



FAC and FCSTL Joint Board Meeting Minutes
Tuesday 17th August 2021
16:00 – 17:30
Via Zoom

Finance & Audit Committee Meeting

Present: Brian Lawrie (Chair), David Caldwell, Cllr Lesley Backhouse, Nick Bennett

Attending: Heather Stewart, Kirsty Keay, Martina Kutzer-Prenzlow, Simon Dawe

Apologies: No apologies

1. Welcome and Apologies

BL welcomed everyone to the meeting. KK introduced SD who is joining us following the departure of JC on a part time basis and will be assisting with the change programme, as well as providing support to finance and assisting KK with Board papers. There were no declarations of interest.

2. Minutes of the Meeting of 31st May 2021

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

3. Action Log

Item 1 – MOU is complete, we just need to get it signed after the next Board meeting. Item 4, KK advised the budget is being reviewed by KK, MKP and SD in early September and will then propose a revised budget. The biggest change is that we will be moving from universal budget to departmental budget. BL advised there will also be a change to the trading budget and we will start to see more items as services resume.

4. Brewin Dolphin Report – Paper 1a&1b

BL reported that the covering letter confirms that we are slightly above the composite benchmark in terms of return. The primary reason for this is the fact we have a higher holding in equities. The narrative in the report advises that, with inflation rising, the ongoing questions around the supply chain, tensions in Afghanistan, and winter approaching and potential Covid implications, we do not know what people's behaviour will be like and how markets will react. Investments are generally for the longer term, but our annual income which we are budgeting to receive is way in excess of what would be earned elsewhere. KK commented that projections last year allowed us to forecast that we would have cash available to invest in Brewin Dolphin but we do not anticipate being in the same position for this year.

Financial gains have previously been released when we have had cashflow problems and the vision for it has always been that it would provide some form of development fund for the Trust that is over and above what financial resources we have available. BL said we have been quite fortunate in that we have better support from the Council now. KK said key thing for Fife Council to know is the investment is not reserves as it sits against bottom line at end of year.

5. Risk Report – Paper 2

The new risk that has been added relates to the financial investment that might be required in the theatre estate. The key areas are rigging, lighting, infrastructure which support lighting, and sound, which have come back after the inspection with concerns.



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Fife Council has been supportive, there is a new Head of Service within Property Services, Yvonne Gillespie, who has advised they will meet the cost of anything which relates to H&S. Upgrades would however not be funded,

For the lighting every theatre currently has the old lighting which costs a lot to run in terms of energy, bulbs are becoming obsolete, it requires a lot of manual labour to change bulbs and it can take up to 2 days to set up for a show. It is hoped that the Energy Management Revolving Fund will fund the lighting upgrade through the use of annual energy savings.

Andy Mclellan has intimated that the client services capital budget will cover infrastructure and dimmer switches and audio. We have met with Fife Council regarding possible funding to support the audio work at Rothes Hall through the town centre regeneration fund as this would support us to programme a wider variety of acts in Glenrothes.

A contingency of £250,000 has been added to cashflow projections for the current year which is there if we do have to pay for anything, with the level of support being offered by Fife Council KK is hopeful that prudential borrowing will not be required.

DC commented that as a body we might have to take on issues such as heating, in terms of how we meet changing expectations in relation to green energy. KK shared that utilities were paid by Fife Council and as such this area was outside of our remit. However, we are working closely with Property Services to make sure our venues are upgraded and more efficient where possible (Adam Smith, Iona House are examples of progress).

BL highlighted the third risk, the management fee issue. The fee does not cover our core costs for providing our core services and BL asked if the reduction in staff numbers has helped reduce pressure. KK advised we are not at our finishing point, she received payroll information for the next 4 week run, and it is the first time it has ever come under £500,000 however we are carrying a large number of vacancies. We have had people leave through voluntary severance (VS), but we have also had people making life changes and taking early retirement or leaving to find alternative jobs. It also does not include casual staff. Some staff that didn't get VS have also decided to leave. We are also expecting the footfall to be lower. One of the biggest things will be the operational model for libraries. HS and KK were in a meeting last week with the Council, the Trust needs £8.3m to meet its service level agreement requirements and provide the services that it does and £7.8m will not allow that. We do not expect an increase in the management fee and this will continue to be a risk which will require managed, and close ongoing engagement with the Council.

Finance structure – BL asked if we are aware of when we will get the job evaluation gradings back. KK said in a normal environment the grades would usually take 12 weeks to come back. We have one post which is now at 18 plus weeks in the system with still some ongoing queries. KK is going to have face to face meeting around this. There are no posts that are going into the structure which are radically new, other than one for a credit controller to assist with debt management (for this post we usually used agency). The other posts are based on existing profiles so should be easier but it will probably be January before the structure can be in place.

Last risk – BL said the last risk has the date for this to be resolved by the end of June. MKP and JC were regularly meeting the budget holders however we have been operating on universal budget. As we move back to departmental budgets, we will need to keep that pressure up. We also are putting into place a planning system which has financial prompts in place. We have mitigated this risk but it is still there.



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Date of Next Meeting: 16th November 2021



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FCSTL Board Meeting

Present: Brian Lawrie (Chair), David Caldwell, Cllr Lesley Backhouse, Nick Bennett, John Silcock, Paul Sykes, Lisa Maule

Attending: Heather Stewart, Kirsty Keay, Martina Kutzer-Prenzlow, Simon Dawe, Judy Rae

Apologies: Frank Quinault

6. Welcome and Apologies

BL welcomed everyone to the meeting and said it was the first time we have had a joint meeting, which will be really useful for the trading members. Introductions were made as some new Board Members and FCT team members are on the call. JS has a declaration of interest and LM also declared her role as MD of a digital marketing and web design agency.

Action: WS to send the Register of Interests out to Lisa.

7. Minutes of the Meeting of 25th May 2021

The last meeting was not quorate but this did not prevent us conducting the meeting and we could progress with the Heaven Scent issue. JS and PS are satisfied that the Minutes can be ratified and approved.

8. Action Log

Item 7 – BL advised we have a number of new Board members joining in September. This will mean that, for future meetings of the trading subsidiary, the board will be up to full strength at 6 members with an even split between external directors and OnFife trustees who are also directors on the company.

9. Performance Report – Paper 3

BL advised this is not the level of reporting we would normally expect. Due to the environment, we have not had the usual level of activity so have not had a detailed budget across the organisation but are working towards that for future reports from September onwards. The majority of the figures in this report emphasise the difficult position we have been operating in, but we now have cafés starting to reopen in our larger venues so are in a more fluid position.

KK said our end of Q1 position, whilst it shows a deficit we are ahead of the projection. We were anticipating to be at a loss of around £120,000 but are less than that, which is largely down to lack of staff costs, not because we have let people go on VS as they didn't go in Q1. Mainly this is due to people retiring/resigning from post and a lack of casual staff continuing. It is also due to our ongoing measures about being prudent at spending. The creative team have been exceptional in finding external sources of funding for their work.

Q3 will be most telling and the riskiest for us, and monitoring that budget is going to be crucial. Because this is a combined report, we are making moves back into trading at Rothes Halls and Lochgelly Centre. Rothes Halls is barely seeing 20% of its usual footfall but we will see if this changes when the schools go back and we are looking at what we can do to bring customers back into that



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space. The focus in the next quarter is returning retail to DCLG. We are seeing previous long term hires returning to our venues which is positive. We need to assess if those customers will come back to us or if they are now going elsewhere. Those hires were worth over £200,000 to the Trading Subsidiary per annum. BL suggested some people might be more reluctant to venture out and it will be interesting to see what happens when the schools go back, although it may take a while. Meeting rooms and hires will raise the profile of Rothes Halls and some other places.

Section 7 - Audit procurement – BL does not see us being disadvantaged by this.

Section 8.4 – we have touched on this previously particularly on the trading side. The Jack Vettriano exhibition is a really positive situation. Artists who put on shows are not always keen on sharing retail benefits so this has been a really good opportunity coming out of fruitful discussions between our staff and his operational team. It is great to see we are looking at corporate hospitality along with the retail offer that will be there. Tourism – ensure we are lined well up with the Council and other tourism bodies as it could result in a number of people coming into Fife. LM asked if we have an agreement in terms of the use of IP to produce the retailing and JR advised we are in negotiations with the JV team around the images they are happy for us to use. The conversation started before lockdown but then stopped but those conversations are now taking place over the next 2 months and also around licences and what we can do with them, as this will influence the retail we can put in the shops.

In relation to corporate hospitality JR said aim is to start the offer in June and we want to secure a catering partner that can support corporate hospitality packages. We are looking to put that on sale from October/November this year working with tour operators and hotels and other core corporate business within a 90-mile radius of Fife. That will be the first tranche of selling between now and December then we will go into the second tranche in January. JS asked if there is any progress in finding a corporate partner for the event. JR said that we are reviewing the commercial side of this project at the end of this month, and we are reviewing whether we want to go down that route or not. JS asked to be kept in the mix for any help with this.

BL said there is an appendix which shows the works required in our theatres and the anticipated cost and this is useful for the Trading Subsidiary members to go through it. KK provided an update regarding the different areas of work and the discussions with Fife Council and Energy Management Revolving Fund.

10. Review of Accounts – Paper 4a-4e

BL advised the financial issues are detailed in the covering reports, p19-22 of the main group accounts and page 2 of the trading accounts and they summarise the key performance. It has been an abnormal year and, in view of the operating environment in the last year, BL is not overly concerned about the actual figures and general position. We have had management reports coming throughout the year. The key issues are that we have taken the opportunity to review and improve financial processes and systems. A decision was taken to sort a range of things out by 31 March, and trading sub members had a large discussion around writing off bad debts. In the wider context, the MOU and sorting out who employed the various staff was all sorted by the end of the year. Also, we have had increased support and understanding from the Council to ensure we remain solvent. Regarding the change programme, management has actively reviewed our operating model and have taken steps to reduce costs.



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BL said FQ wished to congratulate the ET on its continuing prudent management and acknowledge the support of Fife Council throughout what has been an especially challenging time.

Nick introduced the audit report on accounts. He reported that the finances have held up well through a combination of support through Fife Council and reliance on the JRS scheme for furloughing staff. Despite activities having slowed down, the financial results are healthier than they would have been normally. The audit findings report summarises the audit work they have undertaken. The page headed up Significant Risk Areas, the first two, revenue recognition and management override, are risks they are required to produce in the audit management report. The third risk, ongoing concern with Covid 19, is required in reports this year and looks at projections up to September 2022 (12 months from the date these accounts are to be signed) and it shows cashflows are positive throughout that period and ensures we don't go into any overdraft. We have a letter of comfort from Fife Council pledging their continuing support to the Trust.

There is also a risk around the defined pension – every year there is an actuarial valuation and that has significant implications in terms of the balance sheet. We review the assumptions that the actuary chooses to make sure they are reasonable in light of the market. These are important around the corporate bond rate (discount rate used to calculate the liabilities) and the inflation rate which informs the salary rate and the pensions payments rate for future years. The outcome of their valuation is that the significant asset at the end of last year has reduced quite dramatically due to inflation being up and also the discount rate has gone down so this has an impact on the liabilities.

We also had a risk around restructuring and the potential for redundancies to make sure they were incorporated within the accounts however these have taken place after the year end. They have also included in the internal controls point, section 5 of this report, the reconciliation of activities with Fife Council. The Council are sending a significant number of invoices very late in the year and Nick has suggested invoices become more accurate and are sent more regularly and asked for billing on a quarterly basis to improve the accounts production process. There is another issue with the recording of directors at Companies House which has now been resolved.

BL said the first page of the report, around quality of supporting schedules and responses to audit queries, those two have shown significant improvement. They were delayed previously and delayed the production of the accounts. BL has seen this as a major improvement, and it has really helped us to have accounts at this meeting in plenty of time. BL thanked Nick from the audit side and thanked those involved in the production of the accounts.

BL commented on the audit communication element and the unadjusted differences. £160,000 is the materiality level and we have one at £150,000. BL commented on slight concern initially, but it is historic and relates to a number of years and is adjustments from previous years. A number of these have only come about when Fife Council changed their accounting system, and it has highlighted areas where they now have access to these figures. Accounts are considered to be cumulatively correct over the period. Nick said it does not impact on the balance sheet overall as it is cumulative from over the years, but it is important to get invoices more regularly from Fife Council. HS raised the point about the timings of us receiving the invoices and the internal controls and the likelihood of the Council being able to make any unique adjustments to their process given the scale of the systems that they are running and a lack of flexibility potentially within them. KK said we do not have an official response yet and we are not expecting a change to quarterly invoicing. Ideally, we would like quarterly invoicing but there may not be a solution to this, and we will need to discuss this with Lesley Kenworthy. BL highlighted that there has been regular improvement in terms of systems, etc.



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BL referred to the cover paper which was submitted from JC. One of the key points is the figures and the massive shifts in the analysis which come from pensions. The pensions liability falls largely on the Council as a sole member but we still must report on these. The key figure for us is the underlying analysis excluding pensions as it shows the importance of the Trading Subsidiary for our finances. With the cost of delivering services and the management fee, one of the ways we helped to close this was the surplus from the trading subsidiary.

BL highlighted Section 6 on the FCSTL results and how they emphasise how little trading activity there was compared to previous years. Debtors are down considerably but decisions were made previously about writing off some of the debts as there was a lack of clarity around the history of them and also some organisations were badly affected by Covid. Trade creditors are low, and it shows how little activity there has been.

The letter of representation is a standard document which confirms various issues that the Board is satisfied around. This year it is in a lot more detail and is in a more structured format. There is an addition of the audit adjustments as an Appendix. BL has reviewed this and is happy to recommend to everyone that the letter of representation be signed. Nick advised it is a requirement of international standards of auditing and needs signed when the Board approve the accounts on 22 September.

BL thanked everyone for attending and Nick for his time on the audit report.

11. Chair's business

BL does not have anything other than to remind everyone the September Board meeting will address membership to the F&A Committee where we have been relying heavily on DC and LB attending. BL asked if people have found the joint meeting of benefit, DC commented it is good to have a joint meeting and for the Board to be aware of the Trading Subsidiary and would be happy to do this in future. BL commented that it improves the interaction so will have some joint meetings in future.

BL commented on a previous induction where Board members came together and visited some of the facilities. HS said we are putting in place an induction for new Board members but will make it available to existing Board members as well.

12. AOCB

KK advised we had a long running issue with a concession holder leaving without proper notice and bad debts which resulted in letters between our solicitors. We have now heard from Black Adder with an offer of £4,000 as settlement. This was accepted following electronic support from the Board, and we have also added a confidentiality clause and a request for all management accounts for the period of operation at DCLG.

Date of Next Meeting: 23rd November 2021