



## Budget 2009-2010 Commentary

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### Background to the year

Last Financial year saw LSU attain just above a break even position which is largely attributable to a strong commercial performance (£87k contribution more than last year) combined with the achieving the substantial cost cutting measures we budgeted for.

During the course of the year we benefited from some additional help from the University in the form of protection against the dramatic rise in fuel costs and the transfer of the advice service to the University.

### **Restored Cash Positions**

Last years reduction in capital expenditure has vastly boosted this years cash level as a result of the reduction in depreciation. This essentially is because depreciable items 'Drop out' of the accounting system after their useable life and due to the minimal capitalisation last year there is significantly higher level of reserve. This coupled with the reduction in the rate of depreciation on the building has massively improved our break even potential this year.

### **Staff Pay**

The union has been plagued by ill health of permanent staff in recent months and this 'illness' carries through to the bottom line. 3 senior members of staff are currently on long term sick leave, as such they are entitled to sick pay as stipulated in their contracts but of course to ensure the continual day to day running of the union temporary contracted staff must act in their absence. This is compounded by an unusually large cohort of staff from the nursery who are or will be taking statutory maternity leave during this financial year.

### Economic Background

Largely LSU has weathered the economic problems that many organisations have faced surprisingly well, nevertheless it is apparent based on current predictions that some of our commercial areas will suffer.

With outside companies pushing down their budgets for promotion we are predicting less income generation through advertising in publications like Label and Wow and less sponsorship for clubs and Union activities.

The increasing prevalence of 'Pre-Drinking Culture' has hit us at the bars and it is likely that we will see a decline in spend per head throughout the year. This is a trend that is being seen nationally and one that is affecting all licensed premises.

## Budget revision 2009-2010

As promised in my manifesto the proposed budget below is embodied by the very essence of prudence. No chances have been taken when predicting commercial success this year, even with positive performance so far utmost care has been taken not to over estimate.

## **COMMERCIAL SECTOR**

### Venue and Entertainments

The Venue department had a magnificent year last year delivering a 5.5% increase in sales at a time when industry and student trend are strongly down. Predictions for this year are that we will maintain this level of sales but the distribution of sales will change across the nights. Current sales figures for Wednesday nights are showing significant positive signs and as such we expect a sizeable increase in revenue. However Friday night trading figures are less optimistic and are predicted to be considerably down even though we are getting more footfall through the door. This drop in spend per head as mentioned is due to the growing trend of pre-drinking.

With the introduction of a £1 door entry on a stupid Tuesday it was always going to be the case that we see a reduction in bar take, which is somewhat made up for by the entry fee, but, mainly we have seen a parallel shift from Tuesday night business to Thursday night. This has been our most improved night this year showing regular increase in bar take of up to £2k year on year each week. This can also be attributed to the successful marketing of Thursdays to our 3,500 international student market.

The net effect of this performance is that Venue and Ents are predicted to contribute £640K this year. The apparent shift in profit from Venue Bars to Ents is caused by a combination of moving staff cost to venue and increased revenue from Tuesday door price.

### Shops

The outlook for union shops is very positive this year with the art shop at Loughborough college turning into a runaway success. Current sales figures show it is pushing a 27% increase year on year, as such I have budgeted a conservative 25% increase in sales for this particular shop. This has been a consequence of starting to sell drinks and confectionery part of the way through last year.

The PO has benefited from the opening of the new village halls alongside the temporary relocation of Towers to village court accommodation giving a projected increase in turnover of 20% ,which again is a conservative estimate. The success of the PO however is not without its casualties, the increase in use of the PO has drawn business away from the Union Building shop leaving a projected 12% shortfall on last year.

Unfortunately the college shop has reached the end of its profitable life, this little common room shop has made a loss year after year and I believe it is time to put it out of its misery. The Stock and human resources can be much more efficiently allocated in the art shop.

The net effect of the intricate inter-dynamics between the shops and increased expenditure gives us an overall contribution £186K, over £30k more than was budgeted for last year.

### Nursery

With the increase in child tax credits the decision was taken to increase the fee in accordance as to maximize revenue without increasing the real price to our customers. Another major factor that affects our occupancy is the recent reshuffle in school starting dates. It used to be the case that children could begin school at 3 different dates, September, January and March, which kept a good base level of occupancy, however, with the number of starting dates pruned back to just one in September the nursery experiences a massive dip in its occupancy level annually. The largest expense, save labour, is the repayment of the loan for increasing the occupancy capacity by way of building extension. This loan has a life of 10 years and from this point we will see the nursery start making a positive contribution to our total commercial revenue, however looking at the short term and with regard to this budget it is still a net expense of £1.8k to LSU.

### Leisure Machines

Leisure machines were once one of the staple revenue streams of the union and like many other licensed establishments had always been a reliable source of income, sadly though this no longer appears to be the case. The bottom seems to well and truly have fallen out of this market and as such delivers a strong negative blow to the bottom line.

## **NON-COMMERCIAL SECTOR**

### Sabbatical Handover period

A significant saving of approx £5k has been made regarding the contract length of sabbatical officers, it has been deemed that outgoing Sabbatical often waste the final 2 weeks, go on holidays, and generally provide no real work value to the union. Therefore it seemed necessary to shorten the contract length and provide a more intensive useful period of one-to-one time.

### Building

£14k is expected to be saved in energy costs this year, the spike in energy prices last year knocked the predicted value considerably but as mentioned the generous help from the university helped us avert disaster. However with the prices levelling off somewhat our predicted saving is highly likely to be achieved by coupling this with reducing our use of energy.

## AU

It is still the case that the AU has to bear the massive burden of our success in the BUCS competition through the £164k worth of BUCS competition expenses and fees this year, this being their most substantial cost. National league costs however have been budgeted to be cut through ongoing negotiation with the SDC.

The AU hopes to recover from what can only be described as a financial disaster in their AU ball last year which made a large dent in their general reserve. Under the new helmsmanship of a far more prudent AU president the substantial loss that this event historically makes is on target to break even this year.

It is important to note that the AU publication (WOW magazine) is in a much better financial position this year, with increased sponsorship and reduced production costs this has become a much more viable method of communication.

Within the rest of the AU budgeted Costs have remained pretty much stationary.

## Media

The media centre has high hopes this year that it will surpass its commercial target with regards to the AURA production serviced. This can be attributed to a highly dedicated member of staff and a much stronger volunteer core than has been seen before.

Permanent staff pay has reduced this year after the end of a temporary member of staffs contract bringing a £4k saving on last years actual.

## Rag

Last year the Union was forced to cut its direct financial contribution to rag by around £19k to £27k plus the indirect subsidy of office accommodation and back office support worth at least another £25k. We realise that this has placed Rag under some financial pressure and we have been working with the Rag Chair to find solutions through clearer financial budgeting, better costing and an increase of union grant by £1.5k .

## Other areas of interest

- The decision has been taken this year to budget development officers separately from the partner sabbatical to increase transparency of DO spending
- Label has vastly reduced its printing costs this year by changing printer, this has led to £4k saving, however this is partially negated by the reduction in advertising revenue which the magazine has attracted.
- Freshers week (marketing) this year has made a £4k loss as opposed to a £2k profit last year which is again attributable to the fall in marketing revenue.
- The contingency fund is substantially less at £6k than ideal but given the options I believe this is the softest cut. £10k was spent from this fund last year.

## Conclusion

Again it has been a tough year to budget for, with a backdrop of failing businesses around the country we stand fast against the trend. Should the budget come to fruition LSU should hit a marginal surplus of £171.

With a raft of cost saving measures, a more prudent executive and a prediction of stationary commercial success I have every confidence that this target can be attained.

I therefore provide this budget for your information

Henry Chambers

VP Finance and Commercial Services 2009-2010