

## Rye Heritage Centre 2017/2018 budget:

### Notes and observations

#### Observations on *original* 2017/2018 budget figures:

##### Sales Forecast

- The sales figures forecast for 2017/2018 was based on the Centre achieving sales in excess of those achieved in its peak financial years (2014/2015 = £148, 614 incl. VAT, 2015/2016 = £149,433 incl. VAT).
- The original budget's sales figure was set a level to ensure that the Centre covers its salaried manager cost, without the need for a subsidy. However, this figure was overly optimistic given the current economic climate – particularly within the tourism and leisure sector, and the sales trends indicated by the 2016/2017 actual figures (£131, 309 incl. VAT).
- With VAT included in the previous cash flow budget and with all retail sales categorised together, it is very difficult to analyse which areas were expected to see growth to provide the extra sales.

##### Management/Admin Staffing hours

- As the previous manager of the Centre was not receiving hourly pay, there was not an accurate record of the number of hours he worked, which has resulted in a dramatic underestimate of the actual paid hours required to perform all the tasks required by the management role. It has become apparent that the previous management and admin team were working many more hours than has been budgeted for this financial year, and were usually working in addition to the shop floor staff, not as core shop floor cover.
- It was also assumed that the month- long handover in March 2017 would provide a full and comprehensive induction to the back of house systems that were in place, and that from April 2017 the new staff would be working with a comprehensive knowledge of how the Centre operated. No time was allowed in the 2017/2018 budget for a new team to 'get to grips' with the ordering and bookkeeping systems, records, contacts and data.
- The previous staffing budget was also working under the assumption that there would be no changes needed to the established administration/back of house systems, so no staffing time was allowed for necessary updates and changes.
- There was also no allowance for any management/admin winter hours beyond covering the counter in the centre every other weekend.
- No allowance had been made for stocktaking/deep cleaning hours in February and March 2018.

- The previous budget also did not make specific provision (17.4% of gross salary) for staff joining the pension scheme (although this possible additional cost was highlighted).

## Notes on the *revised* 2017/2018 budget figures

### Sales Forecast:

- The first quarter of this financial year saw sales in the Centre collapse. Top line sales between April and June were down £8,160 on the same period in 2016, and a full £10,820 down on the sales needed to achieve the original 2017/2018 budget.
- This was due to: an exceptionally high level of international group visits cancellations, overstock of gifts aimed at international students and very low stock levels in all other ranges, unseasonable weather and a general reduction in visitor number nationally (*see below*).
- Although there is no 'people counter' in the Centre, analysis of transaction numbers per day, like for like daily takings and anecdotal evidence from long serving staff indicate that overall visitor numbers to the Centre were lower in this quarter than previous years. The extremely hot weather in June was not helpful to the Centre: Camber Sands was packed, but Rye and the Quayside were deserted.
- Visit England analysis of national tourism trends for the first quarter of 2017/2018 have shown that the UK tourism industry suffered a severe and unprecedented drop in the number of both day visits to attractions and domestic overnight stays following the triggering of Brexit, the General Election and the terrorism incidents in Manchester and London. Overseas visits also fell, and this was the first time since Visit England began keeping records that all three key indicators had fallen at the same time.
- Sales figures recovered in the second quarter (£49,333 July 17-Sept 17) to match those achieved in 2016/2017 (£48,642 July 16-Sept 16) but still did not meet the level required to achieve the sales targets of the original 2017/2018 budget.
- Transaction numbers are still lower than 2016, which indicates that visitor numbers are lower, but the average sale per customer has increased. Full price Town Model admissions are up, which is compensating for the loss of group income earlier in the year. The revised sales forecast is based on achieving a similar level of sales to 2016/2017 overall.

### Expenditure: Cost of Goods Sold

- At the start of April 2017, the Centre had very low levels of stock across all areas with the exception of general UK souvenirs. It was also found that multiple invoices for purchases from February and March 2017 had been delayed for payment until after April 2017.

- This meant that the Centre did not have the best stock mix at the start of the peak tourism season to achieve the required sales targets, and that stock had to be purchased during this financial year.
- The Centre has changed the stock offering and has been making purchases to replace ranges that have been sold at clearance prices.
- The COGS figure in the revised 2017/2018 budget is calculated on the basis of placing and paying for orders for the 2018/2019 season in February and March in order to start the next financial year with a fully stocked centre ready to maximise sales and minimize admin in the peak season.

#### **Expenditure: Staffing/Admin**

- This revised staffing budget includes pension contributions for the members of staff who have joined the East Sussex Pension scheme this year, which was not in the original budget.
- This figure also includes a new winter working pattern for 2017/2018. The previous management team were working in the Centre on weekdays unpaid in addition to paid shifts every other weekend in order to conduct banking, compile timesheets, organise group visits for the following season, order stock, and answer emails, but no provision had been made in the 2017/2018 budget for a paid member of staff to do this. Rather than have the Centre Manager working every other weekend and working extra during the week, it is cheaper for the Centre wage bill to retain the summer seasonal counter assistant to work the weekend hours, so that the Manager can work up to 10 hours a week on admin and projects to improve the income of the centre.
- Overall, the management hours budget is 144 hours higher than the original budget. This works out at an average of 3 extra hours per week, and covers the above winter admin/planning time, producing the revised 2017/2018 budget and the 2018/2019 proposed budget, attendance at Council/Policy meetings/1066 group meetings.
- The revised staffing figure also includes more Town Hall administration hours than had originally been budgeted for. The original provision was for 3 hours admin/bookkeeping per week, but the average required per week this financial year has been 6.5 hours per week. Some of this is due to one off projects that will bring about future savings, such as updating QuickBooks, researching new telephony contracts, arranging installation of the new computer, researching energy expenditure for future savings, arranging the new Unity Trust bank account for online banking and improving filing/bookkeeping systems.
- The hourly wages for this financial year and the 2018/2019 financial year are both linked to the Council's adopted measure of inflation in relation to pay.

#### **Expenditure: Other overheads/running costs**

- **Business Rates for 2017/2018** were originally budgeted at £11,000. The actual rates for this financial year are £11,767.

- **Waste collection** has increased because recycling is now being collected by JM Waste management alongside the landfill. The Centre has also implemented the required sanitary facilities for staff which were not previously necessary.
- **Exhibitions and fittings:** The Centre had not had any significant refit or interior work for at least 10 years, if not more, and as a result was looking dated and tired. This was having a negative impact on sales, as visitors have very high and fixed expectations of how a modern information/visitor centre should look. When this expectation is not met confidence is lost in the facility and less money is spent. This figure is comprised of the money that has already been spent on new display units and A- boards to replace the cheap, warped and chipped metal supermarket units, and a further £1,500 maximum to install new book shelving and replace the wooden boards blocking the Centre windows. This one-off investment will have a positive impact on next year's sales figures.
- **Membership fees (1066 Group):** Due to payment cycle anomalies, membership fees were paid in May of this year, and are due again for payment this financial year.

*Louisa O'Shaughnessy, November 2017*