
MINUTES

Meeting of: Scottish Futures Trust Limited - Board

Date & Time: Monday 22 March 2016, 10am

Place: 1st floor, 11-15 Thistle Street, Edinburgh

Present: Sir Angus Grossart (Chair)
Carolyn Dwyer
Jim Fletcher
Graeme Bissett
Fiona Mackenzie
Barry White
Peter Reekie

Apologies: none

In attendance: Liz Petrie
Viv Cockburn (part meeting)

1 APOLOGIES AND DECLARATION OF DIRECTORS' INTERESTS

There were no apologies. No new interests were declared. AG advised that his Trusteeship of the Dumfries House Trust has ended.

2 MINUTE OF PREVIOUS MEETING AND MATTERS ARISING

The minute of the meeting of the Board of Directors of 25 January 2016 was agreed as being a correct record.

3 CHAIRMAN'S REPORT

AG advised that he has been tracking the progress of the Scotland Bill through the House of Lords and giving consideration to the implications for SFT in areas such as the implementation of borrowing powers. Meetings with Ministers including the Deputy First Minister have continued.

AG advised that, as part of the previously noted process, Scottish Government is to advertise shortly for his successor.

The Board was advised that a response had been sent to a Freedom of Information request for copies of the Chairman's correspondence with the First Minister and Deputy First Minister.

The Chairman's annual appraisal with Director General Finance has taken place.

4 CHIEF EXECUTIVE'S REPORT

Business Overview - The Board noted the business overview including operational and HR updates and progress against business plan objectives.

BW highlighted that it is likely that five of the 65 business plan objectives will not now be achieved. Four of these have been directly affected by the implementation of ESA10 regulations.

The Board recognised the pace of financial closes across the hub and schools programmes with eight DBFM projects, including six schools, having reached financial close since the beginning of the year and a further four projects targeted for completion before the end of March 2016. The construction inflation to which the ESA10 affected projects have been subject has been largely offset by a lower cost of finance.

PR provided an update on the most recent changes to EU regulations, published and implemented on 4 March 2016, which include changes relating to refinancing which will require to be reviewed within the hub structures. PR advised that the unexpected timing of the announcement and implementation of these changes has influenced the programme for the review of NPD structures which is now not expected to conclude until the summer of 2016. The Board acknowledged the challenges and risks of operating in the unpredictable regulatory environment described and noted that Scottish Government has allocated capital funding to two projects in the NPD extension to allow them to progress.

The Board noted that the implementation of the revised hub structure has involved the introduction of a charity, hub Community Foundation (HCF), as an investor. The five hub territory Private Sector Development Partners are members of HCF as is SFT Investments Ltd. The Board noted the role of HCF as a co-investor in hub DBFM projects and were assured that HCF is well advised legally and that the Trustees have substantial financial experience.

[REDACTED]

Communications Report – The communications update report was noted. It was noted that the pre-election period commences on 24 March which will limit communications activity in the coming six weeks.

VC joined the meeting

Finance Report – The Board noted the finance report setting out the forecast outturn for 2015-16 and the financial results for the eleven months to 29 February 2016.

VC advised that a surplus of £283k is now forecast and outlined the main factors which have contributed to the variation between the current and December forecast including the recommencement of the hub programme resulting in an increase in investment

income of £172k. Given the uncertainty around the resolution of classification issues, previous forecasts had included only income from signed deals.

The Board noted that the forecast includes a payment of £250k, as was made in the previous year, to further offset the potential deficit in the pension scheme according to the Actuarial Report as at 31 March 2015. The Board agreed to the additional contribution of £250k to the pension scheme. The Board requested that rather than considering one-off payments annually, a plan be drawn up recommending a long term policy for addressing the pension fund deficit.

Plan for addressing pension fund deficit to be drawn up for Board consideration.

5 BUSINESS PLAN 2016-17

The Board noted the draft Business Plan 2016-17. BW advised that the format has been revised to be shorter and more focussed on the year ahead with links to background information and case studies rather than incorporating such information in the Business Plan document.

BW highlighted that following discussion at the last Board meeting, digital and housing have been identified as the most critical work streams for the coming year and are highlighted in the corporate objectives. The plan incorporates an increase in housing activity with a focus on the link between housing supply and the availability of land, linking with the objectives of the asset management disposals team.

It was noted that the digital work stream will move to a more delivery focused phase where the securing of funding to invest in infrastructure will be vital to allow identified activity to be taken forward.

BW advised that some development funding has been included for work on prioritisation and the development of borrowing.

It was highlighted that £250k has been allocated to SFT by Scottish Government for 2016-17 for the scoping phase of a programme of infrastructure investment to support Early Learning and Childcare Provision.

The Board was advised that there has been a reduction in the budget received from Scottish Government Health for the coming year and the impact on resource within areas affected is being reviewed in tandem with the increased resource needed in new and expanding areas of work.

BW outlined the role of the Construction Review Delivery Group in encouraging the adoption of new guidance and policy arising from the Construction Procurement Review.

BW outlined the sources of funding in the budget. The Board recommended that consideration be given to the wording around funding sources.

Consideration to be given to description of funding sources.

The Board approved the Draft Business Plan 2016-17 and authorised BW to make minor changes to finalise for publication. BW asked that any further comments from Directors be made in the coming week.

VC left the meeting.

7 ANNUAL SALARY AND EXPENSES REVIEW

The Board noted the report and recommendations in relation to the annual review of salary and expenses.

BW and PR left the meeting.

The Board acknowledged the contribution of staff to SFT's success and discussed the report's recommendations in the context of an improving jobs market. The Board noted also the varying impact of changes in National Insurance contributions for pension fund members. The Board recognised the importance of the non-salary benefits which have been introduced in attracting and retaining staff.

After discussion the Board agreed to an overall payroll increase of 2.5%, to provide a minimum annual salary increase for all together with some targeted incremental increases to be varied dependent on grade/salary levels.

BW and PR re-joined the meeting.

The Board advised BW and PR of its decision and delegated to BW the flexibility to vary the increases dependent on grade/salary levels.

It was noted that the agreed increase would mean that the upper level of the salary band for Manager Grade would be breached and agreed that the upper level of this grade should be increased to £65k. Should other bands be affected the Board delegated to AG and BW to agree any changes in salary band limits.

The Board agreed that no change should be made to the mileage rates within the expenses policy.

8 AOB AND DATE OF NEXT MEETING

The next meeting of the Board will take place on Tuesday 3 May 2016 **at 2.30pm** at 11-15 Thistle Street, Edinburgh.