

2007/08 2nd Draft Budget – Basic Assumptions & Notes

SURPLUS: The Guild 2nd draft budget reports a NET SURPLUS of £115,181.

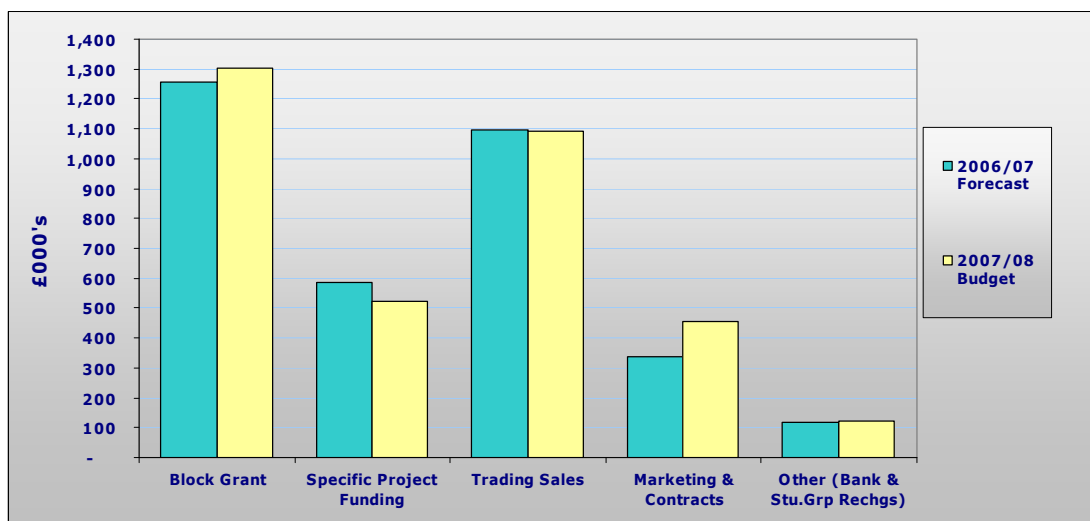
Basic Assumptions

- The 'New Building Development' does not go ahead this summer
- A 3.5% increase to the Block Grant is awarded in line with recent years
- The commercial lease to Spar is extended for 1 year for 07/08
- All capital expenditure requests submitted are approved & go-ahead as planned
- The management and staffing structure remains the same (with 3 senior managers including the GM)
- Inflationary increases to general expenditure have been accounted for where deemed appropriate

Gross Income

- Budgeted gross income is as follows:

	06/07 Current Forecast	07/08 Budget	Variance	Variance (%)
Block Grant	£1.258m	£1.302m	£44k	3.5%
Project Funding	£585.7k	£524.1k	(£61.6k)	(10.5%)
Trading Sales	£1.096m	£1.094m	(£1.6k)	(0.1%)
Marketing & Contracts	£335.5k	£455.7k	£120.2k	35.8%
Other (Bank Interest & Stu.Grp Rechgs)	£119.5k	£121.6k	£2.1k	1.7%
Total Gross Income	£3.394m	£3.498m	£103.2k	3.0%



- In brief, income streams differ for the following reasons:
 - **Block Grant:** Assumed 3.5% inflationary increase as per recent years. Only a 3% increase would reduce our surplus by £6.3k.
 - **Specific Project Funding:** The major factors are a £21.9k reduction in the Mentor Scheme project, £27k loss in Warden Scheme funding compared to 06/07 and a £35.2k reduction in MV/V funding. The latter has only been budgeted up until Dec07 although it is anticipated that funding will be secured past this point. There is also an assumption within this figure that we will receive approximately a £40k contribution to fund Job Zone activities. If this is not possible, expenditure will be reviewed in this area with the view to making savings.
 - **Trading Sales:** Although only a £1.6k reduction in this area has been budgeted, there are a number of changes to individual sales streams. Venues bar sales are budgeted to increase by 2.7% (£16k) whilst ticket sales for events has been budgeted to reduce by 16% (£39.8k). The latter is based on a basic entertainments plan although additional events will be planned throughout the year. Vibe (clothing) & Vibe (Graphics) sales are also budgeted to increase by a combined £30.8k. This is on the basis of recruiting an experienced retailer to move the areas forward over the next 12mths.
 - **Marketing & Contracts:** This area reports the most significant movement. Nearly £14k of this is based on the Subway contract. This year, Subway have benefited from a 'rent-free' period as part of the contract and also opened part-way through the year. This increase is therefore 'risk-free' in that this income is contractually guaranteed. However, we have also budgeted for 'new income' of £94.5k relating to the new fundraising post within Marketing & Communications. Arguably, this area represents the highest risk within the budget as this is an 'unknown' at present. A NET CONTRIBUTION of £60k has been budgeted for from fundraising, representing just over 50% of the overall budgeted Guild surplus.
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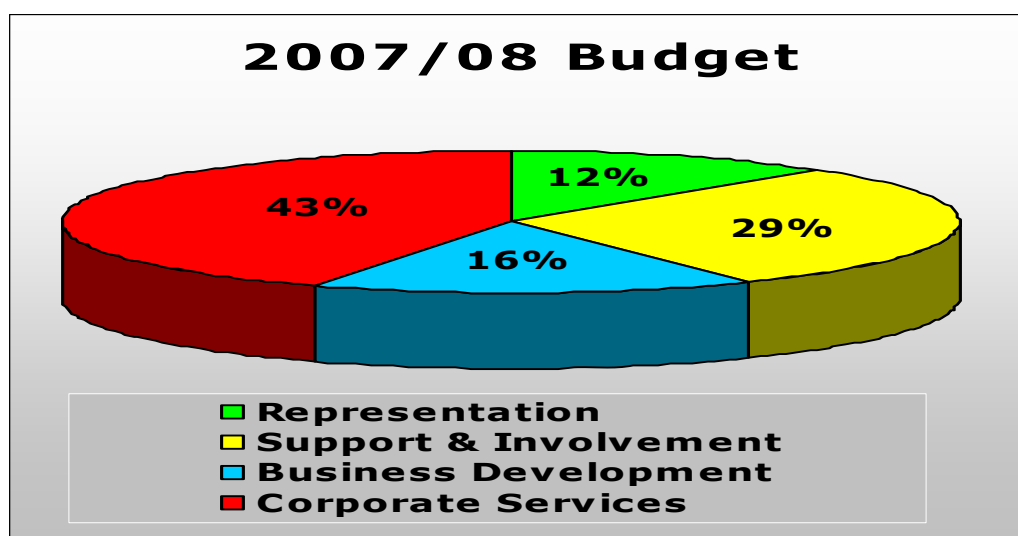
Staffing Expenditure

- An agreed cost of living increase of 4.0% has been applied to salary information and the draft budget has now been updated.
- Within the 1st draft commentary, we reported a surplus of £108.5k and then assumed a provision of £8k if 4% was agreed over the 3.5% already factored in. Due to a number of 'pension' calculation errors, there were a few people who we'd budgeted to join but then didn't. As a result of this, the surplus has actually increased to £115k even though the additional 0.5% has been included.
- Pension Scheme: Two new entrants (including GM) have been accounted for within the budget. However, staffing changes including the Pronto shop transfer, maintenance restructure and general leavers have also reduced the number of pension members by 8-10 people over the past 12mths. For 07/08, the Guild will have 19 out of 58 core employees contributing into the scheme. This represents a membership of 32.8%.
- No increase to '% pension contribution rates' has been accounted for within the budget. This is based on the latest information available and it is expected that any proposed changes will not be implemented until October 2008.
- Incremental rises have been accounted for where applicable to current employment contracts

- Movements in core staffing costs are as follows:

	06/07 Current Forecast	07/08 Budget	Variance
Representation	£139.2k	£163.4k	(£24.2k)
S&I	£400.3k	£402.1k	(£1.8k)
Business Dev.	£203.7k	£219.9k	(£16.2k)
Corp. Services	£557.1k	£586.0k	(£28.9k)
Total Core Staff	£1.3003m	£1.3713m	(£71.1k)

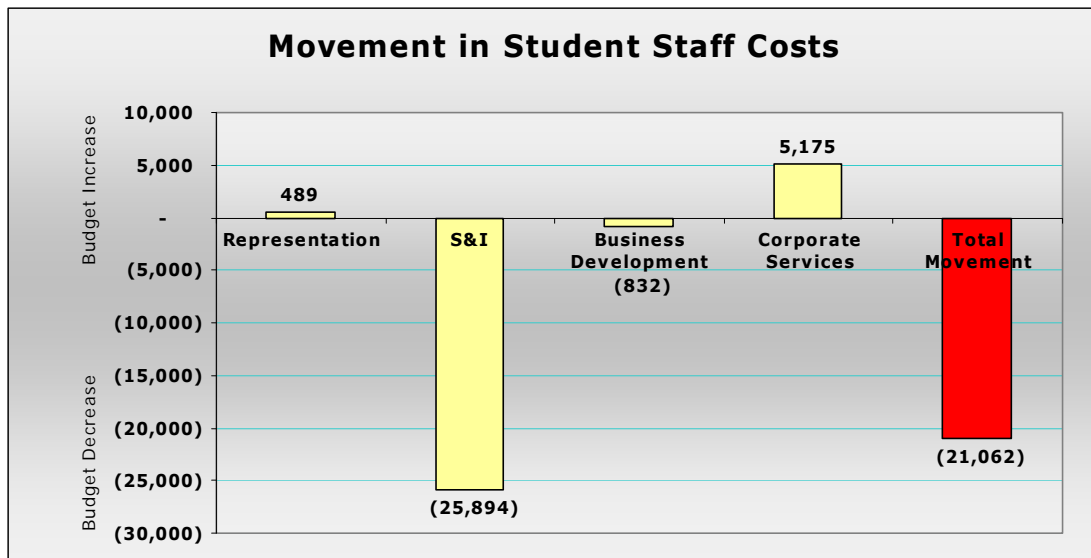
- In terms of resource allocation, our core staffing costs are allocated to:



- The above % allocations are very similar as the 2006/07 forecast.
- The £71.1k increase is attributable to:
 - General Manager position (vacant throughout majority of 2006/07)
 - New Fundraising position
 - Additional post within Job Zone (subject to University funding)
 - Assumed full staffing for all positions throughout year
 - 4.0% COL
- Student staff hourly rates increase in line with minimum wage legislation as follows:

	06/07 Current Rates	07/08 Proposed Rates	% Change
Basic hourly rate	£5.35 ph	£5.52 ph	3.2% Increase
SA hourly rate	£5.95 ph	£6.12 ph	2.9% Increase

- Hourly rates have been changed by 17p per hour for both basic and SA rates, representing a 3.2% & 2.9% increase respectively. This is much less than in previous years where minimum wage increases have been between 5-7%.
- However, total budgeted student staff costs will actually fall by £21k next year as follows:



- S&I student staff costs report the most significant change. This is because the budget assumes the Warden Scheme will not be operating next year, as we are yet to secure funding for this project. This will reduce student staff expenditure by £10.7k. The Mentoring Scheme will also reduce student staff costs by £20k as a result of removing weekend day shift work and also, the closure of Manor House as a residence.

Capital Expenditure

There are currently 8 capital expenditure papers to present as part of the 2007/08 budget process. These are as follows:

No.	Title	Total Investment	Depreciation Period	Depreciation Charge per Annum	Included within 1 st Draft
1	Refurbishment of office space within MAC department	£8,000	4 years	£2,000 pa	✓
2	Refurbishment of Mandela Room	£9,000	4 years	£2,250 pa	✓
3	*Redevelopment of old kitchen & catering space	£135,000	5 years	£27,000 pa	✓
4	Computer Replacements x 12	£6,348	4 years	£1,587 pa	✓

5	Computer Monitor Replacements x 13	£975	4 years	£244 pa	✓
6	Replacement Server	£4,213	5 years	£843 pa	✓
7	Network Renewal	£10,000	5 years	£2,000 pa	✓

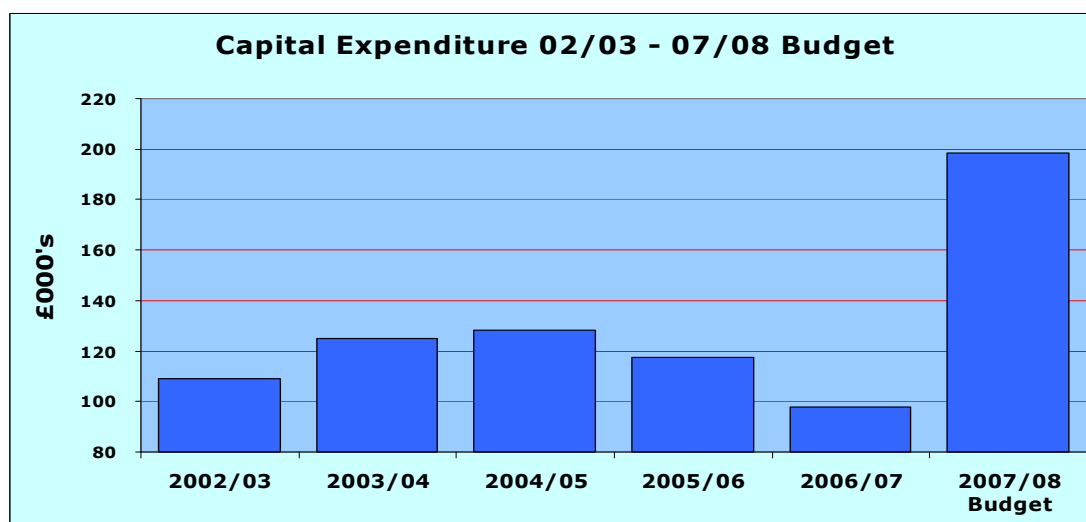
**(3) assumes total project costs of £270,000 with funding shared 50:50 between the University & the Guild. If University would not 'match-fund' the project, plans would need to be scaled down dramatically.*

There is also 1 paper relating to the replacement of the Guild van. Potential options include both the outright purchase of a new van but also an option to lease. If a new van was purchased, this would be accounted for as capital expenditure.

8	Van purchase	£17,000	5 years	£3,400 pa	✓
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The Vibe Clothing & Graphics stores have also budgeted £2k depreciation to purchase new till/EPOS systems for the two outlets at a total cost of £8k, depreciated over 4 years. We have not yet received papers regarding these purchases but have included them within the budget.

If all of the above are approved, this would represent a total cash investment of £198,536. In comparison to previous years:



This would represent a significant increase compared to levels invested over the last 5 years. This is because the Guild has not undertaken any 'large-scale' projects during this period.

Further capital expenditure papers maybe submitted at the 29th May Resources Committee for approval for next year, so this figure may change over the coming weeks.

Individual Department Commentaries

Commentaries relating to all calculations for individual departments income and expenditure is saved within 'All Departments/Budget 07-08'. Whilst the volume of information is much too large to send out, you are welcome to access this file to hopefully answer any specific queries you might have.

For anybody that cannot access the 'All Departments' workgroup, please contact Sabrina Francis who will be able to answer your query or pass this onto the relevant department.

A brief summary by super-team is as follows:

Representation

- Overall, NET COST will increase from £300k to £353.1k, representing a 17.8% increase.

The main reasons for this are:

- GM management recharges to 'Democracy' and 'P&C' that did not occur during 2006/07 (£18k)
- Budgeted increase in 'Democracy' expenditure of £11k although nearly £3k of this was reported within 'MAC' during 2006/07. Changes include increased Publicity (£3k NET), Recognition (£1,250), referendums (£1.5k) & Guest Speakers (£1k).
- £4.7k budgeted saving for the cost of NUS affiliation.
- Freshers Crew increase of £5.7k to cover hospitality for 500+ volunteers
- Dhouper Hall mentoring income no longer credited to the ARC.

Support & Involvement

- Overall, NET COST will increase from £183k to £217.2k, representing an increase of £34.2k (18.7%).

The main reasons for this are:

- We are assuming that we do not receive any funding to operate the Wardens Scheme next year. This means £11k worth of salary recharges will need to be absorbed next year.
- ARC costs are expected to increase by a total of £18.7k next year. This is mainly because of reallocating Dhouper income as above, additional management recharges and budgeted costs for full staffing.
- Student Development costs are expected to increase by £16.7k next year.
- £4.8k of this relates to additional expenditure requested for student staff and is based on additional pressures the department has experienced this year.

- The 'student group grant pot' has also been reinstated to similar levels originally budgeted for this year. This budget was reforecast down earlier this year to £50k whilst £55.3k has been requested for next year.
- Job Zone is budgeted to cost £40k compared to £35-40k similarly to previous years. The budget does include an additional member of staff although it is assumed we will receive additional funding from the University to cover extra costs.
- 'V' Funding has only been secured until 31st December 2007 and the budget has been set to reflect this. If funding beyond this date is not secured, £9.3k of salary recharge costs will need to be absorbed within the budget.

Business Development

- Overall, NET SURPLUS will increase from £214.5k to £220.3k, representing an increase of £5.8k (2.7%).

The main CHANGES are as follows:

- The Venues budgeted profit will fall from £114k to £73.3k, representing a decrease in profits of £40.7k (35.7%). This area has been budgeted for prudently and it is anticipated that similar profit levels will be achievable.
- Bar sales are budgeted to increase by £16k (2.7%) whilst ticket sales are budgeted to fall by £40k (16%). The latter mainly relates to 'Freshers Fest' where sales have been budgeted for prudently.
- Club Tours is budgeted to make a profit of £25k in comparison to £35k forecast for 2006/07. Additional expenditure will be required to help set-up and brand a new event.
- Vibe Clothing is budgeted to generate a profit of £12.6k compared to £6.5k this year. However, the store did incur redundancy costs within this financial year and profits would have been around £13k had this expense not been charged.
- Vibe Graphics is budgeted to make a small profit of £900 although this is without any management recharge allocations.
- The majority of LICENSE & CONTRACT income is budgeted to stay the same. However, we will generate additional income as a result of the Subway contract. Set-up costs of £5.4k were incurred this year and income was reduced due to the '3-months grace' period and delayed opening of the outlet. Overall, we will generate an additional £19k within this area.
- Exiting the Pronto stores generated a loss of £28k this year. We will not incur any costs relating to the closure next year.
- Games Machines profits are budgeted to decrease by £2.5k this year compared to next year. This area is currently under review.

Corporate Services

- Overall, NET COST will reduce from £879k to £792k, representing a NET SAVING of £87k (10%).

The main CHANGES are as follows:

- Administration & HR are budgeted to cost £19.8k less than 06/07, mainly as a result of reduced recruitment costs. Salary costs will also reduce as a result of SMP recovery.
 - Room Bookings is currently budgeted to incur a NET COST of £4.6k. This area is currently under review by the department.
 - NUS Extra is budgeted to make a small profit of £3.6k compared to forecast profits of £2.8k this year. Sales are budgeted to increase by 33% from 2711 cards (06/07) to 3620 cards.
 - The Finance Department is budgeted to generate savings of £2.2k (1.9%) this year. This is mainly a result of staffing cost savings as a result of the Pronto closures. These savings have partly been reduced by increased management recharges.
 - Professional & Legal costs are budgeted to increase by £7k next year to £46.5k NET. This is mainly a result of expected inflationary increases to insurance and audit fees. The legal & professional budget has been reinstated to £15k for 2007/08 in line with previous years.
 - The NET COST of Marketing & Communications Department is budgeted to reduce by £54.6k (31.5%) from £173.1k to £118.6k. This accounts for the new 'Charity Fundraising' post and 'new income' generation of £90k within this area.
 - Buildings are budgeted to reduce costs by £19.6k compared to last year. The recent changes to the staffing structure have been accounted for, including increased costs expected from a University maintenance SLA and additional usage of external contractors. A small saving of £2.5k is also expected for NET utility costs after accounting for recharges to Subway & Spar.
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