

## MINUTE

Meeting of:	Scottish Futures Trust Limited - Board
Date & Time:	Monday 16 March 2020, 2pm
Place:	Board room, 11-15 Thistle Street, Edinburgh and by conference call
Present:	Ian Russell, Chair (IR) Ann Faulds (AF) Bill Matthews (BM) Pauline Mills (PM) Graham Watson (GW) Peter Reekie (PR)
Apologies:	Ann Allen (AA)
In attendance:	Liz Petrie (LP) Kerry Alexander (KA) (part meeting) Andrew Bruce (AB) (part meeting) Stephen Vere (SV) (part meeting) Viv Cockburn (VC) (part meeting)

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### FORMALITIES

#### 1 Apologies

Apologies were noted from AA.

#### 2 Declaration of Directors' interests

No new interests were declared.

IR's chairmanship of the National Infrastructure Commission for Scotland was noted.

#### 3 Minute of previous meeting

The minute of the meeting of the Board of Directors of 27 January 2020 was approved as a correct record.

#### 4 Action tracker

The actions were reviewed and timescales for ongoing actions noted. Arising from Item 4, PR advised that based on the methodology used for the 2014-19 Corporate Plan a financial benefits estimation had been made for the first year of the 2019-24 Corporate Plan. It was noted that work continues on capturing the impacts of SFT's work against the outcomes laid out in the current Corporate Plan.

## DISCUSSION

### 5 Business context

#### COVID-19

The Board discussed the impact of COVID-19 on the Company and the wider environment in which the Company operates. The Board noted that in line with the rapidly changing Government advice, the Company will move to home-working as of 17 March 2020. PR confirmed that the Company is well set up for home-working and assured the Board of the support that will be given to staff through the exceptional circumstances. The Board asked for at least weekly updates.

*Weekly updates on the Company response to COVID-19 to be provided to the Board.*

PR outlined areas of SFT activity where the COVID-19 virus and Government directives are likely to have the most immediate impacts including pressure on Facilities Management contractors and possible disruption in construction contracts.

#### The Future of the Construction Industry

PR gave a presentation on the changing nature of the construction with increasing digitisation, a move from transactional to enterprise approaches, and the significant impacts of the climate emergency. The Board discussed the industry's current approach to quality and the need to assure quality during the construction process.

Further discussion took place on the construction industry's resilience and the risk to both Tier 1 and sub-contractors of any curtailment of activity due to COVID-19.

### 6 Business area strategy – Infrastructure Finance and Programmes

*KA, AB and SV joined the meeting.*

KA outlined the areas of activity within the Infrastructure Finance and Programmes business area, supporting the delivery of programmes to support the National Infrastructure Mission (NIM).

AB recalled the reasons for the development of the Mutual Investment Model (MIM) to provide additionality to attain the National Infrastructure Mission's target of increasing annual infrastructure investment so it is £1.5 billion per year higher at the end of the next Parliament than in 2019/20. It was noted that while MIM had been accepted as the preferred privately financed approach to delivering additional investment by Scottish Government in May 2019 there are currently no projects being financed through it. The Board discussed the availability of other financing options including the outcomes-based Growth Accelerator and Learning Estate Investment Programme. The Board recognised the need to decide on projects to be financed through MIM sufficiently in advance to deliver the NIM target on time and the need for a pre-commitment of a sufficient pipeline to attract the market.

SV charted the growing significance of and attention to the Low Carbon agenda through the Scottish Government's annual Programmes for Government since the SFT team was established in 2013 and described the diverse activities of the team across strategy,

planning and delivery of programmes and projects. The Board discussed the significant challenge of meeting Scottish Government targets for carbon reduction and the need for early action and leadership.

*KA, SV and AB left the meeting.*

## **MONITORING**

### **7 Business Area Summary Reports**

The Board noted the reports on the four business areas: Infrastructure Finance and Programmes; Development and Housing; Management and Investments and Construction Industry and Delivery. PR highlighted elements of the report including the challenge of meeting the Early Learning and Childcare programme target by August 2020 where SFT is helping Local Authorities with contingency planning and the progress and challenges in the development of the Green Growth Accelerator.

### **8 Business Plan Objectives Summary**

The Board noted the report monitoring progress against business plan objectives as at the end of February 2020.

PR highlighted the significant achievements made against Objective 12 although the specific targets for deployment of masts will not be met in the year.

The Board noted that Objective 25 remains 'amber' although timescales are very challenging to achieve the objective by the end of March.

### **9 Board Effectiveness**

The Board noted the report and agreed the proposed action plan compiled on the basis of the board appraisal questionnaires completed by directors in January.

The Board further noted the outline of the chief executive's time allocation to meet business objectives and PR advised areas where it is intended to dedicate more time in the coming year.

### **10 Finance Report**

The Board noted the report outlining the financial position at the end of January 2020. It was highlighted that on 31 January 2020 an underspend of £67k was predicted at the year end. PR advised that in the course of the past month two significant areas of forecast expenditure are now expected to move into the next financial year due to a poor response to a tender which means that the contract has not been let and to a long term staff illness which has delayed some work being taken forward in the last two months. The Board noted that that an underspend of circa £200k is now forecast, which GW commented could be added to the supplementary pension scheme contribution. The Board noted the position and that carrying work into next year would put more pressure on already constrained budgets.

With reference to the emerging COVID-19 emergency, PR confirmed that the Company currently has adequate cash resources and briefly outlined possible contingency use of SFTi funds in the future. The Board agreed in principle that consideration could be given to using SFTi funds in the future to meet operational cash requirements and that approval should be sought from the Board(s) should this risk materialise.

## **11 Corporate Services Report**

The Board noted the corporate services report describing recent and planned activity across HR, communications, business technology, office management, procurement and data protection.

PR advised that the Leadership Team is due to consider the results of the recent employee opinion survey at its meeting on 17 March and confirmed that a report on results and actions arising from the survey will be brought to a future meeting.

*Report on employee opinion survey results and actions to be brought to future board meeting.*

It was further noted that updates are being made to the suite of HR policies and it was requested that a listing of new and revised policies should be circulated to the Board.

*Listing of new and revised policies to be circulated to the Board.*

## **DECISION**

## **12 Annual Reward Review**

The Board noted the report and discussed the recommendations on an annual salary increase for staff, salary ranges, exceptional performance awards, car allowances and mileage rates.

PR referred to the previous year's salary and reward benchmarking exercise and current trends in public and private sector pay awards. The Board noted the impact of freezing salary ranges to those at the top of their scales and that no annual reward would be made if an employee is at or above the maximum for their grade.

After discussion the Board approved the proposed annual award of a consolidated salary increase of 2% capped at £85,000 with staff earning above that receiving a fixed consolidated increase of £1,700.

The Board further agreed that no changes should be made to the salary ranges. PR advised that this would be reviewed annually.

The Board discussed the proposal for recognition of exceptional performance and PR advised that the 'exceptional award' is currently the only mechanism for progression through the wide salary ranges. After discussion the Board agreed the recommended

approach noting that the payment for those above their range maxima would be a non-consolidated 2% rather than the consolidated 3%.

The Board agreed the recommendation that no change be made to car allowances. The Board further noted that car allowances remain under review, acknowledged the challenges to changing this element of the total reward package for staff and requested that proposals be brought to either the May or June 2020 meetings.

*Proposals on car allowances to be brought to the Board within Quarter 1, 2020-21.*

*[Post Meeting Note: the annual pay award has been suspended given COVID-19 uncertainty]*

The Board noted current mileage rates and agreed that no change should be made.

The Board further noted the budget impact of the proposed changes and that these have been included in the budgeting for the business plan 2020-21.

### **13 Pay Policy**

The Board noted the report outlining the Company's Executives' consideration of the suitability of the application of Scottish Government Pay Policy to the organisation as a possible consequence of adopting the 'Framework Document' to replace the current Management Statement and Financial Memorandum. The Board noted the drafting of the response to be sent to Scottish Government to progress discussion on the Framework Document.

### **14 Business Plan 2020-21**

*VC joined the meeting.*

The Board noted and discussed the text of the draft Business Plan 2020-21. VC advised that the Plan is centred on the continuation of the status quo but allows for adaptation to changing circumstances over the year. VC highlighted the table linking the Company's areas of activity to the outcomes targeted in the Corporate Plan 2019-24 and the National Performance Framework. The Board was advised that none of the proposed objectives is to be highlighted as having a negative impact on carbon emissions.

VC advised the Board that the objectives have been set in line with the indicative budget and the Board noted that the budget available for allocation through the year was considerably lower than in previous years. It was noted that discussions continue with Scottish Government to finalise all elements of the budget.

Directors provided comment on elements of the text and agreed to provide any further comment on the draft text over the coming week. The Board requested that a copy of the Plan in its final format be sent to the Board for approval.

*Directors to provide comment on the draft by 20 March 2020.  
Copy of business plan in final format to be sent to Board for approval.*

**NOTING**

**15 Response to Audit Scotland report on NPD/hub**

The Board noted the report setting out the Company's responses to the Audit Scotland report on NPD and hub DBFM.

**16 AOB**

There was no further business.