

**Present:** Brian Lawrie (Chair), David Caldwell, Councillor Lesley Backhouse

**Attending:** Heather Stuart, Michelle Sweeney, Martina Kutzer-Prenzlow and Diane White for FCT. Eleanor Hodgson for Fife Council, and Claire Gardiner for Scott-Moncrieff

**Apologies:** Derek Bottom, Nic Beech, Kirsty Keay

## **1. Welcome and Apologies for Absence**

BL welcomed everyone to the meeting, round table introductions were made. The apologies were noted above. BL explained before the meeting began that there had been problems from 2013 onwards, legacy issues which have come to light and should now be resolved, including access to systems which has been an issue and contributed to the problems. The reports in today's meeting go some way towards explaining and outlining a process for resolving problems.

## **2. Declarations of Interest**

There were no declarations of interest

## **3. Minutes of the Previous Minutes and Action Points – 22<sup>nd</sup> May 2018**

The Minutes were accepted as an accurate record of the meeting.

### Action Points

BL reported that the catering invoice issue with Fife Council had now been resolved. All other actions are either complete or would be covered under later items in the agenda.

**Action – Action log to be updated as per the points above.**

## **4. Finance Performance Report – Paper 1**

BL commented that it was good to see this new report and that it highlighted tighter controls that had been put in place. It was noted that there would be a small deficit after the pay award has been added in, but this was not of major concern at this stage.

HS thanked BL for his comments and agreed that this report was welcome. Staffing levels, particularly in bigger venues would be investigated but the review of opening hours would help with more efficient resource allocation. There was some discussion around issues with 4 weekly payroll through Fife Council meaning that 7/13ths of the payroll has gone through in the first half of the year. It is hoped that at some point the Council will move to monthly pay rather than 4 weekly although currently there is no indication of this. The impact of this has therefore been appropriately adjusted in terms of the current position and projected outturns.

BL confirmed that he would like to see the Management Accounts under the same headings as the budget and it was really helpful to have the Trading Subsidiary accounts separated out. BL asked if we are achieving our gross margins on catering before we bring staff costs in. This would be checked with James and the answer given along with the Minutes, but HS advised that was her understanding and close monitoring of margins took place. A truncated version of the Finance performance report should be added into the overall Board performance report for 6th December.

There was some discussion around the other areas in which savings and efficiencies were being further explored.

**Action – Check with James Marshall if the catering function is achieving its gross margins before staff costs are brought in. The answer to this question to be circulated with the minutes.**

**Action – A truncated version of the finance performance report should be added into the Board performance report for the Board Meeting on 6<sup>th</sup> December**

## **5. Organisation Performance Report – Paper 2**

It was agreed that the Organisation performance report should be left for wider Board consideration but it was confirmed that the recruitment review was ongoing and would bring all recruitment processes into line. This was also being overseen in detail by the HR Committee.

## **6. Risk Report – Paper 3**

HS ran through the Risk Report. It was agreed that currently the biggest risk was not a reduction in the Fife Council Management Fee but staffing issues within the finance team. It was agreed that shared services with Fife Council, and partnership working with others may help and would continue to be explored as part of wider business planning and engagement with the Council.

DC commented that FCT handle risk more seriously than other organisations in his experience, which was very positive. It was important to emphasise how risks identified are being mitigated and ongoing progress. It was agreed that reputational damage through the library opening hours review was a real risk at a number of levels, and that a lack of capital investment in the Trust could also become a bigger risk in future.

## **7. Brewin Dolphin Update – Paper 4**

The fact that the investment was performing above the benchmark was thought to be positive. There were some question marks over the future of equities, but this is to be discussed with Brewin Dolphin next year when they are invited to the Finance & Audit Committee Meeting for the annual risk review. A register of investments had been recommended in future by Scott-Moncrieff, and it was confirmed this would be done. BL explained the background to the investments with Brewin Dolphin, ie they arise from cash flow.

**Action – Brewin Dolphin to be invited to the February Finance & Audit Committee Meeting**

**Action – A register of investments to be kept in future years.**

## **8. End of Year Audit Review – Paper 5**

It was noted there was an element of overlap with this and item 9. HS introduced the Audit Review Paper and it was agreed that although it had not been a perfect process, it had been useful in identifying key challenges and areas for improvement. Thanks were given to KK and CG for all their work and that of their teams on the audit.

It was agreed that lessons regarding the capability and capacity of staff previously in post had been learnt and would be taken into account alongside more effective managerial challenge at key points for future planning for the finance team. A detailed action plan had also been developed to ensure all improvements identified as part of the audit were progressed. BL asked that the Finance and Audit Committee get regular updates on progress against these key actions, at least monthly, between meetings, and also that the actions being progressed were reviewed as a standing agenda item at the extended management team meetings. HS confirmed this would happen.

BL noted that a different skill set within the finance function had been recruited and along with KK providing appropriate and informed challenge, a much better handle on what was required had been achieved. This was thought to be a frank and constructive paper, transparent about the challenges which had been faced, and positive in its plans to address these effectively for the future. The

Committee thanked the team for being so open about the key issues and the history and causes of these, as well as plans already in hand to address them.

MK-P agreed to send an email to EH regarding BI reports. MK-P had agreed to be involved in the new Excel For Apps project. MK-P and EH to meet regarding this. BL asked that an update on progress be sent to the F&A committee at the end of November, December and January. .

**Action – KK to produce regular updates on delivery against the improvement action plan arising from the audit process to the Finance and Audit Committee**

**Action – HS to ensure that overall awareness raising of key issues and monitoring of the improvement action plan from the audit took place as appropriate via the extended management team**

**Action – MK-P to send an email to EH regarding BI reports**

**Action – MK-P and EH to meet regarding the Excel4apps Project**

**Action – An update to be sent to the F&A Committee on progress at the end of November, December 2018 and January 2019.**

## **9. Budget Variance – Paper 6**

This was a good very open and self-critical paper and provides a strong basis for future working. It was explained well, and showed that a reasonable position had been maintained despite the difficulties that had been encountered, and demonstrated that we manage our resources well. BL confirmed that Management Accounts had been requested by the trading sub on a monthly basis, but were not being produced as yet. This was thought to be important to identify problems early. Thanks were given to Ian Charlton and EH for their work. The Committee noted that work in relation to the financial position and budget of the organisation had taken place against a backdrop of major transformation within the organisation.

BL advised that if there is a repetition of the issues in this and the previous report it calls into question serious governance issues for the Trust

**Action – Management Accounts produced for the Trading Sub to be sent to the Finance and Audit Committee on a monthly basis for information, along with monthly financial management information for the company overall.**

## **10. Gift Aid**

As the Trading Sub outturn for the preceding year was a deficit, there was no need to discuss the gift aiding of any profits to the main charity.

## **11. End of Year Accounts**

The end of year accounts showed that the Trading Sub was sitting at an overall loss position of £52k approx. £40k was due to the catering bill received from Fife Council (originally for nearly £70k) so this would be £12k in reality. One off non-recurring costs in relation to the catering function into the company also accounted for approx £12k. Holiday pay accrual did not have an effect on the Trading Sub. A lot of the adjustments noted in the audit regarding the accounts were as a result of coding issues with costs not being allocated correctly between trading and core activity in the first place. This was picked up in the improvement plan being progressed.

It was noted that in the FCT accounts both income and expenditure have reduced significantly. The support in kind figure from Fife Council needs to be looked at again to ensure a consistency of approach. This year, corporate support costs had been omitted from the recharge calculation, which had impacted on the accounts as it impacts on true costs. EH agreed to explore this issue. CG confirmed that the Audit can be concluded with unqualified opinions. Some of the issues already

discussed and identified have meant significantly more adjustments have had to be made this year. 3 significant risks were identified but adequate assurances had been received in relation to all of these. Some high level disclosure issues had been identified but none had a material impact. 13 adjustments, 5 of which were material, had led to an improvement in position. There were 2 unadjusted differences, neither of which were material. 4 audit recommendations would be made with 2 outstanding from the previous year. Less turnover of staff will make a difference with this HS reported that procedure notes were being written and a new filing system in place as part of the overall improvement plan.

HS agreed to contact CG about outstanding issues in order to finalise the accounts and allow their sign off by the Board and the auditors. The Accounts, Audit Report, and Management Responses were to be circulated round the FCSTL Board for approval before the Board meeting on 6<sup>th</sup> December.

**Action – EH to clarify the rationale for FC in kind costs**

**Action – HS to contact CG about any outstanding issues with the Accounts**

**Action – DW to circulate Accounts, Audit Report, and Management Response to be sent to the F&A Committee before the Board Meeting on 6<sup>th</sup> December.**

## **12. Fife Council – Business Plan – Confidential – Paper 7**

There was some discussion around the meeting with Fife Council and the disappointment felt around the information requested and the general tenor of the discussion. It was hoped that the next meeting would be more positive. HS gave an update on the proposed approach to a revised business plan and overall approach to future discussions, with the next political engagement around the budget due to take place on Monday 10 December. EH reported that the outcome of the internal Fife Council meeting regarding Capital Investment was not yet known but more than double the amount of funding available had been bid for. There was a lengthy discussion around the information to be included in the updated business plan and how this could best be presented to Fife Council, along with a summarised version for clarity. HS reported that the document needs to be completed next week, then would be sent out a week before the meeting to Fife Council as a draft, subject to its approval by the FCT Board with a copy of the business plan to be included with the Board papers for the 6 December Board meeting.

**Action – HS to ensure that the updated Business Plan document was sent to the Board before the 10<sup>th</sup> December meeting with Fife Council**

**Action – EH to keep the Trust updated with the outcome of the capital investment bid.**

## **13. Chair's Business**

BL reported that he had attended a Risk Seminar at Scott Moncrieff with DC. BL agreed to send the paperwork to the Committee.

**Action – BL to send Scott Moncrieff Risk Seminar Paperwork to the Committee.**(since sent out on 21 November)

## **14. AOCB**

There was no other Competent Business

## **15. DONM**

TBC once agreed with the Board