

Shetland *arts*

**Shetland Arts Development Agency
Board of Trustees Meeting
Thursday 10th November 2011 at 6pm
Venue: Bonhoga Gallery**

Food will be provided.

Item	Description	Report	Item taken by	ACTION
1	Welcome, apologies and declaration of interest	Verbal	Chair	Note
2	Minutes of last meeting			
2a	Approval of Board Minute for accuracy – meeting of the 24/09/11	Attached	Chair	Approval
2b	Matters arising that don't appear within the agenda	Verbal	Chair	Discussion
3	Finance and Management			
3a	Management Accounts	Attached	Head of Finance and Administration	Note/ Decision
3b	Directors travel update	Attached	Director	Note/ discussion
3c	Annual budget	Attached	Head of Finance and Administration	
3d	Trustee appointments	Attached	Chair	Decision
3e	Business Plan Objectives 2012-2015	Attached	Director	Decision
3f	Risk Management	Attached	Director	Decision
3g	Credit card signatures	Attached	Head of Finance and Administration	Decision
	Large Scale Project Updates			
4	Mareel Project			
4.1	Construction update	Verbal – detailed papers available on Basecamp	Director	Note
4.2	Operational update	Verbal update	Director	Note
4.5	The Hatchery Project	Verbal update	Director	Note
5	Any Other Business as agreed by the Chair at the start of the meeting		Chair	
6	Dates of future meetings			
6a	SADA Board Meeting:	Forward Bard Plan Attached	Chair	Confirm dates and venues for future meetings

CLOSED ITEMS

A	Mareel Cost report	Verbal + copy on Basecamp	Director	Note
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**Shetland Arts Development Agency
Management Accounts By Department
For Period Ended 30 September 2011**

All Departments (exc Mareel capital)

	Actual Year-to-date £	Budget Year-to-date £	(Over)/ Underspend £	Annual Budget £
Income				
Box Office	85808	90634	-4826	184680
Ancillary Earned Income	88062	77583	10479	223052
Other Earned Income	1702	0	1702	1000
Business Sponsorship	2300	5200	-2900	35200
Donations, Trusts, etc	1091	1091	0	21091
Revenue Creative Scotland	117603	78402	39201	156803
Project Funding Creative Scotland	91760	98800	-7040	340050
Local Authority Project Funding (SIC)	3004	4269	-1265	10019
Other Public Funding	19867	33874	-14007	43120
SCT Core Funding	373573	373573	0	747146
	784,770	763,426	21,344	1,762,161
Expenditure				
All Staff Costs	425347	460765	35418	943082
Programme	154111	193800	39689	333479
Marketing	8727	8456	-271	39738
Education	26197	61432	35235	103232
Project Overheads	4459	1000	-3459	2000
Other Expenses	178	0	-178	0
Marketing (Strategic costs)	5826	3750	-2076	7500
General Overheads	128234	157074	28840	464104
	753,079	886,277	133,198	1,893,135
Net Surplus/(Deficit)	31,691	-122,851	-154542	-130,974

Shetland Arts Development Agency
Notes on Management Account
For the 6 Month period to 30 September 2011

Box Office

Income here is £4,826 lower than expected for the first 6 months of the year

Income from Fiddle Frenzy, Screenplay & Wordplay came in as per budget, but we have not achieved the budget of £5,000 from Garrison Programming expected by this stage of the year. However, neither have we incurred the level of programming cost anticipated, with only a small spend on Garrison Programming to date relating to Mami Shikimori. The income from this will only come in during October.

Ancillary Earned Income

We have a surplus of £10,479 for the first 6 months of year

There are various surpluses and deficits which make up this overall figure.

Under Arts Development, there were accounting adjustments in respect of income due from Shetland College for the Music course and craft quality assurance work. This money had been coded to Local Authority Funding in error, but has now been received.

Garrison Theatre rental and tuck shop are £4,500 less than expected at this stage for the year, but this should improve with the winter hires and tuck shop income during the Panto.

Weisdale Mill Income is up by an overall £13,000, with £5,000 more shop income, £5,500 more café income and £2,400 exhibition commission income than expected for the first 6 months of the year. Costs which relate to shop & cafe income, are also higher, but both are performing slightly better than anticipated in our budgets (Shop £1,643 /Café £320 better than budget deficit for year-to-date). There will be few Shop purchases over the coming months, but hopefully November/December will see increased sales in the run up to Christmas. The commission income from the exhibition does not come at any extra cost and hopefully with the Christmas exhibition still to come we will continue to see decent exhibition sales in the next quarter of the year.

Westside Cluster income is higher than expected due to the receipt of £13,200 insurance monies in respect of damage to the Kergord Hatchery roof.

Ticket charges income for the Box Office system are £3.3K lower than expected for the first six months, however we have received a payment of £2,686 in this respect from the SIC in October. The way that Box Office charges are calculated is also going to change with effect from January 2012, so we will hopefully exceed the overall budget here for the year.

Finally, Bank interest is lower than anticipated, as rates continue to be low and our overall bank balances are lower.

Business Sponsorship

Income is £2,900 less than expected for first six months of the year

We are still awaiting £1K of sponsorship for the Guitar Festival 2010, so this is part of the difference. I have contacted Richie Simpson at LHD about this money and it should be with us soon. Income for Screenplay was £300 rather than forecast of £1K, but this is compensated by income in other areas.

Revenue Creative Scotland

Income £39,201 higher than anticipated for first six months of the year

Creative Scotland revenue funding is paid out quarterly, and we have received our funding for quarter 3, early.

Project Funding Creative Scotland

Income is £7,040 less than anticipated for first six months of the year

The budget includes some project funding that we now know we will not receive. For some of this income the projects will not go ahead, but for a few of them, the projects were already underway before we were informed by Creative Scotland that we would not get this money. Some savings have been made overall in the projects but core funding may need to cover the remaining £15K to £20K if income can not be generated to compensate for this.

Local Authority Funding

Income is £1,265 less than anticipated for first six months of the year

This specifically relates to a shortfall in funding from EDU for The Voyage Project. Some of the invoices we claimed pre-dated the grant offer and were not allowed.

Other Public Funding

Income is £14,007 less than anticipated for first six months of the year

There are various reasons for this, the main one being that we are still due £17K from HIE for the Mirrie Dancers Project. There are some projects which have not gone ahead as full funding was not secured and some other funding still to come.

All Staff Cost

Expenditure is £35,418 less than expected for first six months of year

This is made up of;

£1.3K underspend in Arts Development
 £5K underspend in Garrison Theatre zero-hour staffing
 £1K underspend on cleaner at Weisdale Mill
 £2.3K underspend on Weisdale Mill Gallery staff
 £2.8K overspend on Weisdale Mill Café staff
 £21.7K underspend on Westside Cluster staffing
 £8.8K underspend in Management & Admin staffing

The smaller difference here are due to travel & expenses allowed for not being spent. Garrison Theatre zero hours staffing is less due to less activity than expected. This is likely to catch up some what in next few months with Panto, etc

The large underspend in Westside Cluster is due to costs related to staff early retirement only being invoiced to us until October. We have included the full cost in our budgets to Sept 2011.

The underspend in Management & Admin is largely due to the none recruitment of a Head of Programming. External Programming fees stand at £3,090 and are deducted under Mareel Building Overheads department, but will be paid from this staffing budget.

Project related costs (Programme, Marketing, Education, Project Overheads, Other Expenses)

All costs vary from budget with large under spends in Programme and Education. Not all the projects planned have gone ahead and the timing of expenditure on Projects is not easy to predict. Given we have a shortfall in Project funding also, I'm pleased to see an under spend in cost. Development Officers are monitoring the individual projects and I'm not away of any significant issues which should be brought to Trustees attention.

Strategic Marketing

Expenditure is £2,076 more than expected for first six months of the year

The annual budget for Strategic marketing was reduced from £15,000 to £7,500 and we are making every effort to keep this cost down.

General Overheads

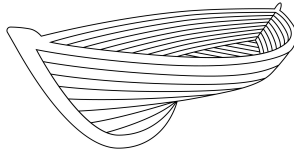
Expenditure is £28,840 less than expected for first six months of the year

The main reasons for this is that we have spent very little on Planned Maintenance in the first 6 months of the year. Historically, due to holidays and as technical staff are busy on other things during the first half of the year, more spend has taken place in the last 2 quarters.

Electricity cost as Bonhoga have been high in previous years, so our budget was set to accommodate this. As at 30 September our spend of electricity for -£1,056 due to an opening accrual. We have received bill for £2,854 in October which was based on the actual meter reading. It would appear that whatever was causing the high

consumption rates in the past has been addressed and I would hope to see a saving of perhaps £3K on the budget here by the year-end

There are various other under spends, largely due to timing of expenditure, and nothing else I think is worth drawing to Trustees attention individually,.



Shetland *arts*

To: Board of Trustees – Shetland Arts

10 November 2011

From: Director, Shetland Arts

1. Trips undertaken off island by the Director since last Board Meeting (26 September 2011)

When	Where	Why
03/10/11 – 05/10/11	Cannes	MIPCOM Conference

2. Director planned off island trips

When	Where	Why
08/11/11 – 10/11/11	London Edinburgh	TOIL Creative Scotland and Mareel meetings
14/11/11 – 16/11/11	Glasgow	GHA meetings Between Weathers Meetings RSNO Meeting Mareel programming meeting
16/11/11 – 19/11/11	Taigh Chearsabhagh, North Unist	Consultancy
06/12/11	Edinburgh	Putting culture at the heart of a low carbon Scotland seminar
09/12/11	Edinburgh	Creative Scotland meeting
27/04/12 – 06/05/12	Lord Howe Island, Australia	Speaker at international Small Islands Futures Conference – at no cost to Shetland Arts or the United Kingdom.

Please note the Director has provisional bookings for Annual Leave on the following dates:

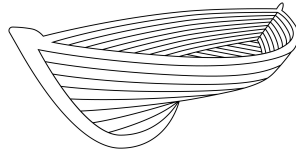
21 November – 25 November 2011
10 February 2012 – 20 February 2012

3. Recommendations

1. The Board are asked to note the above report

Shetland Arts Development Agency**Three Year Budget****2012/13 to 2014/15**

	2012/13 Budget £	2013/14 Budget £	2014/15 Budget £
Income			
Box Office	406,478	413,662	420,989
Ancillary Earned Income	658,082	668,730	687,656
Other Earned Income	15,000	15,000	15,000
Business Sponsorship	6,700	6,700	6,700
Donations, Trusts, etc	11,759	11,759	11,759
Revenue Creative Scotland	212,000	212,000	212,000
Project Funding Creative Scotland	57,880	57,880	57,880
Local Authority Project Funding (SIC)	23,600	23,600	23,600
Other Public Funding	11,000	11,000	11,000
SCT Core Funding	723,500	696,038	696,038
	2,125,999	2,116,368	2,142,622
Expenditure			
All Staff Costs	1,098,008	1,105,703	1,105,703
Programme	281,286	285,057	288,903
Marketing	46,500	46,500	46,500
Education	94,150	94,150	94,150
Project Overheads	0	0	0
Other Expenses	0	0	0
Marketing (Strategic costs)	15,000	15,000	15,000
General Overheads	591,055	569,958	592,367
	2,125,999	2,116,368	2,142,623
Net Surplus/(Deficit)	0	0	0



Shetland *arts*

To: Board of Trustees – Shetland Arts

10 November 2011

From: Director, Shetland Arts

Appointment of Trustees and Trustee period of office

Background

On Tuesday 25 October 2011 the Board attended a Governance Training Seminar led by consultant Lorne Macleod in which Trustees were given an update on the roles and responsibilities of Trustees and explored current and future governance structures.

During the seminar Trustees revisited the current Trust Deed and the Annexed Schedule that sets out the periods of appointment of Trustees and appointment processes. The current Trustees respective dates of appointment are as follows:

James Johnston Appointed April 2006

James Sinclair Appointed October 2006

Robina Barton Appointed September 2008

Mark Burgess Appointed September 2008

John Goodlad Appointed September 2008

John Dally Appointed December 2009

Joyce Davies Appointed December 2009

Leslie Lowes Appointed December 2009

Danus Skene Appointed December 2010

Silke Reeploeg Appointed December 2010

Irvine Tait Appointed February 2011

There are some points for the Board to consider in relation to the above appointment dates and the Annexed Schedule to the Trustee Deed:

1. The Schedule stipulates that Trustees serve a 3 year term with an option of re appointment for a further 3 years followed by a minimum gap of 3 years. There is one exception in that Jim Johnston as the only remaining 'Initial Trustee' has a longer 1st term that takes him to 31 March 2012.

This means that as of September 2011 there are three Trustees that need to be re appointed to continue as Trustees given their first 3 year term has now reached an end. The three Trustees are: Robina Barton, Mark Burgess and John Goodlad

2. Although there was discussion regards regard length of term of Trustees in 2009, no record exists of formal reappointment of James Sinclair as a Trustee to serve a 2nd 3 year term.

AGENDA ITEM: 3d

SADA BOARD MEETING: 10/11/11

3. With regard to Jim Johnston special provision in made in the Schedule to support continuity and phase retirement of the initial group of Trustees. As such there was no requirement to reappoint Mr Johnston for a second term after 3 years. The Trustee Deed Annexed Schedule (Item 3) states:

“Each of the Initial Trustees shall hold the office of Trustee for a minimum period of four years. Three of the Initial Trustees will retire on the 31st March 2010, three on the 31st March 2011 with the remaining Initial Trustees retiring on 31st March 2012. Thereafter, Trustees will retire on the third anniversary of their appointment. The first Trustee to demit office shall be chosen by agreement which failing will be drawn by lot and similar provisions will apply until each Initial Trustee has demitted office”.

Further item 5. of the Annexed Schedule states:

“Apart from the Initial Trustees, a new trustee shall hold office for a period of three years with power to be re-appointed for a further period of three years. In the event of appointment for a further three years, such trustee will not be eligible for appointment for a period of three years thereafter”.

The Schedule does not explicitly state that ‘Initial Trustees’ cannot be reappointed after serving their initial term should they wish to stand. Item 5 also explicitly excludes ‘Initial Trustees’ from the clause requiring Trustees to not serve more than two 3 year terms without a 3 year gap. It can therefore be inferred from both these clauses that Jim Johnston as the only remaining ‘Initial Trustee’ is permitted to be reappointed for a 3 year term on 31 March 2012.

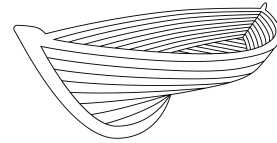
Proposal

The Board seek to maintain continuity of Board leadership and Members through the next 18 month period of significant change and growth, utilising provisions in the Trust Deed and its Annexed Schedule.

Recommendation

1. The Board in the interests of good administration formalise the appointment of James Sinclair for a second term ending October 2012
2. The Board invite Robina Barton, Mark Burgess and John Goodlad for appointment for a second term ending September 2014, and subject to their agreement approve their appointment.
3. The Board note the requirement should the Board desire to invite Jim Johnston prior to the 31 March 2012 to stand for a second term of appointment ending 31 March 2015.
4. The Board to note that only the following Trustees can vote on these recommendations and the need for at least six of the Trustees below to be present at the meeting: Irvine Tait, John Dally, Les Lowes, Danus Skene, Joyce Davies, Jim Johnston and Silke Reeploeg.

Gwilym Gibbons
Director
October 2011



Shetland *arts*

BUSINESS PLAN 2012 – 2015

Executive Summary and Objectives

For Board discussion and approval
10 November 2011

Executive Summary

Shetland Arts Development Agency (SADA) was established as a non-profit charitable organisation in January 2006. It brought together the work of two organisations whose collective histories provide Shetland Arts with a local, national and international reputation for arts development and delivery, built over 25 years of work and innovation. From April 2008 Shetland Arts has been on a journey towards becoming a 'more than profit' social enterprise, with the aim to reduce dependency on a limited number of core funders, increase independence and sustainability while maintaining the organisations charitable status. Although Shetland Arts is exploring and diversifying its income base, wherever possible it aims to maintain an entrepreneurial mission centric approach to its enterprises.

This document follows a review of the Shetland Arts Business Plan 2008 – 2013 given the number of significant changes, pressures and opportunities the organisation faces over the next three years. Much was identified and addressed in the previous document but given specific changes to the economic environment that Shetland Arts now operates within: a review of projections, models of operation and programmes of activity is believed prudent. Post Global Financial Crisis (GFC), climate change and rising energy costs all have a significant impact on how Shetland Arts moves to a sustainable model of operation.

The construction of Mareel Shetland Art's new £12.2m music cinema and creative industries centre (due to open in spring 2012) is a major growth element for the organisation which is set against an organisation that has a turnover that has grown by 250% since 2006. In addition Shetland Arts plans to embark on a second major capital project in the development of our out of town based operations at The Hatchery/ Weisdale Mill over the next 3 years. Shetland Arts has a projected turnover of £1.5m by 2015. A final review of business models and operation will take place with the new management team and Board in February 2012, 3 months prior to the projected opening of Mareel. This business plan seeks to ensure the three interdependent elements of **mission**, **models** and **money** that form a strong creative organisation are at the heart of our planning and thinking as we respond to this exciting and challenging time.

Finally this document complements our 'arts manifesto', *A Hansel for Art*, a document that sets out our vision and values and the guiding principles on which SADA operates. More importantly it describes how Shetland Arts works, engages and is led by our various communities of interest.

Our Vision

...is a Shetland celebrated as a place where: inspiration and innovation are valued; people want to live work and learn; individual creative opportunity is available to all; each achieves their full creative potential; personal development improves life circumstances, styles and choices; the full social and economic potential of the islands is achieved.

Our mission

...is to promote, develop and celebrate the distinctive art, culture and creativity of the islands, resulting in a Shetland that is **creative, confident, connected**.

Our four strategic aims:

1. Increased social and economic sustainability for Shetland
2. Improved health and well being of Shetland individuals
3. An empowered, enabled, inclusive and supported voluntary creative community and creative industry sector
4. Increased and enhanced local, national and international recognition of Shetland's unique creative heritage, contemporary practice and creative value

Our six objectives for 2012 to 2015

1. **Adapt and revise delivery of arts development programs:** Develop strategic art form plans in response to challenging financial climate; new opportunities both at home and abroad and feedback from beneficiaries.
2. **Seek financial stability and diversification:** Prioritise activity and investment to support the long term financial stability and resilience of the organisation in response to external adverse financial and environmental pressures. Including diversification of income streams and reduction in energy use/ increase in generation of green energy sources.
3. **Build on Scandinavian and Northern European relationships:** Target international work to Faroe and lands north and east of Shetland. Position Shetland as the UK's gateway to Scandinavia.
4. **Exploit intellectual property:** Secure, protect and exploit all intellectual property (IP) owned by Shetland Arts and actively seek opportunity to own IP both generated through SADA activity and venues as well as through the acquisition of IP owned by others.

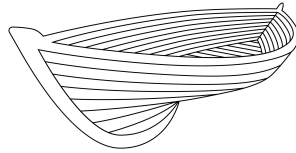
- 5. Maintain and improve quality assurance:** Review, revise and implement organisational staff appraisal scheme. Maintain Quality Framework evidence collation and delivery and the 'Arts Development Process' as detailed in A Hansel for Art ensuring feedback informs change and/or celebration as appropriate.
- 6. Review governance and Board structures to increase community engagement/ involvement at a strategic level:** Complete legal structure review and implement change where required. Develop a 'Friends Scheme' that supports increased community engagement with Shetland Arts activity and venues.

**Shetland Arts Development
Agency
Toll Clock Centre
26 North Road
Lerwick
ZE1 0DE**

Status: Draft

Approval process:
Objectives and budget for approval 10/11/11
Final draft for approval 16/12/11

Revision Log		
Revision	Date	Nature of Change
0	25.10.2011	Draft 1
1	05.11.2011	Draft 2



Shetland *arts*

To: Board of Trustees – Shetland Arts

10 November 2011

From: Director, Shetland Arts

Risk Management, Control and Support

Background

Risk management is the process of controlling risks, and the severity and likelihood of adverse events, in order to improve performance. Shetland Arts for some time has adopted a range of risk management strategies as agreed in our Business Plan 2008 -13. It is prudent for the Board and the wider organisation to review risk management periodically and revise activity in response to new or changed internal and external risks.

The challenge for a creative organisation is to ensure it continues to innovate, be creative and take risks. The very essence of our very existence is to push boundaries and explore new ways of working and new ideas. At the heart of our risk management strategies and systems is the requirement to ensure as much as is reasonably possible that the future of Shetland Arts is secure and people are safe while supporting a positive risk taking environment. In simple terms we do this by balancing risk against potential reward.

Shetland Arts has, since April 2007, operated a Viable Risk Management System (VRMS) for the delivery of events activity. For example all Shetland Arts events are budgeted with an estimated attendance level based on the type of event, time of the year and knowledge and understanding of our audience. This is often below the capacity of the venue. For budgetary purposes a 65% door of this potential attendance is taken. The event must break even based on this figure. If the event attracts more attendance then any surplus from the event goes in to Shetland Arts general funds (pooled); if it falls below 65% general funds pick up the cost.

Shetland Arts' risk management approach seeks to:

- **encourage** the organisation to look at all its risks, not just financial ones;
- **devise** appropriate mechanisms for the organisation to manage risk, including eliminating the risk, managing the effects, no-insurance, self-insurance, commercial insurance, re-insurance, captives and other pooling mechanisms;

- **share** information on risks and best practice methods of dealing with risks;
- **provide** comparative information on risk management for line managers;
- **show** line managers, trustees and staff the financial implications and the financial results of all risks they take.

Shetland Arts has developed a range of systems and strategies to support the above approach:

- **Arts Development System**

The embedded process of LEAP within the initiation of events and activities has an inherent viable risk management element.

- **Authorities Schedules**

Shetland Arts operates an 'authorities schedule' that lays out levels of responsibility and authority from Trustees to individual budget holders.

- **Health and Safety**

The Director has delegated authority from the Board of Trustees to manage and implement Shetland Arts Health and Safety policy covering all legal responsibilities and obligations identified by the Health and Safety at work etc Act 1974 and all related legislation. The Director oversees and monitors the health and safety management system ensuring it is performing to the required standard in all locations and spheres of activity. Detailed arrangements for health and safety are to be drawn up by the Events Team and implemented and maintained in all Shetland Arts managed venues and venues hired or otherwise in which Shetland Arts activities take place.

- **Risk Assessments**

Risk assessments and procedures are drawn up in conjunction with the Operations Team for all activities. Records are kept in accordance with the procedures and guidelines. Regular Health and Safety inspections of events and activities are completed and recorded for both activities generated by Shetland Arts or incoming companies/individuals to Shetland Arts premises and events. Clear lines of management and communication are set up so that all staff / volunteers / and public understand their responsibilities. Ensuring that all activities and projects operate within procedures and guidelines provided by Shetland Arts.

- **Funding Diversification**

Shetland Arts has a strategic objective (Promise 3) to diversify its core funding base to reduce dependency on a handful of funders

- **Reserves Policy**

Shetland Arts adopted a reserves policy in April 2007 which identifies the aspiration to develop a reserve of sufficient money in our general fund to cover three months of the organisation's expenditure.

Proposal

To add to current risk management strategies an Organisational Risk Log to be reviewed and monitored by Trustees on a 6 monthly basis. In the event of adverse risk the Board will review the risk log at the next available meeting. The Risk Log is used as a tool to maintain an overview of levels and range of risk the organisation is experiencing, along with a set of mitigating actions to reduce risks to an agreed, acceptable level.

Recommendations

1. The are asked to review and consider Shetland Arts' approach to risk management
2. The Board are asked to review and approve the SADA Organisational Risk Log.

Appendix 1: SADA Organisational Rick Log

Shetland Arts Development Agency Organisational Risk Log

Governance risks

	Potential risk	Potential impact	Severity score	Likelihood score based on assessment of steps taken to mitigate risk	Steps to mitigate risk	Level of risk based on assessment of steps taken to mitigate risk
G.01	The charity lacks direction, strategy and forward planning	<p>The charity drifts with no clear objectives, priorities or plans</p> <p>Issues are addressed piecemeal with no strategic reference</p> <p>Needs of beneficiaries not fully addressed</p> <p>Financial management difficulties</p> <p>Loss of reputation</p>	8	2	<p>Strategic plan in place which sets out the key aims, objectives and policies:</p> <p>Financial plans and budgets</p> <p>Job profile reviews and staffing structure review</p> <p>Management accounts and operational performance monitoring</p> <p>How are we doing' feedback from beneficiaries and funders</p>	Low
G.02	Trustee body lacks relevant skills or commitment	<p>Shetland Arts becomes moribund or fails to achieve its purpose</p> <p>Decisions are made bypassing the trustees</p> <p>Resentment or apathy amongst staff</p>	7	3	<p>Review and agree skills required</p> <p>Draw up competence framework and job descriptions</p> <p>Implement trustee training and induction</p> <p>One2ones between Chair and trustees</p> <p>Review and agree recruitment processes</p>	Medium

Shetland Arts Development Agency Organisational Risk Log

Last Board review: 10 November 2011

Next review due: May 2012

Public Board Pack 10 Nov 2011

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		Poor decision making reflected in poor value for money on service delivery				
G.03	Trustee body dominated by one or two individuals, or by connected individuals	<p>Trustee body cannot operate effectively as strategic body</p> <p>Decisions made outside of trustee body</p> <p>Conflicts of interest</p> <p>Pursuit of personal agenda</p> <p>Culture of secrecy or deference</p> <p>Arbitrary over-riding of control mechanisms</p>	9	5	<p>Review of the structure of the trustee body and its independence</p> <p>Agree mechanisms to manage potential conflicts of interest</p> <p>Review and agree recruitment and appointment processes in line with Trust Deed</p> <p>Agree procedural framework for meetings and recording decisions</p>	High
G.04	Trustees are benefiting from charity (eg remuneration)	<p>Poor reputation, morale and ethos</p> <p>Adverse impact on overall control environment</p> <p>Conflicts of interest</p> <p>Possibility of regulatory action</p>	6	8	<p>Ensure legal authority for payment or benefit</p> <p>Consider alternative staffing arrangements</p> <p>Implement terms and procedures to authorise/approve expenses and payments</p> <p>Agree procedures and methods to establish fair remuneration conducted separately from 'interested' trustee (remuneration committee/benchmarking exercise etc)</p>	High
G.05	Conflicts of interest	Shetland Arts unable to pursue its own interests and agenda	7	8	<p>Agree protocol for disclosure of potential conflicts of interest</p> <p>Put in place procedures for standing down on</p>	High

Shetland Arts Development Agency Organisational Risk Log

Last Board review: 10 November 2011

Next review due: May 2012

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		Decisions may not be based on relevant considerations Impact on reputation Private benefit			certain decisions Review recruitment and selection processes	
G.06	Ineffective organisational structure	Lack of information flow and poor decision making procedures Remoteness from operational activities Uncertainty as to roles and duties Decisions made at inappropriate level or excessive bureaucracy	6	4	Use organisation chart to create a clear understanding of roles and duties Delegation and monitoring should be consistent with good practice and constitutional or legal requirements Review structure and the need for constitutional change	Low
G.07	Activities potentially outside objects, powers or terms of gift (restricted funds)	Loss of funds available for beneficiary class Liabilities to repay funders Loss of funder confidence Potential breach of trust and regulatory action Loss of beneficiary confidence Taxation implications (if non-qualifying expenditure)	7	3	Agree protocol for reviewing new projects to ensure consistency with objects, powers and terms of funding Create financial systems to identify restricted funds and their application	Low

Shetland Arts Development Agency Organisational Risk Log

Last Board review: 10 November 2011

Next review due: May 2012

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G.08	Loss of key staff	<p>Experience or skills lost</p> <p>Operational impact on key projects and priorities</p> <p>Loss of contact base and corporate knowledge</p>	8	8	<p>Succession planning</p> <p>Document systems, plans and projects</p> <p>Implement training programmes</p> <p>Agree notice periods and handovers</p> <p>Review and agree recruitment processes</p> <p>Review remuneration levels against market value</p>	High
G.09	Reporting to trustees (accuracy, timeliness and relevance)	<p>Inadequate information resulting in poor quality decision making</p> <p>Failure of trustees to fulfil their control functions</p> <p>Trustee body becomes remote and ill informed</p>	6	6	<p>Put in place proper strategic planning, objective setting and budgeting processes</p> <p>Timely and accurate project reporting</p> <p>Timely and accurate financial reporting</p> <p>Assess and review projects and authorisation procedures</p> <p>Have regular contact between trustees and senior staff and managers</p>	Medium

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Operational risks

	Potential risk	Potential impact	Severity score	Likelihood score based on assessment of steps taken to mitigate risk	Steps to mitigate risk	Level of risk based on assessment of steps taken to mitigate risk
Op.01	Contract risk	<p>Onerous terms and conditions</p> <p>Liabilities for non performance</p> <p>Non-compliance with charity's objects</p> <p>Unplanned subsidy of public or private provision</p>	7	4	<p>Create cost/project appraisal procedures</p> <p>Agree authorisation procedures</p> <p>Get professional advice on terms and conditions</p> <p>Put in place performance monitoring arrangements</p> <p>Consider insurable risks cover</p>	Low
Op.02	Service provision - customer satisfaction	<p>Beneficiary complaints</p> <p>Loss of fee/ ticket income</p> <p>Loss of significant contracts or claims under contract</p> <p>Negligence claims</p> <p>Reputational risks</p>	6	6	<p>Agree quality control procedures</p> <p>Implement complaints procedures</p> <p>Benchmark services and implement complaints review procedures</p>	Medium
Op.03	Project or service development	<p>Compatibility with objects, plans and priorities</p> <p>Funding and financial viability</p> <p>Project viability</p>	5	7	<p>Appraise project, budgeting and costing procedures</p> <p>Review authorisation procedures</p>	Medium

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		Sills availability			Review monitoring and reporting procedures	
Op.04	Competition from similar organisations	Loss of contract income Reduced fund-raising potential Reduced public profile Profitability of trading activities	7	6	Monitor and assess performance and quality of service Review market and methods of service delivery Agree fund-raising strategy Ensure regular contact with funders Monitor public awareness and profile of Shetland Arts	Medium
Op.05	Suppliers, dependency, bargaining power	Dependency on key supplier Lack of supplier to meet key operational objectives Non-competitive pricing/quotes Insufficient buying power	6	9	Use competitive tendering for larger contracts Put in place procedures for obtaining quotations Authorised suppliers listing Monitor quality/timeliness of provision Use service level agreements Consider use of buying consortia	High
Op.06	Capacity and use of resources including tangible fixed assets	Under-utilised or lack of building/office space Plant and equipment obsolescence impacting on operational performance	6	7	Agree building and plant inspection programme Agree repair and maintenance programme Agree capital expenditure budgets	Medium

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		<p>Mismatch between staff allocations and key objectives</p> <p>Spare capacity not being utilised or turned to account</p>			Undertake efficiency review	
Op.07	Security of assets	<p>Loss or damage</p> <p>Theft of assets</p> <p>Infringements of intellectual property rights</p>	6	6	<p>Review security arrangements</p> <p>Create asset register and inspection programme</p> <p>Agree facility management arrangements</p> <p>Have safe custody arrangements for title documents and land registration</p> <p>Manage use of patent and intellectual property</p> <p>Review insurance cover</p>	Medium
Op.08	Fund-raising	<p>Unsatisfactory returns</p> <p>Reputational risks of campaign or methods used</p> <p>Compliance with law and regulation</p>	5	5	<p>Implement appraisal, budgeting and authorisation procedures</p> <p>Review regulatory compliance</p> <p>Monitor the adequacy of financial returns achieved (benchmarking comparisons)</p> <p>Stewardship reporting in annual report</p>	Low
Op.09	Employment issues	<p>Employment disputes</p> <p>Health and safety issues</p> <p>Claims for injury, stress,</p>	7	6	<p>Review recruitment processes</p> <p>Agree reference and qualification checking procedures, job descriptions, contracts of employment, appraisals and feedback</p>	Medium

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		harassment, unfair dismissal Equal opportunity and diversity issues Adequacy of staff training Child and vulnerable people protection issues Low morale			procedures Implement job training and development Implement health and safety training and monitoring Be aware of employment law requirements Implement staff vetting and legal requirements Agree a whistle-blowing policy	
Op.10	High staff turnover	Loss of experience or key technical skills Recruitment costs and lead time Training costs Operational impact on staff morale and service delivery	6	3	Review interview and assessment processes Agree fair and open competition appointment for key posts Agree job descriptions and performance appraisal and feedback systems Conduct 'exit' interviews Review rates of pay, training, working conditions, job satisfaction	Low
Op.11	Volunteers	Lack of competences, training and support Poor service for beneficiaries Inadequate vetting and reference procedures Recruitment and dependency	7	3	Review and agree role, competencies Review and agree vetting procedures Review and agree training and supervision procedures Agree development and motivation initiatives	Low
Op.12	Health, safety and environment	Staff injury Product or service liability	7	6	Comply with law and regulation Train staff and compliance officer	Medium

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		ability to operate (see <u>Compliance risks</u>)			Put in place monitoring and reporting procedures	
		Injury to beneficiaries and the public				
Op.13	Disaster recovery and planning	Computer system failures or loss of data Destruction of property, equipment, records through fire, flood or similar damage	4	3	Agree IT recovery plan Implement data back up procedures and security measures Review insurance cover Create disaster recovery plan including alternative accommodation	Low
Op.14	Procedural and systems documentation	Lack of awareness of procedures and policies Actions taken without proper authority	3	7	Properly document policies and procedures Audit and review of systems	Medium
Op.15	Information technology	Systems fail to meet operational need Failure to innovate or update systems Loss/corruption of data eg donor base Lack of technical support Breach of data protection law	6	4	Appraise system needs and options appraise security and authorisation procedures Implement measures to secure and protect data Agree implementation and development procedures Use service and support contracts Create disaster recovery procedures Maintain outsourcing to SIC Review insurance cover for any insurable loss	Low

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Financial risks

	Potential risk	Potential impact	Severity score	Likelihood score based on assessment of steps taken to mitigate risk	Steps to mitigate risk	Level of risk based on assessment of steps taken to mitigate risk
F.01	Budgetary control and financial reporting	<p>Budget does not match key objectives and priorities</p> <p>Decisions made on inaccurate financial projections or reporting</p> <p>Decisions made based on unreliable costing data or income projections</p> <p>Inability to meet commitments or key objectives</p> <p>Poor credit control</p> <p>Poor cash flow and treasury management</p> <p>Ability to function as going concern</p>	8	4	<p>Link budgets to business planning and objectives</p> <p>Monitor and report in a timely and accurate way</p> <p>Use proper costing procedures for product or service delivery</p> <p>Ensure adequate skills base to produce and interpret budgetary and financial reports</p> <p>Agree procedures to review and action budget/cash flow variances and monitor and control costs</p> <p>Regularly review reserves</p>	Low
F.02	Reserves policies	<p>Lack of funds or liquidity to respond to new needs or requirements</p> <p>Inability to meet commitments or planned objectives</p> <p>Reputational risks if policy</p>	8	9	<p>Link reserves policy to business plans, activities and identified financial and operating risk</p> <p>Regularly review reserves policy and reserve levels</p>	High

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		cannot be justified				
F.03	Cash flow sensitivities	Inability to meet commitments lack of liquidity to cover variance in costs Impact on operational activities	7	5	Ensure adequate cash flow projections (prudence of assumptions) Identify major sensitivities Ensure adequate information flow from operational managers Monitor arrangements and reporting	Medium
F.04	Dependency on income sources	Cash flow and budget impact of loss of income source	10	7	Identify major dependencies Implement adequate reserves policy Consider diversification plans	High
F.05	Pricing policy	Reliance on subsidy funding Unplanned loss from pricing errors Cash flow impact on other activities Loss of contracts if uncompetitive Affordability of services to beneficiary class	7	7	Ensure accurate costing of services and contracts Compare with other service providers Notify and agree price variations with funders Monitor funder satisfaction Develop pricing policy for activities including terms of settlement and discounts	Medium
F.06	Borrowing	Interest rate movements Ability to meet repayment schedule Security given over assets Regulatory requirements	7	7	Appraise future income streams to service the debt Appraise terms (rates available fixed, capped, variable etc) appraise return on borrowing Use appropriate professional advice ⁵	Medium

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F.07	Guarantees to third parties	<p>Call made under guarantee</p> <p>Lack of reserves or liquidity to meet call</p> <p>Consistency with objects and priorities</p>	3	3	<p>Review approval and authority procedures</p> <p>Agree procedures to ensure consistency with objects, plans and priorities</p> <p>Ensure financial reporting of contingency and amendment to reserves policy</p>	Low
F.08	Foreign currency	<p>Currency exchange losses</p> <p>Uncertainty over project costs</p> <p>Cash flow impact on operational activities</p>	5	4	<p>Ensure proper cash flow management and reserves policy</p> <p>Use currency matching (cost to Shetland Arts in home currency)</p> <p>Consider forward contracts for operational needs (hedging)</p>	Low
F.09	Pension commitments	<p>Under-funded defined benefit scheme</p> <p>Impact on future cash flows</p> <p>Failure to meet due dates of payment</p> <p>Regulatory action or fines</p>	8	2	<p>Use actuarial valuations</p> <p>Review pension scheme arrangements (eg money purchase schemes)</p> <p>Review procedures for admission to scheme and controls over pension administration</p>	Medium
F.10	Inappropriate or loss-making non-charitable trading activities	<p>Resources withdrawn from key objectives</p> <p>Resources and energy diverted from profitable fund-raising or core activities</p> <p>Regulatory action, and accountability</p>	6	4	<p>Monitor and review business performance and return</p> <p>Ensure adequacy of budgeting and financial reporting within the subsidiary or activity budget</p> <p>Review and agree adequate authorisation procedures for any funding provided by</p>	Low

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		Reputational risk if publicised			charity (prudence, proper advice, investment criteria) Report funding and performance as part of charity's own financial reporting system Appraise viability Consider transfer of undertakings to separate subsidiary	
F.11	Investment policies	Financial loss through inappropriate or speculative investment Unforeseen severe adverse investment conditions Financial loss through lack of investment advice, lack of diversity Cash flow difficulties arising from lack of liquidity	3	2	Review and agree investment policy Obtain proper investment advice or management Consider diversity, prudence and liquidity criteria Implement adequate reserves policy Use regular performance monitoring	Low
F.12	Protection of permanent endowment	Loss of future income stream or capital values Buildings unfit for purpose Income streams inappropriate to meet beneficiary needs	4	2	Review and agree investment policy Obtain proper investment advice or management Consider diversity, prudence and liquidity criteria Use regular performance monitoring Ensure maintenance and surveyor inspection of buildings	Low

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					Review insurance needs	
F.13	Compliance with donor imposed restrictions	<p>Funds applied outside restriction</p> <p>Repayment of grant</p> <p>Future relationship with donor and beneficiaries</p> <p>Regulatory action</p>	7	3	<p>Implement systems to identify restricted receipts</p> <p>Agree budget control, monitoring and reporting arrangements</p>	Low
F.14	Fraud or error	<p>Financial loss</p> <p>Reputational risk</p> <p>Loss of staff morale</p> <p>Regulatory action</p> <p>Impact on funding</p>	8	2	<p>Review financial control procedures</p> <p>Segregate duties</p> <p>set authorisation limits</p> <p>agree whistle-blowing anti fraud policy</p> <p>Review security of assets</p> <p>Identify insurable risks</p>	Low
F.15	Counter party risk	<p>Financial loss</p> <p>Disruption to activities or operations</p>	7	7	<p>Research counter party's financial sustainability</p> <p>Contractual agreement</p> <p>Consider staged payments</p> <p>Agree performance measures</p> <p>Monitor and review investments</p>	Medium

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					Establish monitoring and review arrangements where counter party is the charity's agent ('conduit funding' arrangements)	
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Environmental or external factors

	Potential risk	Potential impact	Severity score	Likelihood score based on assessment of steps taken to mitigate risk	Steps to mitigate risk	Level of risk based on assessment of steps taken to mitigate risk
E.01	Public perception	Impact on voluntary income Impact on use of services by beneficiaries Ability to access grants or contract funding	7	5	Communicate with supporters and beneficiaries Ensure good quality reporting of the charity's activities and financial situation Implement public relations training/procedures	Medium
E.02	Adverse publicity	Loss of donor confidence or funding Loss of influence Impact on morale of staff Loss of beneficiary confidence	8	8	Implement complaints procedures (both internal and external) Agree proper review procedures for complaints Agree a crisis management strategy for handling - including consistency of key messages and a nominated spokesperson	High
E.03	Relationship with funders	Deterioration in relationship may impact on funding and support available	8	4	Ensure regular contact and briefings to major funders Report fully on projects Meet funders' terms and conditions	Medium
E.04	Demographic consideration	Impact of demographic distribution of donors or	4	8	Profile donor base	Medium

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		beneficiaries Increasing or decreasing donor class			Profile and understand beneficiary needs Use actuarial analysis to establish future funding requirements	
E.05	Government policy	Availability of contract and grant funding Impact of tax regime on voluntary giving Impact of general legislation or regulation on activities undertaken Role of voluntary sector	3	7	Monitor proposed legal and regulatory changes Consider membership of appropriate umbrella bodies	Low

Compliance risk (law and regulation)

	Potential risk	Potential impact	Severity score	Likelihood score based on assessment of steps taken to mitigate risk	Steps to mitigate risk	Level of risk based on assessment of steps taken to mitigate risk
C.01	Compliance with legislation and regulations appropriate to the activities, size and structure of the charity	<p>Fines, penalties or censure from licensing or activity regulators</p> <p>Loss of licence to undertake particular activity (see <u>operational risks</u>)</p> <p>Employee or consumer action for negligence</p> <p>Reputational risks</p>	9	4	<p>Identify key legal and regulatory requirements</p> <p>Allocate responsibility for key compliance procedures</p> <p>Put in place compliance monitoring and reporting</p> <p>Prepare for compliance visits</p> <p>Obtain compliance reports from regulators (where appropriate) - auditors and staff to consider and action at appropriate level</p>	Medium
C.02	Regulatory reporting requirements	<p>Regulatory action</p> <p>Reputational risks</p> <p>Impact on funding</p>	8	3	<p>Review and agree compliance procedures and allocation of staff responsibilities</p>	Medium
C.03	Taxation	<p>Penalties, interest and 'back duty' assessments</p> <p>Loss of income eg failure to utilise gift aid arrangements</p> <p>Loss of mandatory or discretionary rate relief</p>	7	4	<p>Review PAYE compliance procedures</p> <p>Review VAT procedures</p> <p>File timely tax returns</p> <p>Understand exemptions and reliefs available (direct tax and VAT)</p>	Medium

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		<ul style="list-style-type: none"> failure to utilise tax exemptions and reliefs 			Take advice on employment status and contract terms and tax Implement budget and financial reporting identifying trading receipts, and tax recoveries	
C.04	Professional advice	Lack of investment strategy or management Failure to optimise fiscal position Contract risks Failure to address compliance risks	7	7	Identify and ensure access to professional advice Identify issues where advice is required Conduct compliance reviews	Medium

**Shetland Arts Development
 Agency
 Toll Clock Centre
 26 North Road
 Lerwick
 ZE1 0DE**

Status: Draft

Approval process:
 SADA Board for review and approval 10/11/11

Author: Gwilym Gibbons

Revision Log		
Revision	Date	Nature of Change
0	25.10.2011	Original document

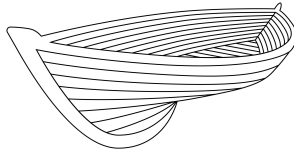
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Shetland *arts*

To: Board of Trustees – Shetland Arts

10 November 2011

From: Head of Finance and Administration, Shetland Arts

Renewal of Credit Card overdraft limit

Background

Shetland Arts has received a document from the Clydesdale Bank asking us to renew our overdraft limit with them in respect of the Credit Cards we have.

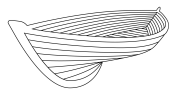
The forms have been signed off by two trustees however Shetland Arts has been asked to demonstrate a Board resolution to renew the limit and detail the date of the meeting at which this was agreed.

Proposal

The proposed limit is £13,000.

Recommendation

The Board are asked to approve the renewal of our credit card overdraft limit with the Clydesdale Bank of £13,000.



Shetland*arts*

AGENDA ITEM: 3b
SADA BOARD MEETING: 10/11/11

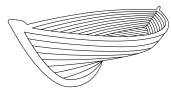
To: Board of Trustees – Shetland Arts
From: Director, Shetland Arts

Shetland Arts Development Agency: Board Agenda Forward Plan 2011 / 2012
Last revised: 05 November. 2011

Trustees:

Jim Johnston (Chair)	Joyce Davies
Les Lowes	Silke Reeploeg
John Dally	Irvine Tait
John Goodlad,	Mark Burgess
James Sinclair	Danus Skene
Robina Barton	

Date	Venue	Item 1	Item 2	Item 3	Item 4	Item 5	CLOSED ITEM A	CLOSED ITEM B	Attending
Sat 24 Sept: 10am	The Garrison Theatre	Annual Accounts (Approval)	Authorities Schedule (Approval)	Staff changes	Budget review update				GG, SD, CS
Wed 10 Nov: 6pm	Bonhoga Gallery	Annual budget 2012/13	SADA Business Plan Objectives	Risk Management	Trustee Appointments				GG
Friday 16 Dec: 4pm	Toll Clock	3 year Arts Development Plans	Revised Business Plan 2012/13	Overseas strategy	SADA Friend Schemes	Mareel opening event			KH, GG, SD
Thurs 26 Jan: 6pm	TBC	The Hatchery Business Plan	SADA AV Equipment Bank						GG
Sat 10 Mar: 10am	TBC								GG



Shetland*arts*

Standing items at all meetings:

1. Welcome: Present, Attending and Apologies
2. Minutes of last meeting
 - a. Approval of minute
 - b. Matters arising
3. Finance and Administration
 - a. Management Accounts
 - b. Directors Travel
4. Large Scale Project Updates
 - a. Mareel construction
 - b. Mareel preparation
5. AOB
6. Dates of future meetings
 - a. Board Forward Work Plan

Other Meetings:

Mareel Operations
Mareel Construction
Trustee Arts Development
Finance Subgroup

All meeting papers and other correspondence at the online Project Management Site, Basecamp: <https://shetlandarts.basecamphq.com/login>

2. Recommendations

The Board are asked to note the above report.