

DRAFT MINUTE



**Fife Cultural Trust
Finance & Audit Committee Meeting
Tuesday 21st November 2017 @ 4pm
Meeting Room 2, Iona House**

Present: Brian Lawrie, Chair (BL), David Caldwell (DC)
Nick Bennett, Managing Partner, Scott-Moncrieff
Lynne Lamont, Head of Charities, Brewin Dolphin

In Attendance: Kirsty Key (KK), Director of Corporate & Commercial
Development
Heather Stuart (HS), CEO
Peter Ward (PW), Head of Finance & Administration
Raymond Campbell (RC), Accountant
Anne Chalk, Company Secretary

1	Welcome and Apologies for Absence	Action
	<ul style="list-style-type: none">• BL welcomed everyone to the meeting.• BL explained the membership of the F&A Committee and at the present time reported that we have 2 vacancies.• Round the table introductions were made for the benefit of our invited guests.• Lynne Lamont reported that Alistair Ronald is leaving Brewin Dolphin at the end of the year and she would now take on responsibility for our Investment Portfolio.• She is looking forward to working with us in the New Year.• No apologies of absence were received.	Info
2	Declarations of Interest	
	<ul style="list-style-type: none">• There were no declarations of interest noted in relation to the business of the meeting.	Info
3	Minutes of the Previous Meeting and Updates	
	<ul style="list-style-type: none">• Minutes of the previous meeting were recorded as accurate.• A number of items that require follow up discussion are already on the agenda. <p>VAT</p> <ul style="list-style-type: none">• The potential VAT issue in relation to the Trust's treatment of income related to programming income was raised at the last F&A Committee Meeting.• KK was happy to report that after review and engaging the support of Scott Moncrieff the level of risk to the Trust was much lower than initially considered.• However we must be aware of the potential exposure that we could have faced and remove the ambiguity going forward.• The VAT issue was discussed at length with Scott-Moncrieff	Info Info

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	<ul style="list-style-type: none"> We will now recruit for a specific retail manager with tourist attraction experience to really push the retail sales. The investment appraisal on a new ledger system is ongoing. It would be really helpful if we could invest in systems that can speak to each other. An update report to be prepared for the FCSTL Meeting in December. We can't move on EPOS until we go out to procurement. 	<p>RC</p> <p>Info</p>
7	Risk Management – Paper 4	
	<ul style="list-style-type: none"> This is a standing item on the F&A Committee agenda. The report provides information on the 4 current highest risks that relate to Finance and the mitigating actions that are being taken. The Barclay Report on NDR has recommended the removal of NDR relief for ALEOs and is looking at removing rate relief for charities that have a trading subsidiary. The meeting takes place on the 14th December and it is envisaged that recommendations will be available early 2018. At the present time there is nothing that we can do until the decision has been made However liability for payment of NDR sits with Fife Council due to how the reoccurring savings are realised. Costs for testing and maintaining theatre equipment in line with health & safety create an unmanageable budget pressure. FCT have been working with the Council to establish liability for costs via SLAs' to minimise impact on FCT. The rigging in theatres needs to be assessed and £50k-£80k remedial work/actions need to be carried out within 30 days and a longer term plan developed. The Trust has negotiated with Fife Council that we will put some money into the remedial work because we have not carried out the necessary maintenance work. The rigging in theatres is our highest areas of risk – some work required in Rothes Halls and Adam Smith theatre but the biggest areas of risk are Carnegie Hall and Lochgelly Centre. It was agreed that if it is our liability it is our responsibility but we need something confirmed in writing from the Council. There is no risk in museums everything has checked out by the insurance company. The Trust has a large estate of building and requirement that have not benefitted from investment over the past 5 years, subsequently the Trust now faces a situation whereby a large investment is required to ensure buildings, and in particular theatre equipment, is safe and of a quality that support production and does not impact negatively on quality. When budgets are allocated to managers we must remind them of the associated risks. 	<p>Info</p> <p>KK</p>
8	Brewin Dolphin – Verbal Update	
	<ul style="list-style-type: none"> Lynne Lamont, Head of Charities, Brewin Dolphin attended 	Info

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	<p>the meeting to give an update/overview on our investment portfolio.</p> <ul style="list-style-type: none"> • She reported that the management of the FCT investment portfolio will now be handled by their Edinburgh office. • Our Investment Objective is Capital Growth Return. • Our risk profile is Risk Category 4, which is a low investment risk. • The restrictions included in the portfolio are no tobacco or alcohol related stocks, gambling, or armaments. All investments required copies of the ethical policy of companies being invested in. • The Board reported that if they were to choose they would be more comfortable investing in fossil fuels than alcohol, due to the possibility of an FOI request, but would prefer to avoid direct investment. • As at 17 November 2017 the value stood at £521.150 and was generating an estimated annual income of £15,689, equivalent to a yield of 3%. • It was noted that Bonds have gone up more than equities which is why our returns are better – the Bonds position was unusual. • Investors can, for the first time in a number of years, reflect favourably on the summer, and be thankful for the modest level of market volatility. In the UK we have continued to see higher inflation, driven by rising import costs following sterling’s devaluation and the recovery in the oil price but we anticipate that this will soon stabilise. • Recovery in the European region is encouraging and continues across the board. • Japanese equities have continued to rise, given the significant upturn in economic activity. • Across Asia markets look relatively attractive. • Growth in America has picked up despite political turmoil, North Korean tensions, and intensifying Russian-related investigations. • Brexit negotiations continue to move at a glacial pace with both sides refusing to give ground on the issue of the “divorce bill”. • UK interest rates have finally risen in the first rate hike in a decade. The threat of higher inflation continues to hang over the Band of England. • As we draw to a close with 2017 we believe markets will continue to be highly sensitive. • Company earning remains strong and Brewin Dolphin believe that income should hold up well on the back of this. • Equities will continue to offer the best long-term value for patient investors. • LL reported at the present time we are ok, now is a difficult time to take on more risk but it was suggested that a review meeting should take place in 6 months’ time once there is more certainty around our budgets. • It was suggested that we should update our Investment Policy at the same meeting. • The present signatories on the accounts were discussed and 	<p style="text-align: right;">KK</p> <p style="text-align: right;">KK</p>
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	<p>it was agreed that this will be discussed and agreed at the AGM in December and a copy of the minutes of the meeting will be sent to Brewin Dolphin for their information.</p> <ul style="list-style-type: none"> • The Board suggested that it would make sense to have 3 signatories – 2 Trustees and a member of the Exec Team. • The funds in the portfolio are well enough managed but there are opportunities. • Reports on our Investment Portfolio will now be prepared in a different format and will include much more information. <p><i>BL thanked Lynne Lamont for her presentation, it was really helpful in relation to information previously received.</i></p>	
9	Accommodation Update – Verbal Update	
	<ul style="list-style-type: none"> • KK provided an update on the accommodation situation. • Things have progressed since the last FCT Board Meeting. • FCT have been working with Andy Maclellan to put together a feasibility study for Adam Smith Theatre. • An architect has been agreed but a date hasn't been confirmed for him to go out and look at the Beveridge Suite and the Auditorium. • Background checks are ongoing to look at bookings for the Beveridge Suite and the potential loss of income and how we can mitigate against it. • Fife Council are really positive about the potential move to the theatre and the opportunity to develop something that is in their own portfolio. • It was suggested that the development could be beneficial to local area plans and the regeneration of the town centre. • KK has managed to negotiate a two month period of notice for Iona House instead of the 40 days that is in place at the present time. • Ronnie Hair has been keeping KK updated on every movement of the original company who were interested in Iona House but it was gone very quiet. • Ronnie has intimated that if they do still want to rent the building it will be at least a 6 month timescale. • There has been another company interested but not at the same level. They are only looking to rent one floor or a wing. • Rental on that basis would secure the tenancy for us. • Communities has confirmed that if we do have to move from Iona House they will pay for the associated removal costs and they are holding a space in New City House, as a fall-back position for a couple of months. • It is a fluid position in relation to Iona House but if we are moving it was agreed that Adam Smith Theatre looks to be the best option. We would be in control of our own destiny. • A longer lease for Iona House is not something that the Council will consider at the present time. • KK will keep the Board updated on progress. 	<p style="text-align: right;">Info</p> <p style="text-align: right;">Info</p>
10	Meeting Dates 2018	
	<ul style="list-style-type: none"> • The proposed dates for the F&A Committee Meetings are 	Info

