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## MINUTE

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Monday 29 January 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)  
Peter Reekie (PR)

Apologies: None

In attendance: Liz Petrie (LP)  
Viv Cockburn (VC) (part meeting)  
Tony Rose (TR) (part meeting)

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### 1a APOLOGIES AND REGISTER OF DIRECTORS' INTERESTS

There were no apologies. The Board congratulated PR on his appointment and IR welcomed PR to his first board meeting as chief executive.

AF advised of her appointment to the Board of Nevis Technologies Ltd. PR highlighted his existing public interest directorship on Aberdeen Roads Ltd and his membership of Balerno High School parent council.

### 1b DISCUSSION

PR gave an overview of the roles and governance of the UK Government's Infrastructure Projects Authority (IPA) and National Infrastructure Commission (NIC). The relevance of aspects of the IPA's 'Transforming Infrastructure Performance' to the development of thinking around the Company's own corporate plan was discussed. It was agreed that PR should schedule items for discussion on agendas in the coming months in the context of the new corporate plan to be drawn up during 2018.

*PR to schedule discussion items in line with developing corporate plan.*

Discussion took place on the range of policy bodies and publications governing the Company's diverse areas of work. The Board requested that a mindmap illustrating these be drawn up and distributed to board members and consideration given to IR meeting with the Chairs of relevant policy making bodies.

*PR to draw up and distribute illustration of the policy bodies and publications relating to the Company's business.*

Following discussion at the last Board meeting, PR confirmed that he has continued to contribute to the Advisory Group set up to consider options for the creation of a Scottish National Investment Bank (SNIB). PR provided an update on how the existing and developing areas of the Company's work could complement SNIB's likely areas of activity.

The Board noted the recent compulsory liquidation of Carillion and the associated refreshed scrutiny of Public Private Partnership models. PR confirmed that across SFT's programmes only the NPD Aberdeen West Peripheral Route development was directly affected and described the management of risk and contingencies put in place whereby the other two contractors on the project are jointly liable and will take over Carillion's work. It was acknowledged that the full impact on subcontractors and the wider supply chain is not yet known and the exposure of other projects is being assessed.

## **2 MINUTE OF PREVIOUS MEETING AND MATTERS ARISING**

The minute of the meeting of the Board of Directors of 27 November 2017 was agreed as being a correct record.

## **3 ACTION TRACKER**

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

## **4 CHIEF EXECUTIVE'S REPORT**

### **4a Business overview**

The Board noted the business overview and PR gave a presentation highlighting that construction had started on the 100<sup>th</sup> school in Scotland's Schools for the Future programme and the largest health project in the NPD programme, the District Hospital in Dumfries is now fully operational. PR outlined the Company's stream of activity to promote the Rental Income Guarantee Scheme and the wider build to rent sector, noting the sector's potential to attract inward investment and contribute to economic growth.

### **4b Progress against business plan objectives 2017-18**

The Board noted the report detailing performance against all 2017-18 business plan objectives.

The Board noted that 42 of the business plan objectives have either been completed or will complete through continued activity at the year end. Of the remaining objectives it was noted that one further objective has moved to 'amber' as progress has been slower than anticipated on reaching agreement on two supplementary economic investment

projects. PR explained that this was due to the evolution of growth deals in the year where structures are more complex with more parties involved.

It was noted that the signing of Edinburgh Homes agreements is expected in February following completion of governance procedures within the City of Edinburgh Council. PR advised that early March is now also targeted for the launch of the 4G infill procurement. PR highlighted the challenges faced by carbon demonstration projects, subject to tight timescales to drawdown available European backed grant funding.

The Board was advised that a value for money review of NPD is scheduled by Audit Scotland for 2018/19.

It was noted that good progress has been made on the objective to develop joint occupancy strategies and collaboration among the three emergency services. PR further highlighted the strategic, collaborative work being undertaken on operational PPP contracts, noting that this structural approach will be taken forward in the coming year.

#### **4c Communications Report**

The report on recent and planned communications activity was noted.

The Board discussed the communications activity and approach, noting that a refreshed communications strategy is scheduled to be brought to the next Board meeting in March.

The Board requested that a long term strategy be presented aligning with the business plan currently being developed.

### **5 FINANCE REPORT**

*VC joined the meeting.*

The Board noted the report covering the Quarter 3 financial position, updates on VAT and Lothian Pension Fund and a request for approval of a revision to the Company's bank mandate.

Quarter 3 Finance Update: The board noted the summary of the financial position to 31 December 2017. VC outlined the income and expenditure position and reported that there is a forecast underspend of circa 4%. The Board noted the position and requested that priority be given to identifying and implementing areas of work to use the budget effectively.

VAT update: VC advised that an HMRC inspection had taken place in November and two points raised. HMRC are reviewing the grant in aid treatment of payments to the Company from Scottish Government. It was noted that this had been reviewed in 2014 and the Company's activities and remit have not changed in that period. Internal procedures have been introduced to address the second point raised on reversed charging. The Board noted the position and the external support and advice being provided to the Company.

Lothian Pension Fund update: The Board noted the results of the tri-annual valuation carried out by Hymans Robertson, appointed by City of Edinburgh Council for all employers who are members for the Fund. It was noted that this valuation reflects a 'snapshot in time', being based on a series of assumptions on forecast liabilities of the scheme which fluctuate over time. It was noted that the valuation indicates that the Company's scheme is 96% funded with a deficit of £503k.

VC advised that the Company is enrolled in a contribution stability mechanism which limits annual changes in employer contribution rates to a maximum of 0.5% per annum to March 2021. SFT's current contribution rate was noted as 17.8% of payroll plus £81,000, equating to a blended employer contribution of 20%.

VC highlighted that the deficit had been minimised as, in the past three years, additional employer contributions have been made to the scheme as budget has been available.

The Board agreed to continue enrolment in the contribution stability mechanism and that the contribution remain 17.8% of payroll and £81,000 per annum, rounded to 20%. The Board further agreed that the valuation suggested that additional employer pension contributions should be made if budget remains available at the year end after prioritisation of allocation of budget to work areas.

The Board discussed and confirmed the affordability of the agreed contributions for the three year period from 1 April 2018, subject to annualised budget allocation and noted that the Company's pension scheme liabilities are underwritten by Scottish Government.

The Board asked for advice on the significance of the Lothian Pension Scheme membership in staff recruitment and engagement.

*PR to advise on the significance of the Lothian Pension Scheme in the benefits offered to staff.*

The Board noted that following an urgent consultation issued by Lothian Pension Fund in December on voluntary scheme pay provisions, consultation had taken place with the Chairman and the Chairman of the Audit Committee and it had been agreed to adopt the voluntary scheme pays for the financial year 2016/17 only. For the next financial year a paper is to be brought to the full Board for consideration.

Bank mandate: The Board agreed to remove Barry White as signatory to the Company's accounts and authorised IR to sign the appropriate bank forms.

## **6 REPORT FROM CHAIRMAN OF GROUP AUDIT COMMITTEE**

GW reported from the meeting of the Group Audit Committee which had taken place immediately prior to the Board meeting.

The Board agreed to the Committee's recommendation that the Company undertakes the Cyber Essentials Plus accreditation for cyber security and resilience and noted that VC is to be SFT's nominated individual with specific responsibility for cyber resilience.

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**7 BUSINESS PLAN 2018-19**

PR gave a presentation on the ongoing work to develop the business plan for 2018-19.

It was noted that this will be the final plan within the current corporate plan and that work on the new corporate plan will commence in the new financial year, concluding in December 2018.

PR gave an overview of the contexts being considered in drawing up the business plan for 2018-19. The Board noted the draft corporate objectives and draft key workstream objectives. It was requested that these be circulated to the Board for comment.

*PR to circulate draft objectives for comment.*

PR set out areas viewed as potential growth areas for the business and discussion took place on these and other areas where it could be appropriate to reduce activity.

It was noted that the full draft business plan together with an overview of structuring of resource to support its delivery will be brought to the Board in March for approval.

**8 WIDER BENEFITS CAPTURE AND REPORTING**

*TR joined the meeting.*

The Board noted the report on the capture and reporting of wider benefits. TR gave a presentation describing the work carried out with teams across the business to analyse and better understand the benefits of the Company's work as a first step to developing an assessment framework which goes beyond the financial estimate used to date. TR highlighted the range of benefits and impacts identified and the Board agreed the importance of demonstrating the wider benefits of the Company's work. It was noted that to date the reporting of wider impacts has been largely anecdotal.

It was noted that the next steps would be to identify or develop credible methodologies to measure and report on the impacts and benefits identified, and to allocate resource to this work. The Board agreed the importance of this work and agreed that consideration could be given to including specific benefits measures other than the sole financial target within the new corporate plan. GW asked that consideration be given to piloting measures of wider benefit.

**9 NON EXECUTIVE DIRECTOR SUCCESSION PLANNING**

The Board noted the paper on the diversity of skills and experience which could be considered when recruiting new directors given the termination of FM and CD's appointments at end December 2018.

The Board considered that the following skills/experience should be targeted:

- Public sector background
- Current/recent UK wide/international experience

- Construction industry/infrastructure experience

It was further agreed that a knowledge of the political landscape would be useful.

It was agreed Fiona Ogg should be asked to draw up person specifications for discussion with Scottish Government who will carry out the recruitment. It was agreed that it may be appropriate to recruit three new directors in order to obtain the breadth of skills and experience targeted.

*FO to be asked to draw up person specifications for new non executive directors.*

#### **10 BOARD MEETING SCHEDULING 2018 AND 2019**

The report detailing proposed changes to the schedule of meetings in 2018 was noted and agreed with the incorporation of a Group Audit Committee prior to the board meeting in June.

IR requested that further consideration be given to the proposal for a reduced number of board meetings in 2019 to avoid the considerable gap proposed over the summer period.

*LP to issue 2018 schedule and revised proposal for 2019.*

#### **11 ANY OTHER BUSINESS**

There was no other business.