

West Somerset Railway Association

GENERAL MEETING - 11:00am Saturday 27th February 2016 at Crowcombe Village Hall TA4 4AQ

ACTING CHAIRMAN'S REPORT

1. Purpose of Report

The purpose of this report is to give Members background information and my understanding of the issues currently facing the Association, which will help them decide how they wish to vote in the forthcoming General Meeting. Although, as I write this, I am Chairman elected by the trustees, any opinions in this paper represent the views of myself and Michael Rowe (the other co-opted trustee) only.

The Association is a registered Charity and, as such, operates under the Charities Act 2011. Because it is also a company, it is also subject to the Companies Act 2006.

2. The Coombes Report

The Reform Group statement, enclosed with this mailing, summarises the process of the origin and production of the report entitled *The Road Ahead* drafted by the group led by Robin Coombes. This report was published after I had agreed to be co-opted onto the Trustees and is very clear in its main recommendation that the existing trustees should stand down immediately. The trustees initially identified and appointed Robin Coombes but, for whatever reason, only engaged in a very limited way with the process. I understand that Mr Coombes sought answers to a number of questions, prior to completing his report, but these were not forthcoming.

Once the report was published on 15th December, several of the trustees considered that a response should be made. My own view was that it was too late to try to counter the arguments in the report, but I agreed not to stand in their way, if they wished to produce a response. I passed them my own detailed comments on the report (which were in some ways critical of the methodology) to use if they wish. So far as I understand it they have not yet produced any response.

3. My Election as Chairman

My understanding is that I was co-opted to the Trustees because they had considered that my work in helping negotiate commercial arrangements with the West Somerset Railway PLC (along with Michael Rowe and Tim Stanger) had been fairly even handed, and I had made some criticisms of the PLC along with the WSRA during this time. I was then elected as Chairman because the PLC had made clear that they were happy to continue to deal with me in this new role, whilst they had considerable reservations about their relationship with the existing Chairman (Peter Chidzey), and the two Vice Chairmen (David Williams and Ian Aldridge).

Once I was elected Chairman (at the trustees meeting on 14th December) two things happened:

- The Coombes Report was finally published;
- I began to become aware of a number of management and other problems in the organisation. These will now be summarised.

These matters have all been raised with the six trustees and the Company Secretary but no explanatory responses have been forthcoming.

4. Financial Management

We have examined project expenditure on locomotives and other key capital assets over the last five years. (This information was not available to us before FC became Chairman.) This expenditure has been paid by the Association almost exclusively to the Promotions trading subsidiary, for work which they have then carried out. The following table summarises the expenditure:

	Purchase	2011	2012	2013	2014	2015	Total restoration to 2015	Grand total
Loco 4561	71,924.00	2,297.00	47,830.00	158,229.00	82,294.00	122,314.00	408,014.00	479,938.00
TSO 4419	13,518.00	13,402.00	62,758.00	28,605.00	1,360.00	67,333.00	175,458.00	188,976.00 (Note 1)
Hawksworth saloon	68,865.00	-	17,679.00	5,870.00	6,922.00	15,440.00	45,911.00	114,776.00
QB vehicles (Note 2)	21,359.00	-	4,362.00	36,000.00	69,806.00	6,381.00	116,549.00	137,908.00
Total	175,466.00	15,699.00	132,629.00	223,694.00	162,482.00	211,468.00	745,552.00	921,398.00
Note 1	The market value of a Mk 1 coach in fully working order is currently in the region of £30,000 - £50,000							
Note 2	Aries, Jupiter and Orion							

There does not appear to be appropriate project planning information for this expenditure, and therefore there does not appear to be effective budgetary control. Further the WSRA financial regulations do not appear to have been fully implemented. We need to stress that we have not made any observations about the quality of work, and we have no reason to think that it is other than excellent. However, it surprised us that for this level of expenditure there were not proper procedures and controls being implemented.

For example, we understand that over £80,000 was spent during last August (2015), but without any formal approvals and no reasonable conception of which budget heading the funds were coming from. This expenditure is not included in the above table, since it falls after the period summarised.

There does not appear to be any agreed budget strategy (which is a key trustee responsibility). In effect the revenue budget will move towards a negative balance from about next June, which is only six months away. This trajectory has been apparent for some time, but no action appears to have been taken. The auditors have also in the past commented to the trustees to this effect.

5. General Management Issues

The management systems of the Association are significantly deficient, for example, in the following areas:

- o There is no protocol for chairman's (or indeed management) action. This means that there is considerable confusion amongst all parties as to who is responsible for what, and what authority anyone has. The trustees are involved in management matters from time to time, rather than strategy.
- o The central filing system is non-existent, and key documents either do not exist or are scattered on personal computers.
- o Financial regulations appear not to be adhered to.

6. Sale of Shares in Four-One-Six 0 Ltd

One of the issues raised by Coombes was the sale of shares in the company Four-One-Six-0 Ltd, the owners of Prairie tank locomotive 4160, and diesel shunter D4107. (4160 was operating on the WSR until its withdrawal for ten year overhaul a few weeks ago and D4107 continues to be the Bishops Lydeard station pilot.) We are still investigating this matter.

The WSRA owned a number of shares in this company. These particular shares had a preferential voting right which effectively gave the WSRA a significant role in controlling the company, and thereby the future of these locomotives. In the summer of 2015 the trustees were approached by a director of Four-One-Six 0 Ltd, to see if the WSRA were interested in selling its shareholding. For reasons which we still do not understand – though we have asked the question – the trustees decided to explore this option. They asked Paul Johnson to investigate the matter, give them an indication of value, and make recommendations. (Paul was another director of Four-One-Six 0 Ltd, and had previously been invited to be co-opted onto the WSRA Trustees but had declined. At the time of the request to investigate the matter, Paul had put himself forward to be elected, which he subsequently was. However, at the time he made his recommendations, and at the time of the share sale he was not a Trustee of the WSRA.) The shares were then sold to Paul Johnson and another Director of Four-One-Six-0 Ltd, Mike Crees. They were sold at par.

We could find no minute of sale decision, which we understand took place shortly before the last Annual General Meeting. We do not understand why it was not reported to the Annual General Meeting, though we have been told that this was at the request of Four-One-Six 0 Ltd. We also do not understand what the benefit of selling these shares was to the Association, and how it reflected the association's charitable aims, though again we have asked the question. We are currently working to obtain a valuation of the shares.

In conducting our review Michael Rowe and I have found it difficult to get the trustees concerned (and the Company Secretary) to accept that in drafting the report, they themselves have a conflict of interest.

Members need to be aware that this matter has been reported to the Police and to the Charity Commission by a third party, who became aware of the transaction. For this reason, at least, it is necessary for the Association to prepare a Serious Incident Report for the Charity Commission. It will not be permissible for the auditor to sign off the current years accounts unless this has been done.

7. Conclusion

There are many Members, all of whom are we hope readers of these papers, who have a wide range of skills and expertise, who have told us that they are interested and willing to get seriously involved in re-ordering the West Somerset Railway Association. They (and we) want it again to become the main membership organisation associated with the magnificent West Somerset Railway. The experience of Michael Rowe and myself is that the existing six trustees share this objective. However, with considerable regret, Michael and I have now come to the conclusion that they now need to step aside to allow others to take up this role.

If the motion is carried, then there is a mechanism to co-opt very quickly some additional trustees to make up a sufficiently skilled and experienced Board to carry the Association forward. This Board would then be superseded by a fully elected group of Trustees from the next Annual General Meeting in the summer. (It will be for co-opted Trustees to decide whether to offer themselves for election. If not then co-opted trustees would stand down at this point.)

Frank Courtney
3rd February 2016