

MINUTES

Meeting of:	Scottish Futures Trust Investments Limited – Board
Date & Time:	Monday 13 September 2021, 12 noon
Place:	By video conference
Present:	Graham Watson (GW) Bill Matthews (BM) Pauline Mills (PM) Ann Faulds (AF) Ann Allen (AA) Peter Reekie (PR)
Apologies:	Ian Russell (IR) (Chairman)
In attendance:	Nial Gemmell (NG) Caroline Whyteside (CW) Ruth Hann (RH) Liz Petrie (minutes)

FORMALITIES

1 Apologies

Apologies were noted from IR. GW took the Chair in IR's absence.

2 Declaration of Directors' Interests

There were no new declarations of interest.

3 Minute of previous meeting

The minute of the meeting of 22 March 2021 was agreed as a correct record.

4 Actions tracker

It was noted that logged actions are complete or covered in subsequent agenda items. In regard to in-house legal support, PR confirmed that a Senior Associate Director role has been created and an appointment made. The appointee has commenced the review and risk assessment of in-house legal work and a report will be taken to the SFT Board in November 2021.

MONITORING

5 Investment Review

The Board noted the report covering: the investment performance of hub DBFMs; hub company performance, including the proposed restructuring of the working capital loan to hub South West; and housing investments.

Investment performance of DBFMs - NG confirmed that the portfolio of 41 DBFM investments continues to perform well. The Board noted that two projects are 'on watch' and a further four projects have 'ongoing events' and are being closely monitored.

NG described the challenges faced by the two projects on watch: the Glasgow Health Bundle and Inverurie Community Campus. The construction of the Glasgow Health Bundle has been subject to COVID-related cost increases and delays and one element, Clydebank, remains in construction with handover expected in November 2021. Although classed as an operational project as the main school building has been handed over, phased works continue on the Inverurie Community Campus. NG advised that these include the demolition of the previous school buildings where a detailed investigation has revealed significantly higher levels of asbestos than expected from the original desktop survey on which project costs were based. The Board noted that the final confirmation of additional costs and time required to remove the asbestos are awaited and are expected to be significant.

The Board noted that the transition from LIBOR (London Interbank Offered Rate) to SONIA (Sterling Overnight Index Average) will impact the 19 DBFM projects funded by Nord and NG outlined the work underway to mitigate associated risks and costs associated with transition. NG advised that pilot projects are being run by investors and lenders, one of which is an Equitix/Nord project and it is likely that this pilot will be able to be used as a basis for amending hub project documentation.

The Board further noted the work being carried out across the portfolio to analyse the impact of Corporation Tax changes published in March 2021 to apply from April 2023. NG advised that updated assumptions are being included in the investment model run being undertaken in September 2021 and an update will be provided when the full analysis is complete.

NG advised that with only one project in construction, the focus has moved from construction to operations risk and the Board noted the performance and financial strength of the main FM providers to the operational projects.

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

NG described the strong collaborative work across the programme to mitigate the impact of COVID. NG confirmed that it is estimated that COVID related costs for impacted projects will be in the region of £14m.

NG outlined the recent performance of each of the five hub companies in securing and delivering pipeline and the Board noted and discussed the cashflows for each Company.

NG highlighted hub South West's success in securing projects with the business benefiting from a strong pipeline. NG advised that despite the high level of project throughput, hub South West has not been able to build up sufficient reserves to demonstrate that it can operate beyond the medium term without recourse to the working capital loans. The Board noted and discussed the proposal that each class of shareholder extend 50% of its existing commitment for a period of three years.

The Board agreed to the extension of the loan at the reduced level of £50,000 and delegated the negotiation of final terms and signature to PR.

Loan documentation finalisation and signature delegated to PR.

AA raised the issue of diversity on hub companies' boards. It was noted that investors appoint the directors to the boards and there is a relatively low turnover of directors. NG undertook to provide feedback to the hub boards.

NG to raise diversity on hub boards with relevant boards.

Housing investments - The Board noted the update in respect of investments in housing LLPs: £9 relating to the National Housing Trust (NHT) and National Housing Trust Council Variant LLPs and £3 relating to the Housing Delivery Partnership LLPs.

The Board further noted the progress on the disposal of NHT homes to affordable housing partners and the early work being undertaken to structure future disposal strategies for long-term affordable rent across the programme. [REDACTED]

[REDACTED]

DECISION

6 Approval of Annual Accounts

The Board noted that the Annual Accounts and Financial Statements were reviewed by the Group Audit Committee on 31 August 2021 and that, subject to a number of amendments, the Committee had recommended approval. The Board noted the changes made including the notes on the 'other reserve' account for pre 2015 funding from Scottish Government to fund capital investments. GW advised that the Chairman of the Board had provided comments on the Report and Financial Statements and recommended a further change to the title of the new 'other reserve' account within the financial statements.

The Board confirmed satisfaction that disclosure requirements had been met and there were no further post-balance sheet events that required to be disclosed.

Subject to the recommended revision to the title of the 'other reserve' account, the Board approved the SFT Investments Ltd Annual Report and Financial Statements 2020-21 and authorised their signature by IR and PR.

The Board further noted that the Group Audit Committee had reviewed the draft letter of representation and recommended it for approval. The Board approved the Letter of representation and authorised its signature by PR.

7 Investment Management Policy

The Board noted the proposed changes to the Investment Management Policy, as reviewed by the Group Audit Committee in June 2021. It was noted that the changes

principally reflect procedural amendments following the Internal Control Review of the hub West working capital loan processes and changes in personnel and job titles.

The Board noted that the Group Audit Committee had recommended approval of the updated Policy and the Board confirmed its approval of the Investment Management Policy.

8 AOB

There was no other business.