



## **Annual Accounts and Budget for 2009-10**

### **Overview**

This paper acts as a narrative explanation of the figures contained within the annual accounts for 2008-09 and the budget for 2009-10. It explains the major areas of variance and, where decisions have been made regarding expenditure, what the thinking behind those decisions has been.

### **Annual Accounts 2008-09**

Looking at the overall picture, the accounts for 2008-09 are very healthy. We have made a surplus of £19,189 against a budget deficit of -£9,173 (a swing of £28,362). However, this difference can be explained in one very simple way – the original budget had a salary built in for a Commercial Services Manager and a full-time General Manager. By not recruiting a Commercial Services Manager after the last one left the organisation, and through only paying half a salary for a General Manager whilst they spent part of the year seconded to Leeds Met Union, we were able to make large salary savings. These are one off savings.

Overall, all areas performed generally as expected with some slight variations. The Bar was around £10,000 under the projected amount of surplus we expected it to generate. Whilst sales have remained healthy, there was an overspend on salary costs. This larger level of salary has been predicted in the budget for 09-10.

Whilst the Bar was down, the Shop has been able to generate a better than expected surplus (up £9,519) which helped the commercial budget – this was entirely due to a higher than budgeted level of sales. The Coffee Bar however, has again been a concern, producing less than half of its budgeted surplus. This has been due entirely to staffing costs being uncontrolled due to a lack of management (first, the resignation of the Commercial Services Manager and then long-term sickness of the Supervisor). By changing the staffing structure regarding the management of this area, we expect that these costs will be controlled.

Two final areas of concern – bank interest is reduced due to the current economic climate and the difficulty in finding accounts that are doing any kind of interest rate. Services also continues to be an area of decline with both games machine income and sales of NUS Extra cards lower than expected. Both are year on year trends and have therefore been anticipated in the budget for 2009-10.



## Budget 2009-10

The headline for the 2009-10 budget is that we are budgeting for a -£34,497 deficit. However, it must be noted that it is a conscious decision to make this deficit. The level of reserve that we currently hold as an organisation (£277,040) would allow us to operate the Union for almost 1 year without bringing in any other income (either from trading or from University subvention). Whilst the Charities Commission doesn't specify what level of reserves a charity should hold, it does state a charity should have good reason for maintaining a certain level of reserves. We are regularly criticised by the University for the level of reserve that we hold and it is often used as a bargaining chip against us when it comes to discussions around our subvention. As an organisation that is working towards the benefit of its members and promotes a message of profit recycling, we should be looking as much as possible to spend our members' money on them within the year that they have given it to us.

We feel that it would be appropriate to look to reduce our level of reserves in a measured and managed fashion. In their budgeting for 09-10, the University has stated that they would like to build a reserve of 90 days spend. 90 days spend for York St John Students Union would be around £71,000. It would seem appropriate to therefore reduce our reserves to around the £100,000 mark (allowing clearance for increasing costs in future years).

However, the decisions around the level of reserve we hold are not currently bound by policy. The Charities Commission recommends that "Regardless of the size or nature of the charity, trustees should have an appropriate reserves policy that clearly explains what level of or range of reserves the charity needs to operate effectively"

<http://www.charitycommission.gov.uk/Library/publications/pdfs/rs3atext.pdf>

If we were to have such a policy, this would help us to be more transparent as an organisation as well as counter arguments from the University as to what level we should be holding.

The majority of the deficit we are predicting for 2009-10 comes from the depreciation line of the bar budget. We are using 3 year straight-line depreciation to cover the cost of the £75,000 refurbishment we made to the bar this summer. It is most prudent to use 3 years as by the end of this period we believe the area will look well worn and need tidying up.

It is worth noting in this budget that we have made a large reduction to our Volunteer Development line. This is to compensate for the loss of £10,000 of TQEF funding we have received previously from the University.

It is also worth noting that we are currently budgeting for no increase in our Subvention from the University. A freeze in funding was the initial offer from



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the University and whilst we are taking steps to attempt to increase this amount, it remains prudent to budget no increase.

**Proposal**

- That Union Council accepts the Accounts 2008-09 and the Budget 2009-10
- That Finance Committee be mandated to generate a Reserves Policy that can be agreed by Council and the Trustee Board

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