

MINUTES

Meeting of: Board of Directors, Scottish Futures Trust Ltd

Date & Time: Monday 28 January 2013, 2.30pm

Place: 11-15 Thistle Street, Edinburgh

Present: Sir Angus Grossart, Chairman
Graeme Bissett
Fiona Mackenzie
Carolyn Dwyer
Jim Fletcher
Barry White
Peter Reekie

In attendance: Colin Proctor (part of meeting)
Graham Black (part of meeting)
Paul Devine (part of meeting)
Peter Kearns (part of meeting)
Liz Petrie (notes)

1 APOLOGIES AND DECLARATION OF DIRECTORS' INTERESTS

There were no apologies.

Directors' interests were noted as declared and published in July 2012. There were no new interests.

2 MINUTE OF PREVIOUS MEETING AND MATTERS ARISING

The minute of the meeting of the Board of Directors of 17 December 2012 was submitted and approved as a correct record.

Arising from the minute the following matters were highlighted:

- i) Borrowing Powers – AG advised that he continued to discuss a potential strategic role for SFT in the development of new fiscal powers and responsibilities linked to infrastructure investment. The importance of SFT being at the heart of new funding structures and bonds for infrastructure financing was stressed.

It was noted that currently there is sufficient availability of debt funding for projects with individual bonds being used for only the largest projects.

It was requested that BW/PR prepare a letter to J Swinney for AG's signature to request discussions on developing financing structures.

Action: BW/PR to draft letter to J Swinney.

- ii) Infrastructure Ontario – The Chairman thanked BW of for the useful, comparative information presented and subsequently circulated to the Board on Infrastructure Ontario.

3 CHAIRMAN'S REPORT

AG reported that the first of three breakfast discussions with SFT staff had taken place with others scheduled in the coming 2 weeks. GB had also attended. AG advised that he had taken the opportunity to emphasise the importance of SFT's operational independence. BW advised that feedback from staff had been positive and the opportunity to meet with Board members welcomed. The Board noted BW's proposal that lunch meeting prior to a board meeting may be arranged to offer further informal dialogue between staff and board members.

AG advised that he continued to meet with J Swinney. Most recently AG advised the Board that he had discussed the administrative error made by the company in a submission to Scottish Government profiling expenditure by financial year on the NPD pipeline where one project had been wrongly included in a list of projects against a given year although the figure had been correct.

It was noted that it has been proposed, through the Lord Mayor of London's office, that SFT participate in a seminar on infrastructure in London.

AG further advised that the Chairman's appraisal had been undertaken by A Stafford.

4 CHIEF EXECUTIVE'S REPORT

The terms of the Chief Executive's report were noted. BW highlighted the agreement reached with Stirling Council to take forward the NHT Council Variant and that interest is being expressed by other councils. It was noted that this work stream is in addition to NHT 1 and 2 as well as a mooted NHT 3, and is testimony to the company's success in adapting and developing models to facilitate varied demands and environments. It was noted that both local authorities and developers are now expressing interest in the NHT model(s). The Board was advised of one issue in respect of a small number of 4-bed houses developed in the Borders under NHT. This may result in a limited call on the Government guarantee as not all the houses have been let yet. It is this type of scenario that the guarantee was designed to cover.

BW further highlighted progress on the Glasgow College project with the announcement of the Preferred Bidder and that within the hub programme construction has commenced on the Gullane Health Centre project.

BW advised that John McClelland has been appointed by SW hubCo as chairman of SW hubCo.

Given the number of LLPs, hubcos, public interest directors and SPVs that all require appointment of a representative to be made by SFT a discussion was held on the appropriate mechanism to be established where SFT has an appointing role.

BW/PR to consider the appropriate mechanism to be used where SFT has an appointing role to the various bodies it is part of and how the board can be consulted on this.

Asset Management

The Board welcomed CP, GB, PD and PK to give a presentation on the Asset Management work stream.

- i) Central Estate – GB outlined work being carried out on the Central Estate advising that verifying data on the estate has been a significant challenge but is now well underway across 144 public bodies. It was noted that although current figures suggest that there is significant surplus office space across the central estate, 30,000 sqm of space is currently being acquired by individual organisations on independent bases.

The Board was advised that overall, based on no change in headcount and the allowance of 8 sqm per person, which is the UK norm, between 50% and 75% less office space might be required in the long term and shorter term measures should not cut across the potential to make long term reductions . It was noted that the current target is 25%.

Discussion took place on issues of control over the portfolio and possible structures to allow more centralised control across the estate, with emphasis on the need to halt expansion of space which currently entails additional expenditure without any public benefit.

- ii) Surplus Estate – PD outlined current work being carried out on the NHS surplus estate dealing with 11 Health Board and covering 188 surplus properties. It was noted that 10 sites have been identified for disposal work to begin. The Board expressed its willingness to support in negotiations with the Boards if applicable.

PD presented organisational options for lesser or greater control of the surplus estate in the future ranging from the current model to transfer of asset ownership to a separate PropCo which would manage and dispose of assets. The options, the level of control needed by SFT to effectively manage disposals of surplus property and the issues raised by various levels of mandate were discussed. The Board agreed the priority of developing the current model on the existing range of projects while evaluating best approach for major strategic sites due to be declared surplus in next few years. CP to revert to Board if proposal to move beyond current role is being made.

- iii) Local Estate – PK reported on recent progress within the local estate. Diagnostic reviews have been completed and pilot projects are being carried out with four local authorities. PK reported a positive response from local authorities

The Board requested that a copy of the presentation be circulated to members for consideration after the board.

BW to circulate presentation.

AG stressed the Board's willingness to provide support to the company and staff in order to obtain the objectives of the asset management programme.

CP, GB, PD, PK and JF left the meeting

Business Plan

BW tabled copies of a presentation, outlining the proposed form and content of the business plan 2013/14, a full draft of which will be presented to the Board for approval at its next meeting.

BW advised that work stream priorities are being reviewed together with the staffing demands for growing work streams such as Asset Management and Low Carbon. It was noted that the SFT's budget is stable for next year.

BW reported that work has also commenced on the Corporate Plan 2013/18 which is due for publication in mid to late summer. This timing will allow consideration of any matters arising from the construction procurement review being undertaken by Scottish Government.

5 FINANCE REPORT

The Board noted the report covering the 9 month period to end December 2012. PR advised that expenditure remains under budget although advisory spend is expected to increase in the final quarter of the accounting year.

It was noted that a report on the £1million capital for enabling funds for Asset Management will be taken to the Asset Management Programme Board.

6 REPORT FROM THE AUDIT COMMITTEE

GB provided a verbal report following the meeting of the Group Audit Committee which had taken place immediately prior to the Board meeting.

- i) Tender for Audit Services - It was noted that the company is tendering for audit services within the OGC framework. From the tender process, PR will provide a report and recommendation to the members of the Audit Committee and recommendations will be brought to the Board for approval.
- ii) MSFM – GB advised that the Committee had considered a report outlining the differences between the extant MSFM and the new standard form 'Framework Document' on which Scottish Government is basing its review of SFT's MSFM. It was highlighted that the 'Framework Document' includes elements which would impinge on the independence of operation of the company. GB advised that the Committee endorsed the approach proposed to negotiate and finalise the document and was comfortable with the company's compliance with the extant MSFM. The revised MSFM will be brought to the Board for approval at its meeting on 5 March 2013.
PR to prepare paper for Board of 5 March.

- iii) Whistle-blowing policy – Proposed changes to the whistle-blowing policy were approved by the Committee, introducing contacts at a charity to provide independent advice to staff.
- iv) Project and Programme Governance – The Committee had considered a report on project and programme governance. Arising from this the need to create a clearer remit and responsibilities of staff representing SFT on external boards was agreed.
PR to draft remit.

The Committee further agreed that the external auditor's remit should be widened to review project controls and the project governance regime in the company to strengthen the scrutiny of procedures and had instructed PR to make the necessary amendments to the tender remit .
PR to redraft external auditor's remit.

The Committee considered there was no merit in introducing an Internal Audit function.

7 CORPORATE RISK REGISTER

The Board noted the updated report on Corporate Risk, outlining the impact, manageability and stability of risks to the company. In regard to the NPD programme it was questioned if the risk should be widened to the whole programme rather than only the health projects.
PR to amend register.

8 AOB

There was no further business.

Date of next meeting is 5 March 2013, 2.30pm, at 11-15 Thistle Street, Edinburgh