

CONFIRMED MINUTES

AUDIT, FINANCE AND RISK SUB-COMMITTEE

At the **Audit, Finance and Risk Sub-committee 04.08.25** on **4 Aug 2025** these minutes were confirmed as presented.

Name:	Audit, Finance and Risk sub-committee
Date:	Monday, 12 May 2025
Time:	10:30 am to 12:55 pm (BST)
Location:	Default Location, Morrison House, Bayfield, Portree
Committee Members:	Mr David Clapham, Mr Robin Nairn (Committee Chair), Mr Ian Young, Mr Robert Muir
Attendees:	Fanchea Kelly, Ben Thomas, Jennifer MacInnes, Trudi Tokarczyk, Colin McNeill
Apologies:	Mrs Audrey Sinclair
Guests/Notes:	Colin McNeil, WBG

1. Opening Meeting

1.1 Apologies

2. Declarations of Interest

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There were no new Declarations of Interest noted.

3. Minutes of Previous Meeting

3.1 Minutes of Previous Meeting (10.03.25)

The minutes of previous AFR Sub-committee Meeting held on 10 March 2025 were provided for information and had been approved by the Board on 24 March 2025.

4. Decision Tracker

4.1 Decision Tracker from Previous Meeting (10.03.25)

DoFDS advised that there can be a rejig of monthly accounts due to the delay in receiving bank statements.

Item 6.1 c/f from 10.02.25 is to be amended to in progress and kept on the Decision Tracker, this is being dealt with by IPSM.

5. Matters Arising

5.1 Other matters arising

6. AFR Business

6.1 Year End Management Accounts 2024/25

DoFDS advised that he is working through all balance sheets to ensure the year end figures are accurate, and is working well through the processes. There are some large differences in arrears and bad debts, there are also some potential gains e.g. holiday allowance is not required.

DoFDS advised that the Audit has commenced and they have been provided with access to Boardpro and Sage.

Time saving could be made with better use of the facilities in some of the systems we have and getting a system where Asset Management works with the accounts would help greatly.

6.2 Pension Update

CEMC and DOFDS provided the Pension Review update and contributed to the discussion on the basis that they have no personal interest in the scheme.

Following on from the presentation in December 2024 from Alastair Russell-Smith, Spence and Partners and further liasing with Spence and Partners we now understand that a valuation of the SHAPs scheme will take place in September 2025 which will be important to establish the deficit payments level for all employers and ongoing contribution levels for the Defined Benefit scheme.

We will continue to review the legal status of the pension commitment in our current employment contracts. We can also move ahead with preparing a proposal for a Salary Sacrifice scheme, which would potentially support employees build a better pension pot, while also helping LSHA with reduced NI charges.

Members discussed the proposal and the need to move forward while acknowledging the need to know the rates to enable the staff consultation to proceed in September. CEMC advised that we would come back with a more specific project plan, getting background information to take forward appropriately.

CEMC advised that she'd asked Alasdair about buying out of the SHAPs DB Scheme and this is not something he would recommend.

Noted.



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CEMC advised that we would come back with a more specific project plan, getting background information to take forward appropriately.

Due Date: 14 July 2025

Owners: Ben Thomas, Fanchea Kelly

6.3 Risk Register Review

GCM provided the Strategic Risk Register Review Report, which provided the Board with an update of the Risk Awareness and Risk Appetite process. She advised that the Risk Register requires to be reduced to a smaller number of more strategic risks. A questionnaire on risk appetite will follow and the results will be brought to the Board to facilitate the strategic discussion on 23 June.

Members discussed monitoring of operational risks but agreed that the priority had to be Strategic with the Board having assurance that operational risks are being tackled. CEMC advised that the framework should develop over the next year to 18 months where it drops down systematically and members agreed that what has been set out is taking us in the right direction.



Members Discussed the review of the strategic risk register to me...

Members

- i. **Discussed** the review of the strategic risk register to meet best practice recommendations and **agreed** the need for alignment to a smaller number of strategic risks, which can be monitored as a live document.
- ii. **Noted** the questionnaire on risk appetite will follow that alignment and results brought to Board to facilitate some of its strategic discussion in June.

Decision Date: 12 May 2025

6.4 Internal Audit Work Plan

Colin McNeill from wbg joined the meeting.

He provided the Internal Audit Plan for 2025/26 advising members of the main areas to be covered next year, which are, Governance, Planned and Reactive Maintenance, Procurement and Follow up to ensure prior year recommendations are implemented within the expected timescales.

He provided the dates and advised that the Planned and Reactive Maintenance will change place with Procurement, this is so the work will be carried out while IPSM is in post.

Members discussed and were given clarification on the difference between Planned and Reactive Maintenance, operational and the Asset Management, which is strategic and compliance related and which should be considered at the moment. The Asset Management strategy was audited 2 years ago so it was agreed that the Planned and Reactive Maintenance should be considered this year.

A member asked if draft copy of the report could be provided in time for the Annual Assurance Statement in October. Colin McNeil advised he cannot change the timescales without his Manager's approval. He advised that if we reduced the days for Manager responses then this may be possible, but he would need to check with his Manager and would get back in touch as soon as possible.



DoFDS to follow up with Colin McNeil if it would be possible to b...

DoFDS to follow up with Colin McNeil if it would be possible to bring the draft report to Board ahead of the October Board, prior to signing off the Annual Assurance Statement.

Due Date: 30 May 2025

Owner: Ben Thomas



Board Members Considered the WBG Report and Approve the scope and...

Board Members

- i. **Considered** the WBG Report and Approve the scope and timing of the work subject to the change noted in point 2 above and the request to bring the draft report forward to October if possible.

Decision Date: 12 May 2025

6.5 Financial Plan and Cash Projections

CE and DoFDS provided the Financial Plan and Cash Projections Report. This report introduces an early review of the current five-year plan from a cash-flow perspective.

Members considered the five year cash-flow projections provided and how cash flow would be affected by development projects and interest rate changes. In response to a member's question, DoFDS confirmed that cash flow is greater than income and advised that expenditure budgets are already quite lean. He confirmed that the Development Plan is based on unit costs and suggested an Investment appraisal for future development may be worthwhile.

Members discussed the practice of setting rents at CPI + 1% is no longer appropriate to business needs. Members were pleased with the consideration being given and acknowledged the need to develop in a way which is affordable.

Members advised there is a need to develop a base Financial Plan of what's on site and look at further developments assessed under an improved investment criteria and appraisal procedure. It is good that we are looking at internal things like DLO, IT systems and the Staffing Structure. They advised that although some concern is being raised there are some issues we can resolve and move forward. They were keen that we gather an argument together to take to the Scottish Government to provide a stronger position on funding.

CEMC advised that having looked at the projections we now need to work on moving forward and necessary mitigations for the strategic picture. She advised that her and DoFDS have discussed having a mixed tenure business model could help. She would like to create space in the Board Programme to be able to focus on this more.

Members would like the Management Accounts to be simplified as there is too much detail and for figures to be rounded to the nearest thousand pounds. CEMC to provide short report for the 26 May Board Meeting to summarise why we are going to follow through with more actions and to agree with Chair how the Strategy day should run.



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Due Date: 16 May 2025
Owner: Fanchea Kelly

7. A.O.C.B

7.1 A.O.C.B.

There was no other business and the meeting closed at 12.55pm.

8. Meeting Close

8.1 Close the meeting

Next meeting: Audit, Finance and Risk Sub-committee 04.08.25 - 4 Aug 2025, 10:30 am

Signature: _____

Date: _____