

## MINUTES

Meeting of:	Scottish Futures Trust Investments Limited – Board
Date & Time:	Monday 24 June 2024 Scheduled 1.45pm to 2.05pm Actual 1.30pm to 1.50pm
Place:	Thistle House, 91 Haymarket Terrace, Edinburgh, EH12 5HE
Present:	Joe Philipsz (JP) (Chair) 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:	Jenny Davies (JD) Caroline Whyteside (CW) Liz Petrie (minutes)

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### FORMALITIES

1 **Apologies & Declaration of Directors' Interests**

There were no apologies.

There were no new declarations of interest.

2 **Minutes of previous meetings**

The minute of the meeting of 18 March 2024 was noted and agreed as a correct record. JD provided an update on progress on the Home Ownership Made Easy (HOME) project with West Dunbartonshire Council advising that planning permission is awaited. JD confirmed that progress remains slower than hoped.

3 **Action tracker**

The action tracker was noted. It was noted that the hub procurement risk continues to be monitored through the Board Special Committee: Conflicts. It was noted that all incomplete actions are in hand for reporting to the Board at its next scheduled meeting in September 2024.

## FOR DECISION

### 4 Lar Housing Trust

The Board noted and discussed the report outlining the background to the Company's existing relationship with Lar Housing Trust and seeking approval to changes in governance arrangements.

The Board noted that SFT had set up Lar, a charity, to provide mid market rent housing in perpetuity. To enable early operation Scottish Government had provided a low cost loan and to provide oversight of the loan, SFTi had a right to be a Member of Lar and to appoint a Partner Trustee. JD explained that although this approach has been successful Scottish Government is not minded to provide further low-cost finance to facilitate further activity and Lar is now looking to change its delivery model to deliver mixed tenure housing which will cross-subsidise the mid-market rent elements. JD confirmed that given the discontinuation of the Scottish Government loan and move to new business model, it is considered that the Company's role in Lar is eroded and it would be appropriate for SFTi to cease to appoint a Partner Trustee but would retain its Membership of Lar to maintain a relationship with the organisation. PR advised that maintaining the Membership could provide useful relationships and access to information. The Board was further advised by giving up the right to appoint a Trustee, the Lar will have greater flexibility within its constitution to appoint appropriate trustees to support its new business model.

The Board further noted that to avoid future conflicts of interest it is proposed that an appropriate member of staff outwith the Housing Team be appointed as SFTi's authorised Member representative.

The Board discussed the options laid out and approved the recommendation that:

- SFTi retains its Membership of Lar;
- it does not seek to appoint a Partner Trustee and accept that the Constitution be amended to remove SFTi's future right to do so;
- Neil Rutherford be removed as Partner Trustee;
- the Chief Executive is authorised to appoint an appropriate SFT member of staff outwith the SFT Housing Team to represent SFTi as its authorised Member representative;
- this position be outlined to SG for confirmation; and
- The position be formally communicated to Lar.

### 5 SFT Investments Profit Share in Housing LLPs

The Board noted the report setting out a case for the amendment to the Members Agreements for Edinburgh Living MMR LLP (Edinburgh Living MMR) and East Lothian Mid Market Homes LLP (ELMMH) in relation to SFTi's profit share.

JD described the proposal to reduce the profit share in the two LLPs from 0.001% to 0% as recent tax advice has indicated that profit from the LLPs created a corporation tax liability which should have been included in previous years' returns. The Board further noted that while the Company's tax advisers, Azets, would normally recommend an adjustment to the current financial year (2023/24), with appropriate disclosures, they have advised that the costs associated with such an exercise would be disproportionate to the amount of tax involved (circa £100) and noted that the risk of any interest or penalties from HMRC is negligible.

JD further confirmed that while at the time the LLPs were established it was thought that all members had to take a share in profits recent legal advice has confirmed that it is not a requirement for the profits of an LLP to be shared equally, or even at all, amongst the members of an LLP.

To reduce future accounting administration, the Board noted and approved the proposal that SFTi reduce its profit share in the LLPs to 0%. To enable the agreed amendments the Board approved:

- That the Corporation Tax returns for the financial years 2023/24 and 2024/25 will not provide adjustments to take into account the Corporation Tax of any of the Council Variant NHT (CVNHT) LLPs and/or the Mid Market Rent Housing Delivery Partnership (HDP) LLPs from previous years.
- The amendment of the Edinburgh Living MMR and ELMMH Members Agreements so that the profit share of 99.99% to the Local Authority and 0.001% to SFTi will be revised to 100% to the Local Authority and 0% to SFTi.
- For SFT Housing, on behalf of SFTi, to arrange for the Edinburgh Living MMR and ELMMH Members Agreements terms to be amended as set out above in order that variations to the Members Agreements can be entered into by SFTi.
- That for any future Housing LLPs, the profit share will reflect the Local Authority receiving 100% and SFTi, 0%.

## **9 AOB**

There was no AOB. The meeting ended at 1.50pm.