
MINUTE

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Monday 13 September 2021

Place: By video conference

Present: Graham Watson (GW)
Ann Faulds (AF)
Bill Matthews (BM)
Pauline Mills (PM)
Ann Allen (AA)
Peter Reekie (PR)

Apologies: Ian Russell (IR) (Chairman)

In attendance: Liz Petrie (LP)
Caroline Whyteside (CW) (part meeting)
Kerry Alexander (KA) (part meeting)
Stephen Vere (SV) (part meeting)
Triona Tiernan (TT) (part meeting)

FORMALITIES

1 Apologies

Apologies were noted from Ian Russell. GW took the Chair in IR's absence.

2 Declaration of Directors' interests

There were no new declarations of interest.

3 Minute of previous meeting

The minutes of the meeting of the Board of Directors of 28 June 2021 were noted and approved as a correct record.

4 Action tracker

Completed actions and timescales for ongoing actions were noted.

DISCUSSION

5 Context Discussion

Following up on discussion at the Board meeting in June on the formation of the new Scottish Government, PR highlighted the recent shared programme Scottish Government has announced with the Scottish Green Party. PR advised that the programme sets goals in response to the climate emergency across transport, energy, energy efficiency and

planning and the Board discussed the areas in which the Company is active. PR highlighted that the programme includes distinct positions on the A96 with Scottish Government committed to take forward enhancements.

The Board discussed the ambition of the targets for green buildings including all public buildings and the requirement for regulation to support this. The Board further discussed funding challenges, including users paying for transport and making homes investable. PR further highlighted the programme's references to planning including embedding the concept of twenty minute neighbourhoods.

6 Business Area Discussion

KA and SV joined the meeting for this item.

KA and SV gave an overview of activity within the infrastructure finance and programmes business area in particular with reference to activity in relation to key deliverable 4 on developing long-term innovative funding and financing models to mobilise private capital.

KA described challenges of developing new financing structures such as decarbonisation of heat where users will ultimately be required to pay. KA further outlined lessons learnt from the development and implementation of previous structures, including that successful models need time to develop and evolve with the market and highlighted the need to consider long term operational and exit strategies. SV outlined how different approaches to engaging with the market are being used to facilitate delivery of projects within the Net Zero workstream and described the interdependent conditions required to mobilise private capital to invest in a project.

In relation to heat and transport work, KA further highlighted the reliance on collaboration with Scottish Government and Local Authorities where resources are constrained and the Board noted and discussed the associated risk.

7 Key Deliverables

The Board noted the report outlining progress against the eight key deliverables 2021-22.

PR highlighted the risk of inflation in the construction sector to the hub programme with the potential for delay to projects which exceed the affordability cap and the cancellation of projects in the pipeline as capital programmes run over budget.

PR further highlighted that COVID continues to impact work on the learning estate with the Company providing support and expertise on ventilation issues.

The Board noted the progress in the development of documentation supporting the Net Zero Public Sector Building Standard and the opportunities and challenges in promoting adoption of the Standard which at this stage remains voluntary.

PR confirmed that bids for the Green Growth Accelerator pathfinder projects had been received by the deadline on 1 September and were being assessed.

The Board noted the emerging risks and issues, including partners' resourcing, described across the investment opportunities, place programmes and public sector co-location projects against key deliverable 7. The Board requested that consideration be given to adding a RAG type indicator to the key deliverables report in addition to the narrative.

PR to consider inclusion of RAG-type indicator in future reporting on key deliverables.

PR advised that a final draft of the Construction Accord has been submitted to Scottish Government and their response is awaited.

8 Business Area Reports

The Board noted the business area report highlighting areas of activity within Infrastructure Finance and Programmes, Development and Housing and Construction Industry and Delivery which are complementary and additional to work directly aimed at key deliverables and business plan objectives.

PR highlighted the expansion of Net Zero Transport team and activity. The Board further noted progress on the externalisation of Public Interest Director roles in the Non Profit Distributing (NPD) companies and that nominations have been made for all roles with the appointments to be taken forward by the NPD companies. The Board noted that some of the companies' Articles set out that payment for the Director services should be made by SFT as nominator body and external advice is has been sought on how to manage the payment and mitigate associated risk. The Board noted the position and that an update would be provided on resolution.

9 Business Plan Objectives

The Board noted the report outlining progress against business plan objectives as at the end of August 2021.

It was noted that two objectives have now moved to complete with all others on track for completion.

10 Public Inquiry

PR provided an update on the budget, timetable and arrangements for the Scottish Hospitals Public Inquiry. PR highlighted that an agreement on additional funding to cover Inquiry costs in the current financial year had been reached. The Board discussed the risk associated with the significant costs to the Company of the Inquiry and recommended that a communications response be drafted to manage any future external interest.

Response on Public Inquiry fees to be drafted.

11 Corporate Services Report

CW joined the meeting for items 11-17.

The Board noted the report covering human resources, communications, business technology and office management.

CW confirmed that the Leadership Team had completed its annual review of key personnel and the succession plan for the Company and highlighted current work on Equality, Diversity and Inclusion. CW further confirmed that employ reference requests have been reviewed to ensure information requested is concise and relevant.

The Board noted the arrangements for the ongoing trial re-opening of the SFT office which has completed its first month. The Board was advised that feedback from staff has been positive and grateful of the safety measures and arrangements put in place. It was highlighted that investigation into improved ventilation options and CO2 monitoring are underway.

12 Finance Report

The Board noted the Finance Report showing the financial position for the SFT Group for the four months to the end of July 2021.

13 Report from Chair of Audit Committee

The Board noted the draft minute of the Group Audit Committee that had taken place on 30 August 2021. It was noted that, subject to a small number of requested revisions, the Committee recommended approval of both the SFT Investments Ltd Annual Report and Financial Statements and the SFT Group Annual Report and Financial Statements. The Committee had further agreed to recommend approval and signature of the letter of representation to the SFT Ltd and SFT Investments Ltd Boards.

DECISION

14 Annual Report and Financial Statements - approval

The Board noted the Annual Report and Financial Statements 2020-21 and the report outlining the revisions incorporated since the Group Audit Committee meeting.

GW confirmed that the Chairman of the Board had provided comments on the Report and Financial Statements and recommended a change to the title of the new 'other reserve' account within the financial statements. The Board further noted Azets Audit Services' Audit Management Report. The Board confirmed satisfaction that disclosure requirements had been met and there were no subsequent, post balance sheet events that require to be disclosed.

Subject to the recommended revision to the title of the 'other reserve' account, the Board approved the SFT Group Annual Report and Financial Statements 2020-21 and authorised their signature by IR and PR.

15 Letter of Representation - approval

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

16 Outcomes publication

Triona Tiernan joined the meeting for this item.

The Board noted and discussed the report summarising the implementation of the outcomes-based approach to demonstrating the impact of the Company's work for 2020-21. The Board noted that the qualitative reporting has built on the datasets established for the 2019-20 report and TT confirmed that work has been undertaken to expand on the measures used for 2020-21. The Board acknowledged the challenges of reporting against outcomes rather than smarter targets.

TT gave a demonstration of the refreshed website which has been developed for the publication of the Outcomes for 2020-21, illustrating how each case study is linked to different outcomes and providing access to a library of past case studies. The Board asked that a link to the website be shared with them for any further comment prior to launch.

Outcomes website link to be shared with Board prior to public launch.

The Board further noted the external assurance process carried out by Grant Thornton and reviewed by the Audit Committee and subject to final review of the website, approved the launch of the outcomes reporting platform reflecting the outcomes achieved over the 2020-21 reporting period.

17 Update on Governance: Management Statement and Financial Memorandum (MSFM) and Framework Document

The Board noted the report providing an update on discussions with Scottish Government on the potential move from the MSFM to the standard Framework Document for Non-Departmental Public Bodies. PR highlighted the two main potential implications of a move to the Framework Document as being compliance with the Scottish Public Finance Manual (SPFM) and with Scottish Government Pay Policy. The Board discussed the implications of adopting the SPFM and considered that a detailed review of the Company's ability to comply with SPFM requirements to fully assess operational impacts should be undertaken in advance of any formal response to Scottish Government. The Board requested that this review be carried out by the Group Audit Committee.

Review of impact of move to SPFM to be undertaken by the Group Audit Committee.

The Board further discussed possible operational impacts, including on recruitment, of adoption of the Scottish Government Pay Policy and the Board agreed to reserve its position on this, pending the review and possible implementation of actions in relation to SPFM compliance.

18 Board Strategy Day

The Board noted the report outlining proposed arrangements, agenda and attendance at the Board Strategy Day planned for 1 November 2021. The Board agreed the proposed agenda and arrangements including that no external speakers be invited.

19 AOB

There was no further business.