
MINUTES

Meeting of: Board of Directors, Scottish Futures Trust Ltd

Date & Time: Tuesday 5 March 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: Liz Petrie (minutes)

1 APOLOGIES AND DECLARATION OF DIRECTORS' INTERESTS

There were no apologies.

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

2 MINUTE OF PREVIOUS MEETING

The minute of the meeting of the Board of Directors of 28 January 2013 was submitted and approved as a correct record.

Arising from the minute the following matters were highlighted:

- i) Borrowing Powers – The current Glasgow College Funding competition has afforded a good overview of the market. PR tabled a paper on borrowing powers and undertook to circulate a relevant extract on Fiscal Policy.

It was noted that the action to draft a letter to J Swinney requesting discussions on developing financing structures remains outstanding.

Action: PR to circulate Fiscal Policy note.
Action: BW/PR to draft letter to J Swinney.

- ii) Mechanisms to be used when SFT has an appointing role to a Board – BW reported that consideration had been given to the appropriate mechanisms for appointing directors to the various bodies SFT is part of. BW outlined the following practice:

Appointment to LLPs for NHT: internal appointment of SFT staff

Appointment of PIDs for SPVs: up to now these have been external appointments but it is intended to make new appointments internally from SFT staff

Appointments to sub hubCos: internal appointment in line with internal appointments to hubCos.

In a smaller number of cases where SFT has no controlling role but is asked for suggestions for external private appointments, such as the hubCos' Chairs, directors will be informed and consideration given to the appointment process at the time.

It was confirmed that PR is drawing up remit to clarify the roles and responsibilities of staff holding SFT appointments on the boards of external bodies.

PR to finalise remit.

3 CHAIRMAN'S REPORT

AG reported that he has continued to hold discussions with the First Minister, Deputy First Minister and J Swinney, emphasising support for the Asset Management work stream. AG outlined concerns regarding progress on rationalisation of the Central Estate in particular such as new space being taken on despite an embargo.

On the Surplus Estate BW advised that recent progress has been made with health boards and the emerging opportunities for health board and local authority collaboration in property management.

It was noted that the level of engagement with different local authorities varies. It was agreed that successful rationalisation where several facilities are replaced by a new single hub should be promoted, building on the success of completed projects, where service improvements have been delivered.

AG highlighted that the housing recovery has still not come through across the UK, contrasting this with the success of NHT. It was agreed that the success of NHT should be better publicised on the landmark development of the 1,000th house, expected in the current month.

4 CHIEF EXECUTIVE'S REPORT

BW outlined the context in which the Corporate Plan, spanning the next 5 year period, is being prepared, including continued budget constraint, implementation of the construction procurement review recommendations, the introduction of new borrowing powers, the referendum on independence, increasing importance attached to low carbon in the run up to 2020 and the completion of the procurement phases for NPD and Schools for the Future. BW advised that it is intended to finalise the Plan only after publication of the recommendations of the Construction Procurement Review in summer 2013.

The Board noted increased activity in the low carbon and energy efficiency work stream, currently funded on a short term basis, and that following reinforcement to the Operational PPP team projects are underway which will demonstrate value can be realised through improved operational management.

The Board noted the report on work streams and discussion took place, highlighting the following:

- i) Housing – It was noted that the milestone of 1,000 contracted units should be met this month with Dumfries and Galloway signing a contract for 68 units.
- ii) hub – The Board noted that activity across the hub programme is ramping up with £362m projects in development and new project requests of another £100m due this month. It was considered that hub is now a recognised model in which participants and prospective participants have increasing confidence. GB recognised that the increased activity results also in increased pressures and risks which are managed at both project and programme levels.
- iii) TIF – Construction is underway on the first TIF project, the entrance to the Royal Concert Hall, Glasgow. The delays in TIF projects starting on site were noted and future bids may include as key requirement the ability to move the proposed project forward at pace.
- iv) Scotland’s Schools for the Future – BW advised that an exercise had been undertaken to look at contingency at programme level, analysing possible delays and associated construction inflation risks. BW reported that the Programme Board was content that the contingency was sufficient though not generous and would continue to closely monitor sensitivities.
- v) Programme Funding and Procurement Routes – The Board noted the introduction to the report of the table demonstrating the sources of additional funding across work programmes. It was noted that over £3bn additional finance recorded was being utilised across sectors.

It was requested that the table be presented regularly to the Board within the Chief Executive’s report and that it be included in the Business Plan 2013/14.

BW to incorporate table in business plan.

- vi) Waste – It was highlighted that the joint Edinburgh and Midlothian food waste project awarded the contract to Alauna, the first collaboratively procured waste project in Scotland.
- vii) Operational PPP Contract Management – It was proposed that a fuller report on this work stream be brought to the next Board meeting.

The Board noted the update on Communications activities highlighting the intention to increase NPD programme transparency and emphasising the ambition and success of the programme when bench-marked against other European countries. BW highlighted the success of the Connected e-bulletins in communicating directly with key individuals across sectors.

5 FINANCE REPORT

The Board noted the terms of the Finance Report. PR highlighted that the staff numbers are now up to full quota and the additional £200k budget for low carbon work in Q4 has been allocated. Advisory spend has increased in the final months of the year but an underspend is still predicted.

The Board was advised of the intention to undertake works to reconfigure the office to facilitate agile working, increasing break out and informal meeting space, with some related costs falling within the current year.

6 BUSINESS PLAN 2013/14

The Board noted and approved the circulated draft of the Business Plan 2013/14 subject to consideration of the comments to be provided by individual directors to BW and PR with a view to finalising the Plan for publication at the end of March 2013.

Discussion took place on some aspects and themes of the Plan, highlighting the following:

Housing – there is a need to clarify whether or not there is an opportunity to bring in pension fund money.

Waste – the intention to manage waste differently going forward, targeting support to the major two remaining procurements in the Clyde Valley and Edinburgh/Midlothian.

Asset Management – Resourcing increasing activity requires consideration. It was noted that £5m has been allocated by NHS to Surplus Estate work stream.

hub – The five hubcos are now established and each company and board is focussed on delivery within its territory. The importance of managing the overall programme across all territories with sometimes competing local enthusiasms was noted. GB advised that strategies were to be considered by the hub Programme Board in the week commencing 11 March 2013 and undertook to provide feedback in order to ensure alignment between hub programme board outcomes and SFT draft business plan.

JF commented on the strength of providing testimonials within the Plan.

The Board noted the core budget of £5.55m. PR advised that £5m was fixed cost, with £0.5m flexible. It was noted that the budget does not allow for any significant expansion of resource and additional funding would be required in order to take on work not foreseen within the Plan.

*GB to provide update following hub Programme Board.
Non-executive directors to provide any final comments to BW and PR to allow Plan to be finalised.*

7 ANNUAL SALARY AND EXPENSES REVIEW

The Board noted the report which highlighted that there had been no annual increase awarded to SFT staff since the company was set up in 2008, a pay freeze having been put in place earlier than many public sector bodies. The Board acknowledged the significant progress achieved over this period as a result of the commitment, drive, skills and expertise of the staff. After discussion the Board agreed to award a 1.5% increase to all staff, with the exception of the Chief Executive who chose to decline the pay award.

The Board further approved the adjustment to salary bands as follows:

Directors: upper limit increased from £130,000 to £135,000

Associate directors: lower limit decreased from £60,000 to £55,000

The Board approved the retention of the rate of 17p per mile for reimbursement of expenses for car allowance recipients and 40p per mile for first 10,000 and 25p per mile thereafter for private car users.

The Board noted the range of training offered to staff over the current year and recognised the importance of supporting the development of staff through the provision of a range of training. The Board further noted the outlined appraisal process and approved the following corporate objectives:

Corporate objectives 2013/14

- 1 Delivery of benefits and savings in the £100-150 million range
- 2 Amount and timing of innovative/additional finance procured
- 3 Achieving key milestones on projects/key programmes
- 4 Gaining momentum and delivering benefits in Asset Management

Two broader objectives 2013/14

- 1 Enhance SFT's performance through improved employee engagement
- 2 Identify key strategic opportunities where, with appropriate additional resource, SFT could add value

8 MSFM UPDATE

PR advised that work on the MSFM is progressing with Scottish Government and a report will be brought to the next Board meeting. AG confirmed that appraisals of the directors will take place within the necessary timescales to comply with the current MSFM.

9 AOB

- i) Appointment of External Auditors - PR referred to the report circulated to the Board by e-mail as agreed and tabled further copies. The report outlined the tender process for appointing external auditors and the recommendation of the Group Audit Committee to appoint Scott Moncrieff. Following discussion of the tender evaluation the Board approved the appointment of Scott Moncrieff as external auditors to SFT for a period of three years, with a possible extension of one year.
- ii) Date of next meeting – 29 April 2013, at 2.30pm, at 11-15 Thistle Street, Edinburgh.