



THE COAL MINING CHARITY

RE-OPENING OF WELFARES – THINGS TO CONSIDER FINANCIALLY

Opening times

The first thing to consider is when you plan to be open as it's unlikely you will be in a position to just carry on in the same way as before. Think about which opening hours were popular and which were quieter – could you just open during the busier times to start with? Think about why these hours were popular – if it was because there were activities going on at those time you need to consider whether it is safe/possible to restart those activities at the moment. To assist with the following calculations you will need to know the number of hours you used to open and the number of hours you intend to open going forward.

Costs

At a very basic level, what does it cost to run your business under “normal” circumstances? To work this out you could use your last set of accounts (look at the Profit and Loss account) or your financial records from earlier on the period. These notes are to assist you in calculating the various costs and remember, it's better to overstate what you think your costs may be rather than understate them and end up with a potential shortfall later on.

Staff costs

Once you've thought about the hours you plan to be open and the services you intend to provide you should be able to give some thought as to how many staff you would need and which of your staff are the most suitable for the duties you require them to carry out. Remember, times have changed and it's not unreasonable to ask staff to be flexible in their duties.

Remember staff costs includes amounts physically paid to staff (net wages), amounts paid to HMRC for tax and NI and amounts paid to the pension company (if you have staff in your pension scheme). Adjust your costs from before for changes in staff numbers or hours of opening.

If you intend to leave some of your staff on furlough the majority of these costs can still be reclaimed under the job retention scheme but the amount you can reclaim will start to reduce and the scheme will end in October.

Unavoidable overhead costs

Once the club is open again, there are costs which are unavoidable and, to some degree, uncontrollable. These would include insurance and security costs, utility costs (gas, electric, water), necessary repairs and maintenance costs to ensure the premises are safe and cleaning costs which, for the foreseeable future, are likely to be higher than they may have been previously.

It is unlikely your insurance costs will have changed during closure so these should be easy to work out.

As far as utilities are concerned the easiest way to work out what these are likely to be is to consider bills for the same time as last year. If you know that bills have increased/decreased due to new deals with suppliers etc you can take this into account. If you take an average bill for the same time of year and divide the amount by the number of hours the club was open this would give you a rough idea of the hourly/weekly costs of utilities. Compare that to the hours you think you may be open after lockdown and reduce accordingly. If you plan on opening less space in the club than before, reduce for that as well.

Repairs costs are often unseen but you should budget for any you know you will have under contractual obligations etc. However, these costs should be kept to a minimum for the time being.

Cleaning costs are undoubtedly going to increase so look at your records from prior to closure and get a feel for what your average weekly cleaning costs were. If you have cleaning staff on your payroll their costs should have been considered as part of staff costs but think about other costs which may arise. Do you use contract cleaners? If so, do you need to engage them for longer hours or can you cover extra costs yourselves? Consider what extra materials you may need and also things you may not have had before. For instance, do you need PPE for staff or do you plan on installing hand sanitisers at entrances etc? Talk to suppliers about the potential cost of these extras and then add any extra amounts to the weekly calculated amount to give you an idea of potential costs going forward.

Controllable overheads

These are the amounts directly controlled by you which can be avoided altogether for the time being if you wish such as entertainment and advertising. Entertainment (artistes, discos etc) in particular should be avoided for now if they are likely to attract crowds. If you have TV packages such as Sky that have been suspended, consider carefully whether this suspension should remain in place for now. However if, for example, you are confident you can safely accommodate a set number people to watch the football, this may lead to extra income.

Break-even

Once you have calculated a sensible figure for each of the above costs, add them all together giving you a likely cost total (see below - a). This the amount of gross profit (bar sales less purchase of bar stock) you will need to generate to break even, anything less than this will result in losses for the club.

Bar Sales and Stock Purchases

You may know what your Gross Profit percentage (GP%) is from your accounts or stocktaker's reports. However, the average across the industry is around 50% so this should give you a fairly accurate figure.

So if you assume that you need to make a minimum gross profit of an amount equal to the overhead costs and that the GP is 50%, you need double the amount of overhead costs to come in as income

Example	Net sales	3,000	b	Gross Profit and overhead
	Cost of beer	<u>(1,500)</u>		costs should be equal (a)
	Gross profit	1,500	a	
	Overheads	<u>1,500</u>	a	Assuming GP is 50% then
	Net profit	<u>Nil</u>		(a) x 2 gives required sales (b)

If you've calculated your overhead costs carefully then hopefully, the calculated figures for required sales will be achievable. However, remember to take into account VAT (see below) and consider that you are likely to need this figure to be achieved from day to day sales – if you used to generate a lot of your income from functions it's unlikely that this will be the case for some time.

Other income

The above calculation only really considers income taken over the bar so any other income you can generate is a bonus. Do you have rental income from a flat for example? Are you able to re-start some smaller scale activities safely? For instance, can small user groups start using the facilities again for such as Zumba etc? Can activities such as snooker take place with the equipment being cleaned between users?

VAT

Remember, if you are VAT registered, figures in the accounts and in the calculation above are net of VAT. Any money taken over the bar is subject to VAT so to allow for the VAT element payable figure (b) needs to be increased by 20%.

Similarly, you need to consider the VAT element on any costs you calculate. You will be able to reclaim this in the usual way on the quarterly VAT return but just remember that, from a cash flow point of view, the costs will initially be higher.

Template

We have produced a draft template to help with the calculations. To use, enter the costs you expect to incur against the different headings. An income figure will automatically be calculated. This is the minimum takings required to cover costs.

The template includes common costs incurred by most welfare/clubs, you should review your individual circumstances to assess whether you have other costs that need including.

If you require any further information or assistance with using this template, please contact us.

CISWO contact details

Head Office

Phone: 01709 728 115

Email: mail@ciswo.org.uk

South England Region

Phone: 01623 625 767

Email: southeast@ciswo.org.uk

North England Region

Phone: 01977 703 384

Email: northeast@ciswo.org.uk

Scotland Region

Phone: 01506 635 550

Email: scotland@ciswo.org.uk

Wales Region

Phone: 01443 485233

Email: wales@ciswo.org.uk

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