
MINUTES

Meeting of: Scottish Futures Trust Investments Limited – Board

Date & Time: Monday 20 March 2023, 12 noon to 1.15pm

Place: 11-15 Thistle Street, Edinburgh

Present: Ian Russell (IR) (Chairman)
Bill Matthews (BM)
Pauline Mills (PM)
Stella Matko (SM)
Nick Rowan (NR)
Stephen Slessor (SS)
Graham Watson (GW)
Peter Reekie (PR)

Apologies: none

In attendance: Nial Gemmell (NG)
Neil Rutherford (NR)
Caroline Whyteside (CW)
Liz Petrie (minutes)

FORMALITIES

1 Apologies

There were no apologies.

2 Declaration of Directors' Interests

There were no new declarations of interest.

3 Minutes of previous meetings

The minute of the meeting of 20 September 2022 was agreed as a correct record.

4 Action tracker

NG provided an update on the challenges of increasing diversity on hubCo boards acknowledging that the boards are appointed by hubCo shareholders and there is a low turnover of directors on the Boards. It was noted that the recent resignation of one of the hubCo chairs offers an opportunity for recruitment and NG confirmed that diversity is at the top of the agenda.

It was noted that there has been no further progress on the use of the Mutual Investment Model.

MONITORING

5 Investment Review

NG gave a short presentation, providing an overview of the background to the Company's investments and its operation. NG described the team and his own responsibility as director on the hubCo and subsidiary boards, supported by alternate directors from the wider SFT team who attend at least one board meeting a year. The

Company has a 10% stake in each of the five hub companies which are non-revenue generating and a 10% stake in 41 DBFM projects. NG further highlighted R Hann's role including support in monitoring investment performance and updating operational models. He advised that the operational models are updated twice each year in March and September.

The Board noted the Investment Review paper covering: the investment performance of hub DBFMs; hub company performance; and housing investments.

Investment performance of DBFMs –

NG advised that the remaining construction works at the Inverurie Campus, which had been delayed during COVID and due to finding unexpected levels of asbestos on site, have now completed. It was noted that the portfolio is therefore now fully operational.

The Board was advised that income from the investments is now declining and future DBFM investments are not possible. NG advised that the scope for potential upside in some of the current investments is limited. The Board discussed the potential for investments in the future under new structures such as the Mutual Investment Model.

NG confirmed that the portfolio of 41 DBFM investments continues to be stable with 31 projects performing satisfactorily, six with ongoing events which are being closely monitored and four 'on watch'. NG outlined the circumstances leading to the projects 'on watch' being in funder lock up and confirmed that every effort is being made to resolve the issues prior to the March distribution. The Board noted the position.

NG further highlighted the work of the team on the transition to net zero with discussions being held and positive responses received across the range of stakeholders including investors, FM contractors and senior lenders. The Board noted that pilots are underway to inform the type and timing of interventions across the portfolio required to meet net zero targets.

hub company performance - The Board noted and discussed the update on the performance and outlook for the five hub companies.

The Board noted the cashflow forecasts to 2025 for each of the five companies. NG confirmed that the downside sensitivity excludes all currently unsecured income.

The Board noted the significant value in the overall hub pipeline. The Board was advised that with the growth in value of the hub programme since the issuing of voluntary ex-ante transparency (VEAT) notices by each territory in 2021, consideration is being given to potential procurement risk. [REDACTED]

[REDACTED]

[REDACTED]

Housing investments - The Board noted that there are currently 7 active investments in housing LLPs, totalling £7, the key risk for the Company in its housing investments being reputational rather than financial.

NR described activity in the year on managing exits from National Housing Trust (NHT) LLPs to secure the homes for long-term affordable rent. He highlighted that unlike the NHT model, the Housing Delivery Partnerships (HDPs) are structured to hold the properties for mid-market in perpetuity.

NR advised that to date the cost of living crisis has not had a significant impact on LLP incomes and performance and this is being monitored. It was acknowledged that future investment may be impacted by current market conditions including the recent rent freeze and ongoing rent cap.

NR provided an update on the wind up of the Hilton of Rosyth LLP, noting that the legacy issues are now largely dealt to allow the wind up of the Company.

6 Risk Register

The Board noted the SFTi risk register identifying key risks, their impact and probability of occurrence both before and after mitigation. NG confirmed that no new risks had been added to the register [REDACTED]

DECISION

7 Dividend

The Board noted the report, seeking approval for SFTi to pay a dividend of £761k. The Board noted the forecast outturn for SFTi for year ending 31 March 2023 together with the key financial assumptions.

CW confirmed that the indicative fair value calculation was carried out using the September 2022 operational models. It was noted that the management charge has increased in comparison to the previous year. CW advised that the work required on Hilton of Rosyth had demanded additional resource through the year.

The Board noted that as in previous years the dividend has been assumed at approximately 75% of profit for the year. It was further noted that due to the timing of the appointment of the new auditors, there has not been the opportunity to discuss the proposed dividend with them.

The Board approved the recommended dividend of £761k for the year ended 31 March 2023.

8 Investment Management Policy

The Board noted and approved the Investment Management Policy.

9 AOB

It was proposed that NG arrange a more detailed briefing on the SFTi workstream for the new directors.

NG to arrange briefings.