

Followed by Shetland Arts Development Agency Board of Trustees Meeting at 6:30pm

Item	Description	Report	Item taken by	ACTION
1	Welcome, apologies, and declarations of interest		Chair	Note
2	Notes from inquorate meeting 27 October 2016 Decisions that need approving To approve the decision to appoint Ryan Stevenson to the IP CIC To approve the decision to proceed with the Board Development Plan To approve the decision to proceed with the timescale for the CS Bid Development		Chair	Approval
3	Finance Management Accounts	Attached	KE	Note
4	General Manager's Report Board Decisions Required Estates Operations Programming Numbers Funding	Attached	GH	Approval Note Note Note Note Note
5	Board Recruitment & Training		Chair	Note
6	Any Other Business as agreed by the Chair at the start of the meeting		Chair	
7	Date/time of future meetings			Note
7a	Future SADA Board Meetings: Thursday 23 February at Mareel, 5.30pm		Chair	

The Board may decide that on grounds of confidentiality particular items should be considered in private. Any such items will be noted in separate "closed" minutes for approval at the next Board meeting

Commentary on Management Accounts

6 Months to September 2016

Summary

The results for the first 6 months of the year show an overall surplus of £13,405. This is below the budgeted surplus and the reasons for this have been looked at below.

When reviewing the new format management accounts it should be remembered that the budget figures have not been profiled this year, they are split equally over 12 months which is not realistic in some cases. The required information was not available from the prior accounting system to profile the budgets accurately.

Sales

Ticket income for the month was £48,155 below budget. This is partly due to screenplay taking place which reduces the ticket income from cinema for part of September. We also had an ambitious target for the year to increase cinema takings by 10% which is not currently being achieved.

The education and training income is £10k below budget due to the amount for that was secured for the SLA was less than what was included in the budget. Also there was an error in the budget in that it was assumed the whole financial year would be at the new SLA rate however the education year runs separately.

The retail income and food and beverage income were both above budget for the first 6 months. The new retail space at Mareel and the change in retail offering at Bonhoga seems to have helped the retail figures. The Cafe at Bonhoga has also done well through the summer.

The foyer income was significantly under budget for the period which is due to the ambitious target set for the year. We set a target for sales income to increase by 10% however with the changes to the kiosk not taking place until later in the year this is not going to be achieved.

The hire of room and equipment is behind budget by £22,067. We have identified that this is not likely to make its budgeted income this year and we are building this in to our projections for the coming months.

Other income is £10,233 above budget due to the receipt of an insurance claim of over £9k for the closure of screen two due to projector problems in April 2016.

Purchases

The main variance here is the overspend of £46,043 in the food and beverage purchases. This overspend was mainly in the Mareel cafe bar. There are two new food and beverage managers in place and it is hoped they will make progress in the next three months of reducing this cost.

The foyer purchases are below budget but this is to be expected with the reduced sales figure.

Direct Expenses

There was an overall overspend of £53,093 on salary and wages in the period. The majority of this overspend was on casual wages and it seems to particularly be at Front of House. The Finance manager is looking at reasons for this in conjunction with the Box Office Manager. The pensions overspend is due to the payment of a pension strain payment in relation to a redundancy.

The programme costs were £45,188 under budget in the period. This is as we had expected as the Creative Opportunities team have not generated additional grant income which some of this budget relates to. The Word Play festival will also only come into the management accounts in November.

There is an overspend of £10,153 on licences for the year to date. This has been looked at and it has been identified that the reason for this is that we have taken on some new licences which we had not included in the budgets. There are also a couple of items that have been moved from their original budget location as the licences code is more suitable.

Overheads

There is a large underspend of £24,940 on repairs and maintenance. This is due to the nature of this budget line. A portion of the planned maintenance is done at monthly intervals however there are large proportions of the budget which will only be done as and when required.

There is a large overspend in sundry costs for the month of £8,246. This is made up of the penalties and interest that had to be paid on an outstanding VAT balance. The balance became due when invoices were written off on final settlement of the construction of Mareel. HMRC were only notified of this in March this year so penalties and interest were due. We engaged the services of an accountancy firm to minimise the level of penalties as much as possible. With their help we reduced the penalty payable from 70% to 27.5% of the VAT due.

Shetland Arts Development AgencyProfit & Loss by Department (Advanced Budget and Variance)

Period From: Month 1, April

Year: 2017

Department: All

Period To: Month 6, September

Chart of Accounts: SADA Default Layout of Accounts

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Sales			
Ticket Sales	248,344.80	296,500.50	(48,155.70)
Education and Training	44,990.00	55,000.02	(10,010.02)
Retail	41,474.13	29,058.52	12,415.61
Food and Beverage	284,609.47	264,499.98	20,109.49
Foyer	59,340.52	82,500.00	(23,159.48)
Box Office Commission	1,903.78	0.00	1,903.78
Gallery Commission	1,919.75	527.52	1,392.23
Hire of Rooms and	32,577.03	54,645.00	(22,067.97)
Screen Advertising Income	5,821.54	7,000.02	(1,178.48)
Gift Vouchers	(1,181.80)	0.00	(1,181.80)
Sponsorship	20,938.75	13,900.02	7,038.73
Donations	947.92	1,000.02	(52.10)
Grant Funding - SIC	0.00	3,766.02	(3,766.02)
Grant Funding - SCT	347,439.00	347,439.00	0.00
Grant Funding - Creative	128,453.85	133,308.98	(4,855.13)
Other Grants - Trusts and	56,757.73	60,712.44	(3,954.71)
Operating Lease Income -	45,000.00	45,000.00	0.00
Other Income	11,283.66	1,050.00	10,233.66
Memberships Received	6,026.25	0.00	6,026.25
Internal Recharges	0.00	(0.06)	0.06
	<u>1,336,646.38</u>	<u>1,395,907.98</u>	<u>(59,261.60)</u>
Purchases			
Food and Beverage	127,043.15	81,000.00	(46,043.15)
Foyer Purchases	28,728.34	38,500.02	9,771.68
Retail Purchases	18,506.00	14,127.54	(4,378.46)
Direct Costs	1,332.69	750.00	(582.69)
	<u>175,610.18</u>	<u>134,377.56</u>	<u>(41,232.62)</u>
Direct Expenses			
Gross Salaries and Wages -	395,923.22	399,190.02	3,266.80
Gross Wages - Casual	118,899.08	82,871.04	(36,028.04)
Employers NI	31,385.89	23,231.04	(8,154.85)
Employers Pensions	45,022.08	32,844.48	(12,177.60)
Recruitment Expenses	1,940.80	4,999.98	3,059.18
Employee Expenses	888.42	0.00	(888.42)
Training and Protective	1,910.95	11,250.00	9,339.05
Trustee Expenses	60.00	499.98	439.98
Programme Costs - Project	219,046.35	264,234.60	45,188.25
Marketing Costs - Project	16,116.35	31,850.04	15,733.69
Licences	22,848.55	12,694.98	(10,153.57)
Film Transport	928.76	3,499.98	2,571.22
Hire of Equipment	1,300.00	0.00	(1,300.00)
	<u>856,270.45</u>	<u>867,166.14</u>	<u>10,895.69</u>
Gross Profit (Loss):	<u>304,765.75</u>	<u>394,364.28</u>	<u>(89,598.53)</u>

Shetland Arts Development AgencyProfit & Loss by Department (Advanced Budget and Variance)

Period From: Month 1, April

Year: 2017

Department: All

Period To: Month 6, September

Chart of Accounts: SADA Default Layout of Accounts

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Overheads			
Travel, Subsistence and	32,294.64	40,674.96	8,380.32
Motor Expenses	401.67	600.00	198.33
Rent, Rates and Insurance	31,817.00	33,307.98	1,490.98
Heat and Light	36,837.78	38,893.50	2,055.72
Operating Leases - Rent and	57,687.87	68,154.54	10,466.67
Repairs and Maintenance	68,309.53	93,250.44	24,940.91
Print, Postage and Stationery	2,167.89	2,149.98	(17.91)
Telephone	4,341.24	5,995.02	1,653.78
Computer Costs	11,329.30	11,556.48	227.18
Marketing Costs - Strategic	5,305.67	15,555.54	10,249.87
Website Costs	3,905.25	14,200.02	10,294.77
Subscriptions	(1,607.10)	936.96	2,544.06
Consumables	10,850.29	3,550.02	(7,300.27)
Sundry	8,408.11	162.00	(8,246.11)
Legal and Professional Fees	7,870.14	34,264.02	26,393.88
Till Differences	301.86	0.00	(301.86)
Bank Charges and Interest	9,089.33	8,250.00	(839.33)
Loan Interest	2,053.76	1,999.98	(53.78)
Bad Debt Written Off	(3.92)	0.00	3.92
	<u>291,360.31</u>	<u>373,501.44</u>	<u>82,141.13</u>
Net Profit (Loss):	<u>13,405.44</u>	<u>20,862.84</u>	<u>(7,457.40)</u>

Date: 18/11/2016
Time: 12:30:30

Shetland Arts Development Agency
Departmental Balance Sheet

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Tran Date From: 01/09/2016
Tran Date To: 30/09/2016

Department: All

Chart of Accounts:

SADA Default Layout of Accounts

	<u>Period</u>	<u>Year to Date</u>
<u>Fixed Assets</u>		
Property	0.00	11,624,561.
Office Equipment	0.00	342,299.53
Furniture and Fixtures	0.00	198,680.95
Investments	0.00	1.00
Pianos	0.00	42,800.00
Artwork	0.00	2,862.00
	0.00	12,211,204.
<u>Current Assets</u>		
Stock	0.00	37,546.69
Debtors	18,546.03	129,616.50
Deposits and Cash	(2,292.43)	4,000.86
Bank Account	0.00	27,774.53
VAT Liability	9,228.83	0.00
	25,482.43	198,938.58
<u>Current Liabilities</u>		
Creditors : Short Term	(37,049.21)	361,526.76
Payroll Taxation	32.15	18,804.07
Wages	525.18	9,193.33
Bank Account	67,825.68	0.00
VAT Liability	0.00	41,830.16
	31,333.80	431,354.32
<u>Current Assets less Current Liabilities:</u>	(5,851.37)	(232,415.74)
<u>Total Assets less Current Liabilities:</u>	(5,851.37)	11,978,788.
<u>Long Term Liabilities</u>		
Creditors : Long Term	(643.15)	87,568.85
Pension Liability	0.00	924,000.00
	(643.15)	1,011,568.8
<u>Total Assets less Total Liabilities:</u>	(5,208.22)	10,967,220.
<u>Capital & Reserves</u>		
Capital & Reserves	0.00	12,110,945.
Funds	0.00	(233,131.32)
Defined benefit pension fund	0.00	(924,000.00)
P&L Account	(5,208.22)	13,405.44
	(5,208.22)	10,967,220.

General Manager's Report

Date 5/12/2016

For Information

Estates

- **Bonhoga**
- **Mareel**
 - Lift to be repaired 13/12
 - Still waiting for quotes for foyer floor and railings
- **The Garrison**
 - Work still going on in the tower preventing laying of new carpet
- **The Booth**
- **Other**

Operations

- New box office system went live on 28/11 - various issues to do with live show transfer - nothing unexpected.
- New website went live 1/12.
- Production team restructure review completed
- Staff satisfaction survey undertaken and results will be brought to February Trustees Meeting

Key Dates for Trustees

- Hogmany/Fiddlers Bid - 31/12
- Up Helly aa 31/1
- Hop 1/2
- Vivian Ross Smith Opening - Bonhoga 21/1

Numbers

	Oct 16	Spet 16	Aug 16	July 16
Concerts / Screenings / Exhibition days	382	327	384	433
Audience attendances	17,452	17,092	22,887	29,523
Development Sessions	107	174	49	50
Participations	700	1,081	809	513

Funding

- **Creative Scotland**
 - Successful visit from Siobhan Anderson Shetland 2- 4 November, Annual Feedback Letter Attached
 - GH attended the visual art review conference on 29/11/16
 - GH and BP to attend CS briefings on RFO funding applications
- **Shetland Charitable Trust**
 - The Chairs and GM's of the 3 trusts met with the charitable trust to discuss the work that the charitable trust has agreed to undertake to explore whether a merger of the trusts is a suitable direction of travel.
- **Highlands and Islands Enterprise**
 - 2nd CI conference held at Mareel 40+ attenders
 - Support for trust structure review being explored
- **Shetland Islands Council**
 - SADA monitoring meeting scheduled for 12/12/16
- **Other**
 - Positive Mareel stakeholders meeting on Nov 3

**Graeme Howell,
Shetland Arts Development Agency
Mareel,
Lerwick,
Shetland,
ZE1 0WQ
23/11/16**

Dear Graeme,

RFO ANNUAL FEEDBACK PROCESS

Following our meeting I am now in a position to send you the Annual Feedback Form that aims to set out the progress that Shetland Arts Development Agency is making against the plans set out within the Funding Agreement it has with Creative Scotland for 2016/17.

This feedback has been informed by discussions that you have had this year with both Emma Campbell and I, including the Annual Review meeting which took place on 3/11/16. It aims to reflect the information that you provided to Creative Scotland in the Annual Progress Report and any other relevant material that we have discussed, including Board or equivalent papers, public reviews of your work, colleague /peer feedback, etc.

The feedback also identifies the degree of risk that we feel is attached to Shetland Arts Development Agency delivering the plans outlined within the Funding Agreement, based on your own risk assessment and our recent conversations.

Progress Against Plan

In terms of progress against agreed plans, this Annual Feedback Form sets out:

- how we consider you are doing in terms of:
 - pursuing excellence and experimentation
 - enabling access and the enjoyment of creative experiences

- the pursuit of Creative Scotland’s four connecting themes (i.e. creative learning, equalities, diversity and inclusion, digital, and environment)
- the progress you are making against the financial, management and governance goals and milestones agreed in your Funding Agreement
- where we believe there is good practice in your programme of work or operations that we would encourage you to share with both peers and the sector more generally
- any identified risks to the delivery of your agreed programme of work.

Risk Assessment

We encourage organisations across the portfolio of RFOs to be ambitious, and to take risks, in order to achieve clear artistic or creative goals. However, we also need to ensure that public funding is being used responsibly.

We therefore have a duty to monitor the level of risk that we feel is attached to the successful delivery of your programme of work, as outlined in your Funding Agreements with us over the period of your Regular Funding.

At the Annual Review meeting we discussed and agreed the level of risk attached to the goals and milestones set out in your Funding Agreement for 2016/17. This has taken into account the following:

Artistic/creative plans: Are goals being achieved? Is the work of a high quality? Is the work/activity making an impact? Is there engagement with audiences in line with the agreed plan? Is the organisation taking measures to realise ambitions in terms of Creative Scotland’s four connecting themes?

Finance, management and governance plans: Does the organisation produce accurate financial information on a regular basis? Is planned income being realised? Is there an appropriate risk assessment process in place? Does the organisation have appropriate governance and management structures in place and do they work effectively? Are

adequate measures being taken to understand and report on the organisation's carbon footprint?

Equalities, diversity and inclusion: Information on Creative Scotland's expectations of RFOs in terms of equalities, diversity and inclusion was provided earlier this year and forms a significant part of discussion on your Funding Agreement.

We have then given a low/medium/high risk ranking as follows:

Low	Variations in dates or locations of planned activity but, overall, retaining the scale and scope of artistic and financial plans as detailed in funding agreement.
Medium	Variations to the scale, scope and financing of activity for either internal or external reasons and which impact on delivery outcomes but are not of operational concern.
High	Variations to the scale, scope and financing of activity for either internal or external reasons which are of operational concern.

If you would like to discuss the content of this Annual Feedback Form in more detail or have any suggestions on how we might improve the feedback process, please feel free to contact me directly either by phone or email.

Finally, thank you for taking the time to meet with me and show me so much of the hard work that SADA does in Shetland. I thoroughly enjoyed my visit and thank you for making me feel so welcome. I wish you all the best with your continued work.

ANNUAL FEEDBACK FORM - YEAR 2 - 2016/17

1. Progress Against Plan

Having reviewed the information available, Creative Scotland would make the following comments in terms of your progress against plan to date:

Pursuing excellence and experimentation

Overall we believe that Shetland Arts Development Agency is on plan based on the following:

Commissioning the collaboration between Unst-based sculptor Tony Humbleyard and Glasgow based dancer and choreographer Jack Webb has shown that SADA are committed to delivering excellence and experimentation in the Shetland community. Programming a live dance performance of "Bone & Shadow" at Bonhoga Gallery shows that SADA are willing to experiment with varying art forms in more remote parts of the island. It is positive to hear that it was well received by the audience.

The Shetland Pelagic Sculpture on the water front in Lerwick is a great cultural addition to the town's architecture. It was good to see SADA's involvement in a project together with many other groups within the community to support this sculpture in a cause close to the heart of Shetlanders. During the meeting options regarding lighting the sculpture were also discussed.

Bringing Martin Green's "Flit" to Mareel was a great triumph for SADA and shows that they have the ability to successfully programme artistically diverse performances and attract a large audience. This is a positive step towards a new age of programming for the organisation, showing they can stage the same material as venues such as The Barbican and Brighton Dome.

Accessing and enjoying creative experiences

Overall we believe that Shetland Arts Development Agency is on plan based on the following:

Many aspects of SADA's work in this area throughout the year were discussed. Programming is careful to take into account the desires of all sectors of the community with a wide range of concerts, films, festivals and exhibitions on offer.

SADA's Stage 1 Drama sessions and Creativity Camp both showed positive work with 7-11 year olds and helped them explore a range of skills across the arts.

Kathryn Spence's contemporary dance workshops allowed individuals aged between 10 and 26 to explore this art form further with someone who is native to the island.

SYPG's trip to Norway showed an interesting link with fellow young musicians and the organisation is looking forward to the 2017 return trip to Shetland for some young Norwegian musicians. This cultural exchange gives young people a great platform to develop their musical skills and share their local knowledge at an international level.

The pursuit of Creative Scotland's four connecting themes including implementation / delivery of EDI Plan

Overall we believe that Shetland Arts Development Agency is on plan based on the following:

Creative Learning- It was agreed that Art World was a great success for the organisation and was positively reviewed as part of the Creative Scotland Review Framework.

The organisation's link with UHI is producing impressive academic results, but the relationship with the organisation is said to be challenging. Graeme Howell discussed the measures he is going to take to ensure that this educational element continues to be delivered to a high standard while reaching a better arrangement with UHI and Shetland College.

Equalities and Diversity- Both SADA and Creative Scotland are happy with the EDI plan provided earlier in 2016. The organisation had written a much broader plan in line with Shetland's Local Outcomes Improvement Plan (LOIP) and provided a streamlined version for Creative Scotland.

SADA's work with other organisations across Shetland allows them to ensure that these values are implemented across the islands. Exclusion

and isolationism are the two key points that are focused on as they are particularly relevant in this area of the country.

Digital- The recording studio at Mareel was discussed and how it is allowing the educational programmes to flourish and give emerging musicians an opportunity to record their music in a state of the art facility.

Foundation of the BA Film Course through UHI is a great achievement for the organisation and the contribution of their knowledge and resources has been integral in its development.

Environment- Shetland's location can make recycling more challenging, but it was agreed that the organisation is endeavouring to reduce their carbon footprint by reducing their energy by 10% and working in line with Creative Carbon policies.

Progress against financial, management and governance goals and milestones

Overall we believe that Shetland Arts Development Agency is on plan based on the following:

Financial-SADA's progress financially over the past year has been impressive and it was agreed that the main objective is to remain solvent and continue to build up reserves. The 5% annual cut from Shetland Charitable Trust will need to be monitored closely, but it would appear that measures are in place to handle this transition. Other sources of funding will be approached.

The Garrison Theatre and Weisdale Mill will pose challenges over the coming year. The theatre is very close to the hearts of the Shetland Community but needs a major refurbishment which would cost a great deal. A public consultation has been commissioned by a new steering group of which Bryan Peterson is a member. The results, which will be shared in the near future, will gauge what the community would like to do and further steps will be taken from there.

Bonhoga Gallery has been financially successful this year so the fate of Weisdale Mill as its home will continue to be discussed. A clear asset management plan will allow the organisation to decide on the outcome for these two additional buildings.

Management- The staffing restructure has worked well and been efficient in reducing the organisation's costs. Although the lack of artistic specialists is felt at times due to the loss of specific arts officers, a broader more reactive approach has been taken to programming which has been effective. Future programming may take a more systematic approach, ensuring that there are a target number of performances in each art form which must be met in each month.

Delivery of snagging issues throughout the building was agreed as a challenge, but this will be carried out with vigilance and only when financial reserves are in place.

Governance- The development of SADA's board was discussed and the organisation had advertised for new members to apply. This was very successful and it is thought that three, potentially four, of these applicants will be accepted as new members. This will include some younger members and ensure that there is a good gender balance.

Good practice in your programme of work or operations:

In discussion we identified the following examples of good practice in your programme of work/operations which we would encourage you to consider sharing with peers and / or the sector more widely. If you feel Creative Scotland can assist with that then please let me know.

- Art World
- Fiddle Frenzy
- Screenplay
- Flit
- The Shetland Pelagic Sculpture

2. Risk Assessment

Based on the information available, Creative Scotland would assess the current level of risk to the successful delivery of the programme of work agreed in your Funding Agreement as:

Low

At this time we do not think there is any need to take any specific remedial action but we would encourage you to continue to monitor your programme of work and operations on a regular basis and flag to me, at

the earliest opportunity, any factors you become aware of that could have a material impact on these.

FORWARD PLANNING

Funding Agreement Refresh

It would be our normal practice to attach planning templates (artistic/creative, finance/management/governance, and connecting themes) to your Annual Feedback Form to allow us to start discussing detailed activities and budget for the remaining year of your RFO Funding Agreement. This year, however, the Scottish Government will not be in a position to issue budgets to public bodies in Scotland until after the UK Government publishes its spending plans in late November 2016. This in turn means that Creative Scotland will have to delay issuing planning templates until such time as we have budget confirmation.

Once completed, we will use these templates to discuss and agree your detailed programme and budget for Year 3, of this RFO funding period, recognising that your plans may change from those in your original Funding Agreement due to developments in your own programme of work and/or changes in the level of budget available to Creative Scotland.

The delay in this year's planning cycle means that the return date for these planning templates and the subsequent date when your refreshed Funding Agreement for Year 3 needs to be signed and returned to Creative Scotland will also be delayed. We anticipate that templates will need to be returned by the end of January 2017 and refreshed Funding Agreements signed and returned to Creative Scotland by mid-March 2017. This timetable may change subject to when Creative Scotland actually receives our budget information from Scottish Government. We are very sorry for this delay and will be in touch as soon as there is a firm timetable in place to confirm final issue, return and expected Year 3 (1st instalment) payment date.

Yours sincerely,

Siobhan Anderson