**The 20-Ghost Club Limited**

**Financial Strategy**

At its January meeting the Committee approved a Budget for 2018 (attached at Appendix A) showing a budgeted surplus for the year of £10,300. The Club is in good financial health, with Reserves budgeted to increase to £68,645 by 31 October 2018.

Since the January meeting, discussions have taken place as to the desirability or the need for the Club to make a large financial surplus each year and to continue to build up Reserves.

In 2016 a donation of £10,000 was made to the Sir Henry Royce Memorial Foundation for storing the Club’s archives and books over the last decade. In 2017 a further amount of £8,000 was provided in the accounts for completing the renovation of the Club’s room at the Hunt House, which matter is the subject of a separate paper by Ken Forbes.

Over the last eight years, the Club has improved its financial position as a result of the following:

1. The former Treasurer, Brian Fidler, managed to recover £43,391 which was on deposit with the failed Bank of the Isle of Man (Kaupthing Singer & Friedlander).
2. Membership has increased from 271 to 372, as a result of which subscription revenue (including the new joining fee of £100) has increased from £10,500 to £17,500 per year.
3. More members are participating on Club tours, some of which are more highly priced than previously, and the Club is running more tours and events. As a result of applying the 5% mark-up to the total cost of each tour/event and a result of including in each tour a contribution to insurance, the surplus on tours has grown and is now budgeted to be £17,000 in 2018, compared to £3,000 in 2010. Note, the surplus may decrease to £10,000 in 2019, as the Swiss tour is limited to 22 couples, unless there is a large turnout for the 2019 70th anniversary short tour.
4. While costs have been incurred to improve the website and the Club’s database, these costs have been easily met through the increased income, as noted above. In addition, in the last two years, the Club has not incurred expenditure (of £2,200 each issue) on *The Roycean*, as this ceased to be produced after 2015, although there are rumours that it might reappear in 2019. Also, recce costs amounting to £6,800 have been written off in the 2017 accounts, thus providing a contingency for future tours.

The impact of the above can be seen in Appendix B.

From time to time, there will be one-off, exceptional costs, for example:

* Replacement of the Club’s database system and other major enhancements to the website
* Refurbishment of the Club’s Room at the Hunt House
* A publication/book to commemorate the Club’s 70th anniversary

If needed, these exceptional costs can be funded by ensuring a surplus on tours in a particular year or by utilising some of the Club’s large reserves.

However, there is little logic in pricing tours to make an overall Club net surplus each year of in excess of £10,000. Members join the Club to enjoy using their cars on tours and events, and to enjoy each other’s company. It is recommended that the Club should aim to make an overall net surplus each year of not more than £3,000 on average.

A further issue is that, at present, the budgeted cost of tours and other touring events includes an “internal charge” of £4 per car per day which charge is intended to equate to the cost of the Club’s travel insurance policy. With more touring days, it is clear that this charge is now too high. For the Prussian tour alone this budgeted cost amounts to £2,840 yet the annual cost of the Club’s travel policy amounts to only £1,600. There is little logic in asking participants on tours to contribute any more than the cost of their travel insurance.

There is no desire to change subscription rates from the present (basic) rate of £50 per year by standing order as to do so is (a) unnecessary; (b) would result in significant administration for the Treasurer and (c) may result in the potential non-renewal of membership by less active members. Thus, the present policy of maintaining the basic membership rate of £50 pa should continue.

Various suggestions have been made to change the financial strategy for the future. It is now recommended that:

* The “internal charge” for travel insurance should equate to the cost of providing this insurance. This means reducing the per diem “internal charge” from £4 per car per day to £2 per car per day
* The pricing on tours should be amended so that the Club makes, each year, a small surplus of between £2,000 and £4,000. This probably means reducing the planned margin on tours from 5% to between 2½% and 3%. This can be assessed each year by the Treasurer depending on the length and number of planned tours, other events and expenditure levels.
* An annual amount of perhaps £2,000 or £3,000 might be given to the Sir Henry Royce Memorial Foundation for use of a room at the Hunt House to store the Club’s records, archives, trophies and paintings. This is the subject of a separate paper from Ken Forbes.

The Committee is requested to approve the above at its meeting on 6 May 2018.

Sir John Stuttard

Ken Forbes

Philip Hall

Brian Fidler

22 March 2018

**Appendix A**

**The 20-Ghost Club Limited**

**Budget 2018**

**Income £ £**

 **Subscriptions £17,500**

 **Profit from events**

 **AGM -**

 **Buckinghamshire Tour 500**

 **Cornwall Tour 1,400**

 **Prussian Tour 12,500**

 **Spring Lunch 200**

 **Yorkshire Tour 1,900**

 **Others 500**

 **Total from events 17,000**

**Total Income 34,500**

**Expenditure £**

 **Publications 8,500**

 **Website & Database 6,000**

 **Insurance 3,200**

 **Accounting 2,500**

 **Administration 2,500**

 **Bank charges 1,500**

**Total Expenditure 24,200**

**Profit 10,300**

**Appendix B**

**The 20-Ghost Club Limited**

**A comparison of Income and Expenditure: 2010, 2017, 2018 & 2019**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2010 | 2017 | Budget 2018 | Projection2019 | Comments |
|  | £ | £ | £ |  |  |
| Subscriptions @£50 or £60 | 10,524 | 17,465 | 17,500 | 18,000  | Grown due to increased membership from 271 to 372 and £100 joining fees for new members |
| Shop (sales less purchases) | 140 | (414) | - | - |  |
| Other income | 147 | - | - | - |  |
| Surplus on tours (5% plus insurance contribution), less bank charges | 2,281 | 13,110 | 15,500 | 11,000 | More tours and larger participation in 2017 and 2018. In 2019, Swiss tour limited to 22 participants |
| **Total income** | **13,092** | **30,710** | **33,000** | **29,000**  |  |
| Printing and postage | 498 | 279 | - | - |  |
| Bookkeeping & Accounting  | 1,054 | 2,176 | 2,500 | 2,500 |  |
| Insurance | 993 | 3,099 | 3,200 | 3,500 | More people + more days’ touring = higher cost of insurance |
| Publications (incl Roycean in 2010 and in 2019?) | 7,080 | 3,650 | 8,500 | 10,500 | Roycean in 2010 and in 2019? + over-provision in 2016 = unrealistically lower cost in 2017. |
| Other, mainly website in 2017 | 609 | 6,918 | 8,500 | 6,000 | Mainly website costs in 2017, but should tail off. Probably overly prudent provision in 2018 after large expenditure in 2017 |
| **Total expenditure** | **10,234** | **16,122** | **22,700** | **21,500** |  |
| Surplus | **2,858** | **14,588** | **10,300** | **7,500** |  |
|  |  |  |  |  |  |
| Reserves | **8,212** | **58,345** | **68,645** | **75,145** | The clawback, by Brian Fidler, of £43,391 of the lost deposit following the collapse of the Bank of the Isle of Man (Kaupthing Singer & Friedlander) + the result of surpluses of £6,742 over the last seven years |
|  |  |  |  |  |  |
| No of members | **271** | **372** | **380?** | **390?** |  |