

AIUK 2013 Budget Update

Background

The Finance Sub Committee (FSC) meeting of 22nd November 2011 received an update of the budget progress in developing the 2013 budget and future year projections. Within the parameters previously set by the FSC and taking into account the current CAPP process, the Finance Team are producing a series of budget updates.

Further updates will follow, with which the FSC will be involved, over the coming months as more information becomes available, and as decisions are made with regard to financial resource allocation.

CAPP1 and CAPP2

All CAPP1 savings have been reflected in the budget update. The current working assumption is that the inherent costs of any restructuring in 2013 will be fully offset by the savings accrued in the year. This assumption is dependent upon the savings being realised for the whole of the second half of 2013. Whilst the application of this assumption to the Premises Project is still seen as sound, there is inevitable uncertainty resulting from the ongoing processes regarding any staffing restructure. An additional provision has however been made for the direct cost of an EGM is included within Directorate costs.

International Grant

The 2013 grant to the International movement of £6,935k, is agreed with the International Secretariat (IS). We have indicated to the IS that the use of varying exchange rates in the new assessment model causes significant exchange rate exposure to both Sections and the I.S. and that this aspect of the new model should be urgently reviewed.

Future projections are currently made on the basis of existing 2012 average exchange rates.

Table 1 : Future Assessment Assumptions

AIUK Consolidated - 2013 Budget & Projections to 2021										
	Budget		Budget Projections							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross Income	(24,509)	(24,506)	(24,991)	(25,486)	(25,991)	(26,507)	(27,032)	(27,568)	(28,114)	(28,672)
Assessment	7,105	6,935	8,238	8,511	8,877	9,333	10,116	10,596	11,090	11,412
Assessment %	29.0%	28.3%	33.0%	33.4%	34.2%	35.2%	37.4%	38.4%	39.4%	39.8%

FSC Findings

The FSC were concerned that the provisional figures produced to date did not include any costs of inflation, save for staff expenditure. There was further concern that to eliminate all contingencies left the organisation exposed, the current levels of uncertainty compounding other more usual issues, regarding income growth, reserves, restructuring assumptions, etc. FSC members have therefore offered to be involved in discussion of these matters and

instructed that any figures beyond 2013's initial assumptions are reviewed fully before further circulation.

A summary of the 2013 initial draft issued to the FSC, is therefore provided below, to indicate progress and the broad direction of the budget, rather than for approval of the Board.

Table 2 : Initial Draft of 2013 Budget Preparation To Date

	2012		2013
	Budget £000	Forecast £000	Draft Budget £000
Income			
Marketing	24,362	23,728	24,209
Other	321	188	297
	<u>24,683</u>	<u>23,916</u>	<u>24,506</u>
Expenditure			
Staff	7,944	8,077	7,863
Marketing Dept. *	6,223	5,586	5,898
Corporate Services	2,508	2,178	2,343
Campaigns	1,056	1,103	987
Directorate	71	205	132
HRAC Sub Total	<u>17,802</u>	<u>17,149</u>	<u>17,223</u>
IS Assessment	7,105	7,110	6,935
Direct Funding	645		
EU Association	240	240	250
International Sub Total	<u>7,990</u>	<u>7,350</u>	<u>7,185</u>
Total Expenditure	<u>25,792</u>	<u>24,499</u>	<u>24,408</u>
Depreciation	394	394	410
Surplus/(Deficit)	<u>(1,503)</u>	<u>(977)</u>	<u>(312)</u>
Closing Free Reserves	<u>3,296</u>	<u>3,822</u>	<u>3,510</u>

* Includes Brand, Digital, SPB, A4A

Summary

There is considerable additional work to be completed and the ramifications of the potential restructuring have still to be fully incorporated. It is however worth noting that despite the reduction in the Assessment, resulting from the favourable exchange rate gain (circa £540k), this initial draft of the budget suggests that the core business has some way to go to reach financial stability. This clearly reinforces the overwhelming need for the CAPP 2 savings to be realised, to avoid further reduction of free reserves to potentially unsustainable levels.