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**MINUTE**

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Monday 18 March 2019, 1.30pm

Place: Board room, 11-15 Thistle Street, Edinburgh

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

Apologies: none

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

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**1 FORMALITIES**

**Apologies**

There were no apologies.

**Declaration of Directors' interests**

IR's chairmanship of the National Infrastructure Commission for Scotland was noted. No interests were highlighted in regard to the meeting agenda.

**Minute of previous meeting**

The minute of the meeting of the Board of Directors of 28 January 2019 was approved as a correct record.

**Action tracker**

The actions were reviewed and timescales for ongoing actions noted.

**Appointment to Scottish Futures Trust Investments Ltd Board**

The Board noted that following the reorganisation in January 2019, VC leads the Management and Investments area of the business which includes leading the operation of the subsidiary, Scottish Futures Trust Investments Ltd. The Board agreed to PR's proposal to appoint VC to the Board of Scottish Futures Trust Investments Ltd.

## 2 DISCUSSION

### **Business context**

PR led discussion on infrastructure trends based on the recently published KPMG report 'Emerging trends in infrastructure'. PR described the ten global trends identified in the report and their resonance with the context in which SFT operates.

PM led discussion on the challenges facing the Scottish house building in areas such as skills, labour, materials and affordability and the inter-relationship of the different factors.

### **Business area strategy – Development and Housing**

CR described the workstreams she now leads under the 'Development and Housing' business area, being Asset Strategy, Economic Investment, Land and Housing, noting that the place principle overarches all activity in the area. CR described the challenge and opportunity of harnessing the synergies amongst this new grouping of workstreams.

It was noted that 20 staff are employed across the workstreams with the current main resource challenge being in meeting the ambition and breadth of work supporting Growth Deals, City Deals and the Growth Accelerator.

CR described the longer term challenge being addressed by the housing workstream to innovate to provide affordable homes without government subsidy as achieved through the structure approved by the SFTi Board with East Lothian Council.

*CR left the meeting.*

## 3 MONITORING

### **Business objectives & emerging/reducing workstreams**

The Board noted the report on progress against business objectives 2018-19.

PR highlighted that four objectives are classed as 'red' and it is expected that this will be the year end position. PR described the reasons for the objectives not being achieved. PR advised that of particular concern was the failure to move forward economic growth projects to the stage targeted in the year and advised the Board that lessons are being learnt from this in considering capacity to deliver in this area in the coming year.

The Board requested that the end of year report provide additional narrative on each 'red' objective covering the reasons the objective was not achieved, lessons learnt and when it is expected that the target will be met, if at all.

*End of year report to include narrative on 'red' objectives as outlined above.*

The Board noted the update on the areas of opportunity and risk, identified at the beginning of the financial year and tracked through the year. The Board requested that the end of year report include a commentary on these areas of activity as well as the objectives.

*Commentary on areas of opportunity and risk to be included in the report to the board on the year end position.*

### **Finance and budgets**

*VC joined the meeting.*

The Board noted the finance report summarising the financial position for the ten months to 31 January 2019. VC confirmed that the forecast underspend remains circa £200k which is consistent with recent reporting. The Board noted the allocation and expenditure of the corporate contingency of £100k.

VC recalled that in May 2018, the Board had agreed that one-off annual additional contributions to the pension fund could be considered to reduce a pension deficit if there was surplus budget, but should not displace other spending priorities. The Board approved an additional payment to the Lothian Pension Scheme of circa £200k, dependent on the final budget outturn position. The Board requested that if the underspend and proposed payment were to exceed £300k the Board should be advised prior to any payment being made.

*If a one-off payment to the pension scheme of more than £300k is proposed, the Board should be advised prior to any payment being made.*

*VC left the meeting.*

### **CEO and Board performance**

It was noted that individual meetings between the Chair and non executive directors are ongoing and the Chairman will complete an annual review of CEO performance in the coming period. It was requested that directors' feedback on the Chairman's performance be advised to GW.

## **4 DECISION**

### **Corporate Plan 2019-24**

The Board noted the draft Corporate Plan 2019-24.

It was noted that the draft plan had been shared and discussed with Scottish Government Director-General Scottish Exchequer and colleagues. PR highlighted the changes to the draft since the Board's last formal review and that the themes of innovation and place have been strengthened through the narrative.

Directors provided comment on the draft Plan. It was agreed that the collaborative nature of SFT's work and success should be reinforced in the both the Corporate Plan and Business Plan narratives.

It was further requested that more detailed recommendations on the measurement of outcomes referred to in the Plan at a high level be brought to the next Board meeting.

*Recommendations on measurements of outcomes to be brought to the Board meeting in April.*

The Board approved the Corporate Plan 2019-24, subject to minor amendments to the narrative. The Board further noted the process for approval of the Plan by the Cabinet Secretary representing the shareholder and for subsequent publication.

### **Business Plan 2019-20**

The Board noted the draft Business Plan 2019-20 including the full listing of business plan objectives which illustrated: the linkage of individual objectives to SFT's longer term outcomes; the linkage of individual objectives to agreed corporate priorities; how the level of ambition had been established for objectives; how objectives will be measured and the thought process behind prioritisation of particular objectives.

PR advised that discussions have been held with stakeholders, and a comprehensive engagement workshop was held with Scottish Government stakeholders.

The Board noted and discussed the budget to deliver the business plan, noting the 3% reduction in core budget and that some programme budgets remain indicative. The Board acknowledged risks associated with budget allocation with a decline in core funding and rising costs.

The Board reviewed the draft Business Plan and discussed the activity to be undertaken in the business area of Construction Industry and Delivery. It was agreed that Colin Proctor who leads this business area should be asked to present at the Board meeting in June.

*CP to present on Construction Industry and Delivery in June.*

The Board was advised that the 10 year period on which the benefits methodology is based concludes with the current 2018-19 financial year. The Board requested that proposals for illustrating benefits or measured outcomes for the new business plan period form part of the report to be brought on measuring outcomes through the period of the new corporate plan.

PR advised that some feedback from the Scottish Government workshop on objectives is awaited and any changes to the wording of objectives will be circulated to the Board.

The Board approved the draft Business Plan 2019-20, subject to minor updates raised.

### **Reward Review**

*FO joined the meeting.*

The Board noted the report seeking approval of the proposal on an annual salary review and outlining a wider review of rewards.

FO described the background to the proposed review and the benchmarking exercise that had been undertaken including both private and public sector organisations.

Following discussion the Board approved a 2% pay award for 2019/20 capped at £85,000 with staff over this pay level receiving a fixed amount of £1,700.

The Board further approved a corresponding uplift in salary ranges for all grades bar Director and Chief Executive. It was noted that the receipt of the annual award will be dependent on salary ranges not being breached.

FO outlined the revised procedures being put in place for exceptional performance awards to better align with the performance management process and increase transparency. The Board approved the proposals.

The Board noted and approved the proposal that car allowances remain at the levels agreed for 2018/19. It was noted that the longer term approach to car allowances is under review. The Board further agreed that mileage rates remain unchanged. It was confirmed that the Company offers a bike to work scheme and encourages the use of public transport.

The Board noted the budget impact of the agreed proposals.

The Board requested that an update report on staffing strategy be brought to the Board in September.

*PR to bring a report on a report on staffing to September meeting.*

## **5 NOTING**

### **HR update**

The Board noted the HR update. FO highlighted the 360 degree feedback exercise which is being undertaken for Directors and Senior Associate Directors. It was agreed that a review of the composite results should be reported to the Board together with actions being taken. The Board agreed that feedback should be given to staff on actions arising from the exercise.

*Composite results and planned actions from 360 degree feedback exercise to be reported to the Board.*

### **Communications activity report**

The Board noted the recent and planned communications activity including the proposed actions in to promote the launch of the Corporate Plan.

It was highlighted that a series of thought leadership events are planned within a programme of activities to mark SFT's tenth anniversary.

**6 AOB**

PR reported that since the Board had been advised in November 2017 of the possibility of being asked to undertake an independent assurance review of Edinburgh Tram Phase 2 there had been no further action on the matter.

The Board noted that PR has been invited to give evidence at the Scottish Parliament's Economy, Energy and Fair Work Committee on 26 March on 'Construction and Scotland's Economy'.