

TREASURER'S REPORT, AGM 2018

Good afternoon ladies and gentlemen and may I add my welcome to the day to that of the Chairman and the Chief Executive; I do hope that those of you who were able to join us thoroughly enjoyed the wonderful experience of the service in Westminster Abbey-it is quite something to try and follow that!

Many of you will know me but, for those of you who don't, I am Shaun Pitt, a chartered accountant by profession and I have been the national treasurer of The Arts Society (nee NADFAS) since the 2012 AGM.

As I have done on previous occasions, I plan to structure this session to comment firstly on the results for 2017 but also to look forward to the year we are now in and to future years:

- Highlight some of the key features of the 2017 results, which, financially at least, was a tough year.
- 2018 and on-reasons to be cheerful.
- Financing for the major activities in 2018.
- Farewell and welcome

In relation to the 2017 results, you have all had the audited financial statements and I do not propose to go through them in any detail now although I am very happy to take any questions that you may have on them at the end of this session or later on if you prefer to put any questions to me privately.

Last year I said that the results were anything but boring but they were quite complicated and the results for 2017 were much the same in that they are not boring but they are rather complicated and they reflect what has been a tough year in financial terms.

In looking at the results, the key caption to focus on is the 'net movement in funds' in the general fund in the consolidated statement of financial activities. I appreciate that this is not a particularly snappy description but it is, in essence, the net deficit for the year and this shows a deficit of £178,442 compared to last year's deficit of £39,611, clearly a considerably worse result. However, the good news is that this is not the result of us losing control over the finances-it is almost exactly as we expected and I will explain why that is the case.

The key issues that caused this result are:

- As some of you may recall, I reported last year that one of our main travel affiliates, All Leisure Group, had gone into administration late in 2016 and that we had fully provided for the debts that they owed us in 2016. However, we could not provide in advance for the income we would otherwise have expected to get in 2017 had they not gone into administration and we had expected this to be, roughly, at the same level as we had had in 2016 which was approximately £150,000.
- As described in the financial statements, we outsourced the production of the 'Review' in 2017 and, in connection with this, we incurred redundancy costs of £28,000. Also as a result of this, we incurred extra costs of £6,500 in producing the winter 2017 edition of the 'Review' because of the unwillingness of the previous contractors to fulfil their contract in regard of this edition.
- The AGM that was held in 2017 was an out of town AGM and these are always more expensive than those held in London and, in 2017, this amounted to additional costs of £11,400.

Those of you with good mental arithmetic may have noticed that the total of the above items (£185,640) exceeds the increase in the deficit for 2017 compared to 2016, which I referred to earlier, of £138,831. This because, as I hope you would expect, we took action to reduce other costs to mitigate, as far as possible, the impact of the above events.

Despite this year's deficit, we still have strong reserves and, if nothing else, this year's result has again emphasised how important it is to maintain good reserve levels to cope with unexpected financial shocks.

The result of this year's deficit is that our reserves at 31 December 2017 amounted to 5.8 months of 2018 operating expenditure compared to our target of 7.5 months so somewhat, although not disastrously, below our target. The Board has agreed a strategy to rebuild the reserves to the target level over the next three years (i.e. ending 31 December 2010) and, for reasons that I will come to shortly, I have considerable confidence that this is achievable. As the first step in that process the Board has approved a break-even budget for 2018.

While 2017 was a tough year financially, there are good reasons to be confident about our financial performance in 2018 and beyond.

In summary, these are:

- For the 6th year in succession, we had a strong performance on our investments which generated surpluses of £53,457 and £44,257 on our general and designated funds respectively.

- Having been very weak for many years, there are signs that investment income is, at last, slowly improving.
- In late 2017, we signed up two new affiliates, Fred Olsen, the cruise company, and Staysure, the travel insurance specialists. Given when they came on board, they did not contribute to the 2017 results but the results from them in the first two months of 2018 have been most encouraging and should substantially fill the hole left by the demise of All Leisure.
- Similarly, the early results from our new outsourced contract with 'Think' are equally encouraging and, in the first two months of 2018, are 14% ahead of the same period in 2017.
- The Growth fund amounts to £161,563 as at 31 December 2017 and this is sufficient to fund all the various projects that are planned for 2018 and beyond, including, with reserves held by areas, the various celebrations for our 50th anniversary, without any impact on the affiliation fee-who says that finance cannot be magic!
- Last, but by no means least, is the fact that we have been notified of a legacy left to The Arts Society by the late Patricia Foulds.
As always in such circumstances, it takes time for the likely amount to become evident particularly, as in this case, where property is involved as part of the estate. However, we currently estimate that this legacy will amount to a minimum of £150,000 and this will be a substantial contributor to rebuilding our reserves ahead of schedule.

So, despite the results for 2017, the future, to plagiarise the song, looks bright ahead!

This might be called 'farewell from me' and 'welcome to him'!

As you may know this is my last AGM and I stand down as Treasurer at the conclusion of this meeting, having completed six years in the role. I have learnt a great deal about The Arts Society and, I hope, that I have been able to give at least something back to it. I will always look back on my time in the role and on the Board with great affection-it has been great fun.

However, the really important thing to do under this heading is to introduce you to my successor who was co-opted onto the Board at the April Board meeting to take over the Treasurer role. He is John Parkinson who will, I am sure, be known to a number of you as he has just recently stepped down from the role of the North West area treasurer. John is a qualified chartered accountant who spent most of his working life in the financial services industry, finally retiring as a director of Brown Shipley in 2003. I cannot think of a safer pair of hands to pass over to.

So what are the key messages that I would like you to take away from today?

Really only four things:

1. That, notwithstanding the results for 2017, impacted as they were by the demise of All Leisure and some restructuring, we remain in robust financial shape.
2. That the future, at least from a financial perspective, looks brighter than the immediate past.
3. That we will have rebuilt our reserves to their target level by no later than the end of 2020.
4. That the Growth fund enables us, together with area reserves, to fund our future plans without any impact on the affiliation fee.

Ladies and gentlemen, thank you-it has been privilege and an honour to be your treasurer and I wish all of you and The Arts Society all the very best for the future.

I will now take any questions that you may have, strictly please in relation to the report and accounts only at this stage-there is a later session for more general questions.

Shaun Pitt, Treasurer
May 2018