropriate scrutiny of the Company's progress across business plan objectives to take place.
- communications reporting reflecting a more proactive approach.

Following further discussion on matters which should be brought to the Board, it was agreed that the matters reserved for the Board, its subsidiary and sub-Committees should be brought to the next meeting, following discussion with the board and committee Chairs.

Review of reserved powers and committee remits to be undertaken with relevant Chairs for next meeting.

It was further agreed that members of the Company's Leadership Team should be invited to attend future meetings to allow the Board to offer challenge and support to the wider Executive team.

IR/PR to schedule Leadership Team attendance at future board meetings in line with agendas.

3 MINUTE OF PREVIOUS MEETING AND MATTERS ARISING

The minute of the meeting of the Board of Directors of 19 March 2018 was agreed as being a correct record.

4 ACTION TRACKER

The actions were reviewed, agreed and timescales for ongoing actions noted.

5 CHIEF EXECUTIVE'S REPORT

The Board noted the report including the end of year report on 2017-18 objectives and summary of recent and proposed communications activity.

Business objectives

PR reported on a strong performance from the Company, achieving 57 out of the 61 objectives in the 2017-18 business plan.

PR highlighted:

- The progress and the proactive approaches taken with private and public sector partners to catalyse the data centre / internet exchange market.
- The significant work undertaken to identify opportunities for Local Government Pension Funds for them to collaboratively invest in real estate and infrastructure assets classes, noting that classification prevents the Company from taking forward the opportunities directly.
- The support given to multiple stakeholders in the development of Growth Accelerator and City Deal projects although the evolving complexity of the deals has prevented final sign off of deals as envisaged in the objectives.
- The support and challenge to Local Authorities to develop Early Learning and Childcare expansion plans leading to reduced costs and a funding agreement between Scottish Government and Local Authorities.
- The publication of hub contract information to increase transparency.

The Board noted the completion of interim findings on the Scotland's Schools for the Future Programme and asked that these be circulated.

Areas of opportunity / growth

PR outlined the four areas identified for potential development during the current year as set out in the business plan 2018-19.

Noting that discussions continue with Scottish Government planning team and stakeholders, it was agreed that a clear scope for any work to be taken forward by the Company is crucial. It was agreed that it would be useful for AF to meet with executive directors to discuss work in this sector.

Areas of risk / reduction

The Board discussed the areas of risk / reduction highlighted in the report.

The Board acknowledged that the current NPD investment programme is coming to an end of its delivery phase and noted the ongoing roles in managing stakeholder interest in the programme and support in handover of projects into operation. PR advised that internal resourcing has already been moved away from this area.

The Board acknowledged also the maturity of the hub programme and that the period of exclusivity over some projects is coming to an end. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

The Board noted the work undertaken by the Company in the Early Years and Childcare (ELC) programme in the year which has included development of service planning. This has played a significant part in getting the programme to a position where the work will now shift from service planning to delivery and the Board noted the renewed focus by the SFT team on the infrastructure elements of the programme.

NPD review

The Board noted that a review of the value for money of NPD projects is to be undertaken in the current year by Audit Scotland. PR advised that groundwork for the review had been undertaken over the past six months.

People

The Board noted the series of actions undertaken by PR since taking over as Chief Executive to increase the Company's focus on managing and empowering staff. PR highlighted ongoing work with the Senior Associate Director group.

The Board noted leavers and joiners to the staff since the last board meeting and PR provided a verbal update. It was requested that a report on the gender pay gap be brought to the next meeting.

FO to be asked to prepare a report on the gender pay gap for the June Board meeting.

Recognition / sentiment

The Board noted and discussed the summary and analysis of media coverage in the recent period. PR acknowledged the need to drive sentiment and it was noted that in the coming

months a communications plan will be put in place in line with the developing corporate plan. It was agreed that PR should consider where non-executive directors could contribute to stakeholder engagement in the corporate planning process.

The Board discussed the need for clear, consistent messages which can be used to counter negative sentiment.

6 FINANCE REPORT

VC joined the meeting.

The Board noted the Finance Report summarising the budgetary performance for the year ended 31 March 2018.

VC advised that since the report had been drafted the annual actuarial valuation of the pension scheme had been received and the budgetary treatment was being reviewed. VC advised that the pension deficit reported would offset the revenue budget underspend shown in the budget outturn.

The Board discussed the treatment of pension contributions in the accounts and agreed the importance of a clear description of the pension adjustment in the Annual Accounts. It was agreed that VC should draft the 'Strategic Report' section of the Annual Accounts for early review by the Group Audit Committee in June 2018.

VC to draft the 'Strategic Report' section of the Annual Accounts for early review in June 2018.

The Board noted the expenditure by work stream for the year to 31 March and VC explained the main variations against budget. It was requested that a table illustrating expenditure by work stream against financial benefit by work stream be compiled.

VC to draw up table of expenditure and benefit by work stream.

The Board noted rationale for additional pension contributions in recent years. It was agreed that one-off annual contributions could be considered if there is surplus budget in future years but should not displace other spending priorities.

7 CORPORATE UPDATE

CMR joined the meeting.

The Board noted that the General Data Protection Regulation (GDPR) comes into force on 25 May 2018 and represents a significant shift in data security standards. The summary of the Regulation was noted.

CMR outlined the work carried out by the Company to date and the remaining activities to deliver compliance, highlighting that all staff had undergone training. It was noted that

suppliers are at varying stages of GDPR readiness and it cannot be guaranteed that all contracts will be renegotiated on a compliant basis by the implementation date. A review of any remaining non-compliant supplier contracts will be undertaken by end July 2018.

The Board noted the appointment of Christa Reekie as the Company's Data Protection Officer.

The Board noted and discussed the draft Data Protection Policy submitted for approval. Concern was expressed regarding the style of the Policy. It was agreed that CMR and AF should review the wording of the Policy in the context of the wider training and related documentation.

8 CORPORATE PLANNING

The Board noted the report drafting the principles and setting out the activities required to prepare, approve and publish the next Corporate Plan which will cover the period 2019 to 2024.

The Board noted that this will be the Company's third Corporate Plan and the Board acknowledged the significant changes to the public body landscape and the wider context of the Company's activities since the last Corporate Plan was published. The Board discussed the areas of change and the strength of the Company's track record to date. The Board further discussed the importance of consultation to agree a clear mandate for the Company.

The Board reviewed and agreed the guiding principles set out in the paper.

The Board further agreed the programme leading to Cabinet Secretary approval and publication of the Corporate Plan in December 2018, following Board approval in November 2018.

PR led discussions on areas of activity, covering core, current and possible future areas of activity across the four corporate objective areas of planning, innovation, delivery and best use.

9 AOB

Office - PR advised the Board that the current office lease terminates in summer 2020, with a break clause in summer 2019. PR advised that exploratory discussions have been commenced to identify suitable replacement premises. The Board asked to be kept advised of progress and that an update be given at the next meeting.

Recruitment of non executive directors – IR outlined progress on working with Scottish Government on the recruitment of non-executive directors to join the Board in January 2019. It was noted that the positions will be advertised in June with short-listing in August and interviews scheduled for October.

