

FINANCE MANAGERS MEETING

WEDNESDAY 19 MAY 2004, 10.30 – 3pm
GENERAL SCOTT ROOM, ROYAL ALBERT HALL



Chaired by Stephen Maddock *Chief Executive, City of Birmingham Symphony Orchestra*

A G E N D A

- 10.30am Tea/coffee available
- 11.00am Holiday Pay – update on implementation
 ABO / MU Agreement 2004/05
- Touring Per Diems
- Exchange Rate Hedges
- 12pm **Graham Elliott Partner, Hays Macintyre** will lead a discussion on Cultural VAT Exemption
- 1.00pm Lunch
- 2.00pm Cultural VAT Exemption continued...
- Tax issues – establishing what the group would like advice on and possible speakers for next meeting
- 2.45pm AOB
- Next Meeting: 3 November 2004
- 3.00pm Meeting ends

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A T T E N D A N C E

Jenny	French	Academy of St Martin in the Fields	Finance Manager
Rebecca	Guest	Association of British Orchestras	Membership Services Manager
Ivan	Rockey	Brighton Philharmonic Orchestra	General Manager
Alistair	Scott	City of Birmingham Symphony Orchestra	Director of Finance
Valerie	Hawkin	Hallé Orchestra	Finance Director
Gordon	Mabb	London Mozart Players	Finance Officer
Cameron	Poole	London Philharmonic Orchestra	General Manager and Finance Director
Anna	Rowe	Orchestra of the Age of Enlightenment	Director of Finance
Laura	Liede	Orchestra of the Royal Opera House	Financial Controller - Orchestra
Helen	Rowlands	Orchestra of the Royal Opera House	Administration and Communications Co-ordinator
Charles	Tait	Philharmonia Orchestra	Finance Director
Richard	Huxtable	Royal Philharmonic Orchestra	Director of Finance
Les	McConachie	Scottish Chamber Orchestra	Finance Director
Simon	Neal	The Sixteen	Business Manager
Mary	Hawthorne	ViVA: the ORCHESTRA of the east midlands	Finance Officer

Speaker

Graham	Elliott	haysmacintyre	Partner
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Apologies

Christopher	Lawrence	Academy of Ancient Music	General Manager
Andrew	Minns	Bournemouth Symphony Orchestra	Head of Finance
Elaine	Baines	City of London Sinfonia	Administrator
Sue	Smith	Milton Keynes City Orchestra	Operations Manager

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R E P O R T

Stephen Maddock CBSO welcomed delegates to the meeting of which he was the new chair following the ABO Board re-organisation.

Holiday Pay and ABO / MU Agreement 2004/05

A draft copy of the ABO / MU Agreement 2004/5 was circulated. The ABO was expecting final ratification from the MU shortly. Fees were increased by inflation plus the extra 3% for this year's holiday pay. The only other change related to Category B portorage in London. The working party on congestion charge had agreed that category B portorage rates were increased in the central London area to reflect an increase in costs and as previously stated, orchestras were not paying the congestion charge. No members had paid the charge, although there was dismay that it added yet another layer to already complex payments. **Richard Huxtable RPO** asked if ABO could request the MU to develop a level of consistency between all their Agreements, particularly in portorage categorisation of instruments.

Stephen Maddock CBSO asked all present for feedback on the implementation of Holiday Pay. Most either itemized it on a payslip or included a statement on a contract / schedule or payslip. All members were reminded that it must be stated somewhere that holiday pay was included as part of a fee so that musicians were aware of this payment. **Les McConachie SCO** informed the meeting of the different situation in Scotland where it was not possible to pay a weekly amount as part of the wage bill, holiday pay had to be paid when it was taken. Therefore, SCO has to designate particular weeks as holiday weeks, calculate the holiday pay accrued for all members and extras (a running total is kept) and pay it in a lump sum for that week. The meeting then went on to discuss the situation on holiday pay in other agreements. One member reported that their legal advice had implied that those that do not get a high proportion of their income from one orchestra would not be classed as workers, although this threshold had not been defined, and therefore not entitled to holiday pay.

Action: ABO to get advice on how other Agreements regulating orchestras have approached holiday pay and portorage and also check with our lawyers the threshold advice mentioned above.

Touring Per Diems

Richard Huxtable RPO reported that he had discovered that when staff withdrew cash from the bank to pay per diems the amounts involved are not insured. As it also needlessly puts a member of staff at risk, he had suggested the practice was stopped and per diems were paid through the payroll, which had not been accepted by the Board. **Alistair Scott CBSO** reported that he had got special cover for staff to make a number of trips for the cash with a normal limit of £10,000. **Charles Tait Philharmonia** thought that per diems were paid in cash to prevent worry about tax, although some members did register the cash distributed on the pay sheet. The meeting reasoned that there was no issue with using the payroll to pay per diems and it should not affect tax positions but it would need ABO to draw up a recommended policy if practice was to change as there would be substantial opposition from musicians. The meeting also discussed per diem rates.

VAT and Cultural Exemption, Graham Elliott Partner, haysmacintyre

The meeting welcomed Graham Elliott to lead a discussion on current developments on VAT and Cultural

Exemption before the 1st June 2004 deadline on VAT status. There is no choice in exemption unless steps have been taken to 'disable' it. These steps are to use a profit distributing company, fully remunerate at least one Board member or have the trustees devolve decision making power to the executive. The focus is on the middle route, which the recent Charity Commission press release of 14 May 2004 dealt with and the meeting discussed in detail.

The exemption is only applicable to self promoted concerts and it is not clear with a box office split who is the legal promoter. With joint promotions it will be important to examine the VAT situation carefully in order to maximise revenue between parties. If foreign tours are not self promoted then they should be treated as taxable. The affect of this on competition with foreign orchestras was discussed as well as the situation with foreign artists, as VAT will no longer be recoverable on UK artists' fees.

Action: ABO to monitor this issue, but not raise it with other bodies as yet.

As VAT decisions are made on a local level using another decision as a precedent could endanger the original favourable ruling. This related especially to those organisations who wanted to be exempt and also have a paid member of the Board as this could jeopardise those following the current guidance to remain non-exempt. If you need further advice on this issue, please contact Graham Elliott at gelliott@haysmacintyre.com and for a copy of the Charity Commission press release contact Becky Guest at becky@abo.org.uk.

Exchange Rate Hedges

Anna Rowe OAE asked the meeting to outline approaches to this issue, which were as follows:

- Euro and dollar accounts operated to avoid this, although late payment into foreign accounts created cash flow problems
- A 50/50 currency split in the contract can save money
- Contracts did not occur enough in advance for this to be an issue
- Try to offset money in currency income and expenditure matched to avoid risk.

Tax issues

The meeting was asked to discuss what tax issues they would like advice on for the next meeting. There was agreement that systems were becoming more difficult to negotiate and this would be useful, especially on withholding tax. Therefore tax advice on foreign touring with particular reference to USA, Germany, Italy and Holland was requested. **Charles Tait Philharmonia** suggested Deloitte & Touche may be interested in this.

AOB

Stephen Maddock CBSO asked if there was a register of promoters who do not pay. At present there was not and the difficulties of this were discussed. The issue of artists and UK tax was briefly discussed as well as National Insurance payments to freelance musicians.

It was generally agreed by those who had a Charity Commission Review that these were useful. The meeting requested ABO to keep members informed about the progress of the draft Charities Bill and how it will affect them.

Action: ABO to ask Charles Russell to keep us up to date.

The proposed Bulletin Boards for the redeveloped ABO website were seen as very useful and **Rebecca Guest ABO** requested that any further ideas for website content were sent into the office.

Date of next meeting: 3 November 2004