



The Geological Society

serving science, profession & society

BUDGET 2018

- i. Operating Income & Expenditure for Year ending 31 December 2018;
- ii. Capital Plan for 3 Years ending 31 December 2020.

10 Nov 2017

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Registered Charity Number 210161

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1. Document summary

1.1 Purpose of document

This document sets out the Society's budgets for:

- *operating income and expenditure relating to the year ending 31 December 2018; and*
- *capital expenditure plans for the 3 years ending 31 December 2020.*

1.2 Executive summary

The Society's financial plan for 2018 is:

- to set a net operating budget of **(£12,011)** expenditure over income, reflecting increased expenditure on new activities in support of the Business Plan;
- to set a net accounting budget, after taking into account projected investment and exchange movements, of **£157,989** surplus income over expenditure;
- to continue to fund certain operational activity from reserves (i.e. Curry to fund CRM costs; Fermor to fund certain publishing activities) to the same level as in previous years (c. £234,000);
- to continue to add to the designated Buildings Fund against potential future lease-related costs (£150,000 provision in year);
- to maintain levels of free reserves within the target range of 80% - 120% of 9 months coverage of operational costs; and
- to maintain a cap on capital expenditure of c. **£350,000**.

1.3 Key risks and assumptions

The key risks and assumptions, further detailed in section 2.5 are:

- improved overall financial position on existing income streams
- Publishing House increased staff capacity will generate more revenue
- income growth on recent publishing innovations is reaching a plateau
- publishing sales income expectations may be too conservative, thereby limiting the Society's development plans for the year
- the new head of Business Development will generate increased and new revenue
- IT capital expenditure increases to ensure continued development of new CRM system
- IT operating expenditure increases following recommendations from current IT Review
- future growth and Business Plan initiatives need to be tempered within the constraints of limited financial resources if they are to remain sustainable
- current growth in library capital purchases is not sustainable without finding alternative sources of income or cutting back on other expenditure
- Brexit continues to promote uncertainty in the wider economy, the effects of which are felt by the Society through its income streams

2. Budget summaries

2.1 Summary operating budget

The proposed operating budget summary for 2018 is presented with comparison to actuals to date, original budget and forecast outturn for 2017:

SOCIETY SUMMARY	Proposed Budget 2018 £	2017 Actual as at end month 8 £	Full Year Budget 2017 £	Forecast Outturn 2017 £	
Revenue Budget Heading					
'Core' Activities					
Governance & Executive	(670,947)	(342,523)	(653,933)	(622,681)	
Finance & Operations	541,891	866,312	392,574	314,299	
Publishing	929,460	1,418,702	981,529	1,148,528	
Library	(449,594)	(303,247)	(471,711)	(459,936)	
Science & External Relations	(362,821)	(215,481)	(306,098)	(325,898)	
'Core' Surplus / (Deficit):	(12,011)	1,423,764	(57,638)	54,311	(a)
Projects	0	(42,844)	0	(3,848)	
Operating Surplus / (Deficit) before Gains:	(12,011)	1,380,919	(57,638)	50,463	
Investment Gains / (Losses)	220,000	219,334	80,000	271,834	
Forex Gains / (Losses)	(50,000)	(72,509)	0	(72,509)	(b)
Accounting Surplus / (Deficit):	157,989	1,527,744	22,362	249,788	
Movements on Funds					
Unrestricted Fund Transfers	100,000	0	101,753	101,753	
Designated Fund Transfers	(150,000)	0	(130,000)	(130,000)	
Restricted Fund Transfers	34,000	0	32,000	32,000	
Endowment Fund Transfers	101,000	0	100,000	100,000	(c)
Net Movement on Funds:	85,000	0	103,753	103,753	
Net Surplus / Deficit	242,989	1,527,744	126,115	353,541	(d)

NB net income is shown as positive; net expenditure as negative.

(a) Operating surplus / (deficit) before gains

The operating surplus or deficit represents money received and spent in pursuing the Society's operational activities over the course of the year. When total income exceeds expenditure, there is an operating surplus; when total expenditure exceeds income a deficit. The proposed budget for 2018 sets a small operating deficit of: (£12,011) (2017: budget deficit (£57,638)). This is further analysed at (e) below.

(b) Accounting surplus / (deficit)

The accounting surplus represents all income and expenditure incurred in the year, including gains and losses from investments and foreign exchange. These gains comprise a variable element of realized (banked cash) and unrealized (notional market value increase) income. The proposed budget for 2018 sets an accounting surplus of: £157,989 (2017: budget surplus £22,362).

(c) Movements on funds

Movements on funds represents the transfer of money into and out of the Society's funds (the long-term unspent balances that the Society has earned, set aside or received via donations over the years). A positive entry means expenditure of funds to support

Society activities; a negative entry means that funds are being added to by contribution from operating income. The proposed budget for 2018 sets a proposed movement *out* of funds of: **£85,000** (2017: *movement out* of £103,753).



(d) Net surplus / (deficit)

The net surplus / (deficit) represents the bottom line after taking into account all of the above movements – i.e. net unallocated cash available (in the case of surplus), or net expenditure requiring funding (in the case of deficit). The proposed budget for 2018 sets a net surplus of: **£242,989** (2017: *surplus* £126,115).

(e) Consideration of reserves

The Society's Reserves Policy is to build and maintain a contingency sufficient to cover 9 months of core operational expenditure, within a +/-20% range. Core operational expenditure in this context is defined as the full cost of undertaking the Society's charitable activities (i.e. including support and administration costs, but excluding trading and investment management costs).

The estimates for the position on reserves forecast for the end of 2017 and as a result of operating to the proposed budget for 2018 are set out below. Reserves increase by a small monetary amount in 2018 but, as an amount relative to higher increases in core operational costs, reduce slightly against their target. They remain firmly within the target range, however:

Reserves Estimate			
	Actual 2016 £	Forecast 2017 £	Estimate 2018 £
Core operational costs	(5,214,258)	(5,374,166)	(5,799,139)
9 months or 75% reserves target	(3,910,694)	(4,030,625)	(4,349,355)
Investments held in unrestricted funds	3,512,556	3,674,438	3,805,452
Net current assets in unrestricted funds	2,138,091	2,299,820	2,436,608
	5,650,647	5,974,258	6,242,060
Less designated funds	(1,895,728) 	(2,025,728) 	(2,175,728)
Free reserves	3,754,919	3,948,530	4,066,332
Free reserves as percentage of core operational costs	96.0%	98.0%	93.5%

2.2 Summary of income and expenditure for 2018

Total income and expenditure for 2018 is summarized as follows:

SOCIETY SUMMARY INCOME & EXPENDITURE TOTALS	Income Budget 2018 £	Expenditure Budget 2018 £	Total Budget 2018 £
Revenue Budget Heading			
'Core' Activities			
Governance & Executive	239,500	(910,447)	(670,947)
Finance & Operations	2,851,871	(2,309,980)	541,891
Publishing	2,637,157	(1,707,697)	929,460
Library	36,600	(486,194)	(449,594)
Science & External Relations	34,500	(397,321)	(362,821)
'Core' Surplus / (Deficit):	5,799,628	(5,811,639)	(12,011)
Projects	0	0	0
Operating Surplus / (Deficit) before Gains:	5,799,628	(5,811,639)	(12,011)
Investment Gains / (Losses)	220,000	0	220,000
Foreign Exchange Gains / (Losses)	0	(50,000)	(50,000)
Accounting Surplus / (Deficit):	6,019,628	(5,861,639)	157,989

Total budgeted operating income (turnover) for the year is **£5,799,628** before gains; total anticipated expenditure is **£5,811,639** on the same basis. Factoring in gains and losses, the total budgeted accounting income for 2018 is **£6,019,628** and expenditure **£5,861,639**. A further summary, analysed by activity, is provided at Appendix 'A'.

2.3 Summary capital budgets

The total proposed capital expenditure for 2018 is **£354,800** (2017 budget: £536,993). The capital expenditure programme normally operates to a cap of c. £350,000. It was far greater in 2017 due to the main costs of the Finance/CRM Project falling within that year. 2018 is planned as a 'business as usual' year, however, and works to the normal limit. Further details of what is included in the capital programme are set out in section 4 of this document. A summary of the Society's total capital expenditure plan for the next three years is given below:

Capital Budget Heading	Proposed Budget 2018 £	Draft Plan 2019 £	Draft Plan 2020 £
Tangible Fixed Assets -			
Leasehold Property	(23,000)	(20,000)	0
Equipment, Fixtures & Fittings	(32,000)	(2,500)	(26,000)
Computer Equipment	(35,000)	(35,000)	(35,000)
Sub-total:	(90,000)	(57,500)	(61,000)
Heritage Assets -			
Library Acquisitions	(161,800)	(172,800)	(184,500)
Sub-total:	(161,800)	(172,800)	(184,500)
Intangible Assets -			
Website Development	(23,000)	(40,000)	(25,000)
Finance/CRM Project	(80,000)	(80,000)	(80,000)
Lyell Platform Upgrade	0	0	0
Sub-total:	(103,000)	(120,000)	(105,000)
Grand Total:	(354,800)	(350,300)	(350,500)

2.4 Summary of new developments for 2018

The proposed budget for 2018 includes the following new activities and initiatives:

New Business Items included in proposed budget			£	£
Executive Secretary				
- Business Development				
- Additional donations	b.	59,898		
- Additional Corporate Affiliate income	b.	33,000		
- Additional non-staff expenditure	b.	(14,000)		
- Additional staff costs	b.	(74,999)		
				3,898
Finance & Operations				
- Fellowship				
- Additional new Fellows' events	b.	(3,750)		
- Provision for Fellowship survey	a.	(13,000)		
				(16,750)
- Conferences & Events				
- Petroleum Group Lifetime Achievement Award	b.	(1,000)		
- Public Lectures - provision for regional meetings	b.	(5,900)		
				(6,900)
- IT Support				
- Additional cloud backup (IT Review)	b.	(5,000)		
- Additional network bandwidth (IT Review)	b.	(5,000)		
- Provisions for DR as a service (IT Review)	b.	(10,000)		
- Additional consultancy support (IT Review)	b.	(7,000)		
				(27,000)
- Provision for additional consultancy (GDPR etc)	a.			(13,000)
Publishing				
- Provision for Web of Science or Scopus database	b.			(10,000)
Library				
- Provision for additional outreach events	b.			-
Science & External Relations				
- Earth Science Week additional grants and provisions	b.			(3,000)
- Science / Education - provision for intern (part year)	b.			(12,500)
Total new/additional activities for 2018				(85,252)
<i>of which -</i>				
One-off	a.			(26,000)
Ongoing	b.			(59,252)
				(85,252)

Further details on individual activities are provided in section 3.

2.5 Key assumptions and risks

(a) The overall economic position envisaged for 2018 is slightly improved on the current year, with some small growth in areas previously hit by the oil and extractive industry downturn (e.g. Petroleum Group, Corporate Affiliates). This is based upon signs of recovery in 2017 that are expected to continue in 2018.

(b) Publishing House – FPC approved 3 new Publishing House posts in June on the basis that increased marketing activity would have a positive impact on income growth (primarily publishing subscriptions and Fellowship renewals / retention) – the assumptions built into year 1 of the business case for those posts have also been reflected in the proposed 2018 Budget in these areas.

There are indications that growth in publishing income around the more recent developments (Lyell Collection, *Geofacets*) may be reaching a plateau. If this is the case then its ability to subsidize other activities will start to erode as costs increase, placing increased pressure on the Society to diversify its income and fundraising activity.

Publishing sales income generally has been set at conservative levels without reference to over-performance against estimates in previous years. Although this is arguably a prudent approach, it also risks limiting the Society's capacity to undertake planned activities in 2018 by under-estimating available income. The contingent expenditure budget set out in section 2.6 goes some way towards mitigating this risk.

(c) Business development and fundraising – a proposal to recruit a new Head of Business Development was agreed by FPC in September and is included within this budget. In addition to the costs of employment, assumptions have been made on additional income that this post will bring into the Society in 2018, based upon figures provided in the initial review carried out on the Society's behalf by *The Philanthropy Company*.

(d) IT expenditure – capital plans include a significant increase in IT expenditure (provision of £80k) to reflect continuous annual investment in the development of the core business systems (CRM and Finance). It was agreed when the implementation of these systems was given the go-ahead that in order to avoid outdated systems that were no longer fit for purpose the Society would need to commit to an annual development sum. FPC discussed this in September and agreed that the value provided for was not unreasonable, although would require tight control to ensure that value for money was obtained as part of the necessary development.

In addition to capital expenditure, the budget includes increased operational expenditure on IT Services, based upon early guidance from the IT Review that is being carried out October – November 2017. These are identified in section 2.4 above.

(e) Managing growth – a key part of taking forward the Business Plan is recognizing that investment is required both to develop the Society's existing capacity (in areas such as marketing, publishing and IT) and to develop new capabilities (in areas such as fund-raising and business development). Whilst the Society has managed to build up its reserves in recent years and, at present, has the financial capacity to take forward initial development plans, care will need to be taken in future years over ensuring that additional expenditure is balanced by income received – for example, in developing fund-raising and marketing there are reasonable expectations at present that increased income flows will result. Should this prove not to be the case, however, then both existing and further development plans may need to be delayed or re-cast in order to avoid the Society spending beyond its means.

(f) Library capital purchases – primarily journal-focused, rise year on year in value by c. 6-7% so that between 2012 and 2022 costs are expected to double (from £105k to £210k). This continued above-inflation increase is not sustainable within current capital

expenditure targets unless expenditure on other areas is squeezed out. This may mean that in future years the Society has to choose between maintaining current levels of library subscriptions and acquisitions (and cutting back expenditure elsewhere) or reducing library expenditure (and thereby eroding the intrinsic value of the collections). Work on identifying specific funding streams (sponsorship, donations, other activities) that support this continued growth in library spending needs to be factored into considerations of business development and planning as a matter of priority.

(g) The effect of Brexit continues to provide great uncertainty in terms of impact upon foreign exchange and investments. The Society benefitted from GBP/USD revaluation at the end of 2016 and whilst this is not thought likely to be repeated, we may continue to see volatility in this area that makes estimation of gains and losses difficult to quantify. The net effect in 2017 is currently anticipated to be a gain in the region of £200k (modest when compared with 2016 outturn gains of £853k – which were quite extraordinary). Assumptions for 2018 are set in line, therefore, with the current year.

(h) Business Plan – the Society's new Business Plan includes a number of initiatives that will require funding. These are identified within the budget and in section 2.4 above.

2.6 Contingent expenditure

For the first time in 2018 the Society is identifying items of contingent expenditure. These are activities and initiatives that it is desired to take forward but which have been excluded from the proposed baseline budget for the year on the basis that to do so would push the Society into deficit. The intention of identifying these items separately is that, should sufficient funding become available during the year, they may be given the go-ahead by FPC and put into action. The items currently identified in this category are:

Items not included in Budget but held as contingent on funds becoming available	
	£
(a) Executive: branding consultancy	(30,000)
(b) Administration: provision for Administrative Assistant	(20,000)
(c) Education: research project on Geoscience skills value to economy	(15,000)
(d) IT: provision for staffing (per IT review)	(15,000)
(e) Science / Education - provision for intern (part year)	(12,500)
(f) Publishing: Lyell Collection additional functionality costs	(7,000)
(g) IT: annual healthcheck consultancy (per IT Review rec.)	(4,000)
(h) Chartership: scrutineer training events & chartership officer travel	(3,900)
(i) Library: events (GSL Strategy: Education and Outreach)	(1,000)
	(108,400)

These activities are briefly summarized as follows:

(a) **Executive branding consultancy** – the objective of the brand consultancy work is to create a strong and unified brand identity that will facilitate the successful alignment of all Society activities with its values, and create a brand persona that is a strong and compelling proposition to potential corporate sponsors and philanthropic donors.

(b) **Administrative Assistant** – provision for general support in the administrative office.

- (c) **Education research** – a research project focusing on the value of Geoscience skills to the wider economy.
- (d) **IT staffing** – provision for additional (as yet unspecified) staff costs above those included in the core budget, arising from recommendations from the IT Review.
- (e) **Education/Science intern** – part provision for an intern role that might support the Society's Education and Science activities, including outreach into regional and specialist groups – the other part (£12,500) is included within the core budget.
- (f) **Lyell Collection additional functionality** – further to the £13,000 already provided for in the core budget, an additional sum to extend work on improved and additional functionality within the Lyell platform.
- (g) **IT annual healthcheck** – suggested as part of the IT Review, provision to undertake a regular, independent healthcheck of IT systems and provision across the Society.
- (h) **Chartership scrutineer training** – in order to ensure consistency in the Chartership scrutineering process, a series of training events is proposed and this provision is to cover both their running costs and the travel costs of the Chartership Officer.
- (i) **Library events** – provision for additional outreach events run by the Library to supplement the popular and often over-subscribed series already undertaken.

The list is currently presented in order of size of proposed commitment. During the course of 2018 FPC will need to keep this list under review and consider if/when it is appropriate to give approval for priority items to be taken forward.

3. Detailed commentary on operating budgets

3.1 Governance & Executive

(a) Executive Secretary

EXECUTIVE SECRETARY	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
<i>Budget Element</i>	£	£	£	£
Subscriptions	(27,900)	(25,362)	(42,300)	(33,761)
Grants & Awards	(51,500)	(39,103)	(48,100)	(53,188)
Staff Travel & Expenses	(33,000)	(21,245)	(34,000)	(29,734)
Meetings & Officers' Expenses	(47,500)	(42,899)	(45,900)	(57,333)
Legal & Professional Fees	(53,500)	3,758	(59,450)	(17,416)
Staff	(225,124)	(135,432)	(202,681)	(209,446)
Total:	(438,524)	(260,283)	(432,431)	(400,877)

The main increase in this budget is against staff costs, since provision is made for the Executive Secretary to be in post for 12 months in 2018 (as opposed to 8 months in 2017). Legal and professional fees include £50k for legal advice (legal fees in 2017 were offset by the return of £43k costs awarded after completion of the lease arbitration).

(b) Business Development

BUSINESS DEVELOPMENT	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
<i>Budget Element</i>	£	£	£	£
Donation Income	65,000	426	5,000	5,426
Corporate Affiliate Income	151,700	119,018	128,730	116,072
Business Development Expenses	(14,000)	0	0	0
Staff	(74,999)	0	0	0
Total:	127,701	119,445	133,730	121,499

Business Development is a new budget heading for 2018 and includes two items – donations and Corporate Affiliate income – that were previously shown elsewhere (under Fellowship and Conferences respectively), as well as new provision for non-staff and staff expenditure, as set out in the business case to FPC made in September of this year. In that case a new post of Head of Business Development was agreed, at an initial annual staff cost of c.£75k per annum and non-staff expenses to cover travel and meetings in carrying out the activity of fund-raising development. Donations were expected to rise £60k as a result and Corporate Affiliate income by c.£33k in the first year. This is reflected in the 2018 budget, together with existing income in those areas that have been moved under this heading.

(c) Geoscientist

GEOSCIENTIST	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Geoscientist Income	17,000	9,827	16,000	16,252
Geoscientist Expenditure	(184,300)	(128,156)	(190,000)	(179,678)
Staff	(45,187)	(28,937)	(42,555)	(43,122)
Total:	(212,487)	(147,266)	(216,555)	(206,548)

Geoscientist costs are expected to be broadly similar in 2018 to budgeted costs for 2017. Expenditure estimates are based upon pricing information supplied by the magazine's publisher, *Century One*.

(d) Marketing

MARKETING	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Marketing	(147,637)	(54,419)	(138,677)	(136,755)
Total:	(147,637)	(54,419)	(138,677)	(136,755)

The central Marketing budget is increased £9k from the 2017 budget, based upon the marketing plans of the Publishing House, Fellowship, Events, and Education Teams. £28k provision is also included for general events and to cover Library activities.

3.2 Finance & Operations

(a) Fellowship

FELLOWSHIP	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Fellowship Renewals	1,774,071	1,611,634	1,697,670	1,617,489
Fellowship Admissions	24,300	16,655	18,500	26,211
Journal Income - Fellows	45,800	43,319	48,600	43,319
Accreditation Fees	28,000	22,975	25,000	25,824
Other Income	1,300	135	1,300	1,187
Sub-total Income:	1,873,471	1,694,718	1,791,070	1,714,030
Fellowship Costs	(69,600)	(17,613)	(53,000)	(47,795)
Chartership Costs	(10,000)	(8,914)	(14,200)	(12,284)
Accreditation Costs	(2,100)	237	(1,600)	(484)
Professional Committee	(2,000)	(906)	(2,500)	(2,054)
Other Expenses	(25,500)	(17,655)	(20,650)	(18,347)
Staff	(230,410)	(134,157)	(199,479)	(201,791)
Sub-total Expenditure:	(339,610)	(179,007)	(291,429)	(282,755)
Total:	1,533,861	1,515,711	1,499,641	1,431,276

Fellowship renewals are expected to continue to grow in 2018: provision has been made for 'natural' growth of 1.0% in numbers and c. 5.6% in value, boosted further by efforts arising from the additional marketing appointment approved by FPC in September, part of the business case for which was an anticipated increase in Fellowship retention and renewals that equated to c. £37k in value. These assumptions have been factored in to the proposed 2018 budget. Other areas of income under this budget are broadly in line with 2017.

On the expenditure side, Fellowship costs are increased by c.£16k by inclusion of provision for a Fellowship Survey early in 2018 (c.£13k) and more events for new Fellows, following the successful pilot in 2017. Regional Groups account for the increase in costs under 'Other Expenses' and staff costs are increased by the movement of one person from Conferences to Fellowship to reflect a change in duties that occurred during 2017 but was not reflected in an amended prior year budget.

(b) Conferences

CONFERENCES	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Flagship Meetings	46,800	76,669	24,600	52,105
Petroleum Group Meetings	141,377	66,345	97,952	96,207
Public Lectures	(19,500)	(9,830)	(12,000)	(14,392)
Other Meetings & Lettings	88,800	28,862	118,000	63,779
Trading Activity (GTL)	94,717	72,083	33,223	86,986
Reception	200	0	200	0
Staff	(124,774)	(113,698)	(151,310)	(163,216)
Total:	227,620	120,431	110,665	121,469

There is cautious optimism about the Society's flagship meetings for 2018 and net income is raised when compared with 2017 budget expectations. It is possible that performance will meet or exceed the 2017 forecast outturn as well, although this is not factored into the baseline budget for next year. Petroleum Group meetings (and notably the annual dinner) are expected to perform a lot better in 2018 and this is reflected in the increased net income, which is returning to levels last seen 3 years ago. Meetings, lettings and trading activity all relate to room hire and catering, which are expected to be close to levels anticipated in the 2017 forecast outturn, boosted by additional marketing efforts. Staff costs are reduced through one person being moved into the Fellowship budget (as set out at (a) above).

(c) IT & Website Support

IT SUPPORT	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Networking	(60,100)	(31,970)	(46,000)	(40,557)
Business Systems	(53,140)	(4,669)	(7,300)	(4,671)
Other Hardware & Software	(18,000)	(5,802)	(11,000)	(11,449)
Website	(61,500)	(54,562)	(75,551)	(91,076)
IT Support Staff	(242,247)	(200,457)	(260,850)	(290,805)
Total:	(434,987)	(297,461)	(400,701)	(438,560)

Networking costs are increased by inclusion of new provisions of c.£20k arising as expected recommendations from the ongoing IT Review while at the same time existing networking costs are reduced slightly. The new provision relates to networking, back-up and disaster recovery mitigation. Business system costs are increased significantly as a result of the go-live of both *Sage 200* and the *MS Dynamics* CRM system in 2017 – the annual licence and support costs of these systems accounts for the main difference year on year. 'Other hardware' includes provision for c.£7k additional consultancy costs on storage arising from the IT Review. Website running costs are broadly reduced as a result of moving to the new website hosting and maintenance contract with *Felinesoft* part way through 2017. Finally, although it is planned to change the IT Support Team during 2018, again based on recommendations from the IT Review, the total costs of staffing under the new model are expected to be less than current costs which include agency staff and associated overheads – although note that there is provision in the contingent budget for an additional £15k should this be necessary.

(d) Facilities Management

FACILITIES MANAGEMENT	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Building Maintenance	(82,000)	(77,005)	(86,000)	(100,561)
Rent, Rates & Insurance	(190,000)	(85,824)	(174,700)	(176,508)
Cleaning, Utilities & Security	(86,800)	(62,744)	(91,500)	(89,094)
Other Facilities Running Costs	(38,300)	(25,350)	(45,500)	(39,858)
Depreciation Charges	(182,500)	(100,685)	(219,554)	(173,869)
Staff	(47,074)	(29,857)	(46,728)	(45,433)
Total:	(626,674)	(381,464)	(663,982)	(625,322)

The main changes under this budget head are provision for rises in the Burlington House lease charge (under Rent, Rates and Insurance) and a small decrease in depreciation charges as payment for refurbishment of the Council Room comes to an end in 2017.

(e) Finance

FINANCE	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Banking & Investments	218,500	122,352	226,000	185,775
Audit & Other Fees	(42,000)	6,288	(34,000)	(25,777)
Provisions & Charges	0	0	0	0
Staff	(272,053)	(186,197)	(254,811)	(271,134)
Total:	(95,553)	(57,557)	(62,811)	(111,136)

Income from the Society's investment portfolio is set at an anticipated £255k for 2018 and is offset by portfolio management and other banking charges. Audit fees for 2018 includes an additional £13k against the need to obtain further advice on regulatory changes around the General Data Protection Regulations, due to come into force in May of that year.

(f) HR

HR	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Expenditure	(19,300)	(4,589)	(27,000)	(13,589)
Staff	(43,077)	(28,760)	(63,238)	(49,839)
Total:	(62,377)	(33,349)	(90,238)	(63,428)

In 2017 the HR budget included a £28k provision for salary uplifts as a result of a benchmarking exercise. This exercise was not completed but assumptions in 2018 have been included in staff costs under each separate budget heading, so the Staff budget is reduced accordingly.

3.3 Publishing

(a) Book Sales

Books	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Book Sales Main	131,000	89,512	107,500	129,150
Book Sales Other	19,900	24,743	23,200	34,608
Total:	150,900	114,255	130,700	163,758

Book sales for 2017 are on target to outperform the annual budget. Main sales (sales of GSL publications) are expected to perform at a similar level in 2018, whereas sales of third-party stock ('Book Sales Other') are expected to decline, based upon guidance from Publishing House staff.

(b) Journal Sales

Journals	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
JGS	239,710	314,542	241,000	297,608
QJEGH	48,430	80,766	44,500	65,837
PG	4,670	(10,210)	6,000	(9,096)
GEEA	(4,290)	(7,542)	(4,700)	(10,966)
SJG	(1,260)	7,989	600	3,278
JM	0	6,608	6,100	4,745
PYGS	(6,570)	4,308	(2,900)	1,107
Total:	280,690	396,461	290,600	352,513

Whilst journal sales in general continue to show a decline, year on year sales still continue to outperform budget, suggesting that the view on anticipated income before the start of each year remains overly pessimistic. One significant change in this area for 2018 is the loss of the Journal of Micropaleontology, a third-party publication, the contract for which was discontinued during 2017.

(c) Lyell & Other Activities

Lyell & Other Activities	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Lyell Collection	1,229,170	1,319,419	1,241,000	1,250,561
Geology Today	11,800	11,761	11,500	11,761
GSW Ebooks	56,500	(387)	53,000	58,520
Other Direct Sales	140,000	142,676	73,000	141,912
Total:	1,437,470	1,473,469	1,378,500	1,462,754

Based upon subscription renewals and sales, the Publishing House are working on the basis that Lyell Collection subscription income has reached a plateau after its initial years of growth. Income assumptions for 2018 reflect this, therefore, but also include for additional income arising from better marketing – again, as per the business case put forward in September for hiring to the new marketing position in Bath. Lyell costs have increased at the same time, primarily in the form of *Highwire* charges, which are anticipated to rise c. £20k in 2018 to £137k.

Geology Today and the *GeoScienceWorld* E-Book series are expected to follow a similar course to the current year. ‘Other Direct Sales’ includes royalty income, which has grown rapidly in the past two years: the 2018 budget provision of £175k is set within the context of 2016 actual income of £145k and 2017 forecast outturn of £183k. This is an unpredictable source of income and previous year performance is not in itself a guarantee of similar levels in future years. More work needs to be done in this area to understand underlying drivers, however, especially as it is becoming a significant source of funds in its own right.

(d) Publishing Management

Publishing Management	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Building & Facilities	(38,800)	(19,086)	(38,000)	(27,587)
Operating Expenses	(39,750)	(26,714)	(38,600)	(39,729)
IT	(33,900)	(2,057)	(33,100)	(23,611)
Staff Support & Travel	(59,500)	(35,925)	(60,000)	(56,289)
Warehouse	(2,910)	(2,505)	(3,000)	(3,721)
Depreciation	(29,100)	(42,093)	(29,795)	(54,985)
Staff	(735,640)	(437,101)	(615,776)	(624,575)
Total:	(939,600)	(565,482)	(818,271)	(830,497)

Costs in this area are largely set at the same levels as 2017 with the exception of staff costs which for 2018 include a full year of the 3 new positions recruited towards the end of this year (marketing and editorial posts) and agreed by FPC in September.

3.4 Library

(a) Library & Archives

Library	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Book Sales	4,060	1,350	4,000	2,948
Other Income	18,600	10,610	16,000	15,902
Other Expenditure	(135,385)	(71,566)	(132,649)	(115,458)
McKenzie Archive	0	(10,519)	0	(10,519)
Staff	(336,869)	(233,121)	(359,062)	(352,808)
Total:	(449,594)	(303,247)	(471,711)	(459,936)
Capital	(161,800)	(113,999)	(151,200)	(138,835)

Library costs are broadly in line, year on year, from 2017 to 2018. Depreciation charges (included under 'Other Expenditure') reflect an expected increase relating to the chargeable costs of Heritage Assets; and staffing costs are reduced when the fixed-term contracts of the two staff engaged on the library audit come to an end at the end of the current year.

For commentary on the capital costs, see section 4.2 below.

3.5 Science & External Relations

(a) External Relations

Science & External Relations	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
External Relations	(26,850)	(15,512)	(18,000)	(21,938)
Specialist & Affiliated Groups	(19,350)	(13,269)	(20,000)	(30,716)
Jobs Board	(500)	(3,380)	4,000	1,953
Staff	(240,200)	(129,125)	(206,296)	(197,891)
Total:	(286,900)	(161,287)	(240,296)	(248,592)

The main changes in this budget head for 2018 are: (a) inclusion of one staff member previously charged under the website budget; and (b) a new provision of £12,500 for an intern position for part of the year – with further provision in the contingent budget list for the remainder of the year. The Jobs Board is not anticipated to make any significant income, based upon poor performance to date.

(b) Education & Outreach

Education	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
Budget Element	£	£	£	£
Education Committee	(1,900)	2,663	(2,000)	2,076
Core Activity	(4,550)	(2,603)	(5,000)	(3,383)
HE Network	(2,900)	(2,303)	(2,500)	(3,303)
Schools' Geology	(5,050)	(4,771)	(6,000)	(4,997)
Earth Science Week	(1,150)	0	(1,000)	(800)
Early Careers Award	(3,150)	(169)	(600)	(169)
UGUK/JHEC Administration	(580)	(19)	(1,000)	(1,019)
Friends of the GSL	2,550	3,182	3,100	2,624
Geoscience Academy	0	(14,078)	1,900	(14,672)
Staff	(59,190)	(36,095)	(52,702)	(53,663)
Total:	(75,920)	(54,194)	(65,802)	(77,306)

The main change in this budget head for 2018 is inclusion of one staff member previously charged under the website budget. Other costs are broadly in line with 2017 forecasts. The Geoscience Academy is shown as a net zero cost budget not because the activity has ceased in 2018 (it has not) but because it is expected that sponsorship will be attracted to cover its c.£25k total costs.

3.6 Gains, Funds & Reserves

(a) Gains, Funds and Reserves

<i>Gains, Funds & Reserves</i>	Proposed Budget 2018	Actual YTD as at end month 8	Full Year Budget 2017	Forecast Outturn 2017
<i>Budget Element</i>	£	£	£	£
Investment Gains/Losses	220,000	219,334	80,000	271,834
Forex Gains/Losses	(50,000)	(72,509)	0	(72,509)
Unrestricted Fund Transfers	100,000	0	101,753	101,753
Designated Fund Transfers	(150,000)	0	(130,000)	(130,000)
Restricted Fund Transfers	34,000	0	32,000	32,000
Endowment Fund Transfers	101,000	0	100,000	100,000
Total:	255,000	146,825	183,753	303,078

Investment and foreign exchange gains are notoriously difficult to predict more than a year in advance and are subject to market volatility. The estimates included in the 2018 budget, therefore, are based upon a mixture of actual and forecast outturn for 2017, plus the actual year-end position for both 2016 and 2015.

The movement on funds, which is more within the Society's control, should be easier to predict. £100k is anticipated to be drawn from Unrestricted Funds (primarily the Curry Fund) to offset depreciation charges for the new finance and Fellowship business systems.

Designated Fund Transfers represent £150k added to the Building Fund to cover potential future costs associated with resolution of the lease for Burlington House. At the end of 2016 the total in that fund was £1.8m and will rise to £1.95m at the end of 2017. The 2018 provision will take the total value of that earmarked fund to c. £2.1m.

Restricted Fund Transfers represent Bicentenary Fund coverage of Council Room furniture depreciation charges (a residual amount after the main charges end at the close of 2017).

Endowment Fund Transfers represent Fermor support for certain publishing activity. This usually falls within the range of £100k - £125k each year.

4. Detailed commentary on capital budgets

4.1 Capital expenditure plan

Capital expenditure represents the Society's 'big ticket' items or major purchases. These budgets are put together taking into account the following constraints and priorities:

(a) Capital constraints

Capital expenditure plans are normally constrained to a target figure of c. £350k per year for the following reasons:

a. Cash availability – the ability to cover the costs of large-value invoices as they are presented to the Society. Although the Society's cash-flow can support an annual level of capital expenditure up to a peak of c. £600k, it is better not to commit to high levels within this range every year so that some contingency may be built in to the levels of cash held.

b. Depreciation charge to operational expenditure – current levels of depreciation charged annually to income and expenditure are approximately £250k - £300k. Care must be taken, therefore, in programming capital works so that long-term commitments to increased depreciation charges are not built to an unsustainable level. This means that the programme should mix work that will have different charging life-times (i.e. IT – 4 years; equipment – 7 years; building works – 10 years).

c. Burlington House lease uncertainty – ongoing uncertainty over the outcome of the current lease negotiation means that it may be unwise to make significant capital investment in Burlington House if the benefit itself is limited to no more than the depreciation period (i.e. 10 years). For this reason, urgent building work only will be pushed to the front of the programme and significant work postponed until the situation on the lease is clarified.

(b) Capital priorities

Against these constraints, the following capital priorities are proposed as the goals which should guide decisions on undertaking capital work. Note: each is given equal priority.

i. Maintaining current levels of service and operation – facilities, equipment and IT need to be regularly maintained and refreshed in order to continue providing a level of use upon which the Society comes to rely. Priority should always be given to ensuring that we do not go backwards in terms of existing provision. For example, with the go-live of the new CRM and finance systems in 2017, provision is built in to IT capital budgets (systems and website) for an ongoing programme of investment.

ii. Developing facilities for charitable purpose use – projects that further enhance the ability of the Society to carry out its charitable purpose are also a priority. This might include improvements to the lecture theatre, library, publishing facilities, etc.

iii. Developing better use of available space – giving priority to projects that carry forward the recommendations of the 2017 Space Review, including: flexible furniture for meeting rooms, improving signage and options for developing the Reception area.

The following detailed plans are prepared on this basis. Note that all figures for 2019 and 2020 are provisional and subject to confirmation as part of the appropriate future budget cycle.

4.2 Capital budget details

(a) Property Improvements

CAPITAL EXPENDITURE	Forecast	Proposed	Draft	Draft
Property Improvements	Outturn	Budget	Plan	Plan
	2017	2018	2019	2020
Budget Element	£	£	£	£
<i>Expenditure</i>				
Main Library Floor-boxes	(5,600)	-	-	-
Basement Map Store Refurb	-	(3,000)	-	-
Cloakroom Corridor Refurb	(2,070)	-	-	-
Ground Floor Disabled WC	(15,000)	-	-	-
Reception Re-model	-	(20,000)	-	-
Basement Book Store A	-	-	-	-
Basement Book Store B	-	-	-	-
Basement Refurb	-	-	-	-
Ground Floor Gents WC Refurb	-	-	-	-
Re-model Library Prep Room	-	-	(20,000)	-
Property improvement - PH	-	-	-	-
	-	-	-	-
Total Expenditure:	(22,670)	(23,000)	(20,000)	0

Work was completed in 2017 on adding electrical outlets and USB charging points in the Main Library, as well as refurbishing the cloakroom corridor (carpet and paintwork). Work will be complete by the year end on converting the WC that is located by the staff entrance into a disabled facility.

Provision is made in 2018 for work to remodel the Reception area of Burlington House, and to refurbish or re-purpose the map store in the basement that is currently used as a general storage overflow.

Provision is made in 2019 for possible re-modelling of the Library Prep Room on the top floor that is currently used as a book store.

Whilst maintaining overall totals for each year, individual provisions may change in the light of priorities arising from the Space Review.

(b) Equipment, Fixtures & Fittings

CAPITAL EXPENDITURE	Forecast	Proposed	Draft	Draft
Equipment, Fixtures & Fittings	Outturn	Budget	Plan	Plan
	2017	2018	2019	2020
Budget Element	£	£	£	£
<i>Expenditure</i>				
Burlington House				
Reception / Entrances	-	(1,000)	-	-
Lecture Theatre	(1,020)	-	-	(26,000)
Lower Library	(3,500)	-	-	-
Arthur Holmes Room	-	(7,000)	-	-
William Buckland Room	(2,650)	(7,000)	(2,500)	-
Catering Kitchen	(2,100)	-	-	-
Council Room	-	(13,000)	-	-
Main Library	-	-	-	-
Lyell Room	-	-	-	-
Fellows' Room	-	(4,000)	-	-
Staff Accommodation	-	-	-	-
Storage / Other Rooms	(2,000)	-	-	-
General Fixtures & Fittings	-	-	-	-
Publishing House	-	-	-	-
Warehouse	-	-	-	-
Staff Accommodation	-	-	-	-
General Fixtures & Fittings	-	-	-	-
Total Expenditure:	(11,270)	(32,000)	(2,500)	(26,000)

A range of minor works improvements has been completed in 2017, including upgrading the lighting in the Lower Library and William Buckland Room, and provision of a new dishwasher in the catering kitchen.

The main provision in 2018 is for flexible replacement furniture in the Council Room and other meeting rooms.

Provision is made in 2019 for upgrading the display facilities in the William Buckland Room (to a monitor similar to that installed in the Arthur Holmes Room), and in 2020 for upgrading seating and carpet in the Lecture Theatre.

(c) IT

CAPITAL EXPENDITURE	Forecast	Proposed	Draft	Draft
IT	Outturn	Budget	Plan	Plan
	2017	2018	2019	2020
Budget Element	£	£	£	£
<i>Expenditure</i>				
PC & Laptop renewal	(35,000)	(35,000)	(35,000)	(35,000)
Website Development	(43,155)	(23,000)	(40,000)	(25,000)
Finance / CRM Systems	(241,729)	(80,000)	(80,000)	(80,000)
	-	-	-	-
Total Expenditure:	(319,884)	(138,000)	(155,000)	(140,000)

IT capital expenditure consists of three strands, two of which (PCs and business systems) are fixed at £35k and £80k respectively to provide for an ongoing programme of regular updates and improvements. The website provision is more 'lumpy', reflecting phases of planned development in alternating years.

(d) Library

CAPITAL EXPENDITURE	Forecast	Proposed	Draft	Draft
Library	Outturn	Budget	Plan	Plan
	2017	2018	2019	2020
Budget Element	£	£	£	£
<i>Expenditure</i>				
Books	(3,150)	(3,500)	(3,700)	(3,900)
Bindings	(6,516)	(6,700)	(6,800)	(6,900)
Maps	(451)	(1,500)	(1,700)	(1,900)
Periodicals	(128,718)	(150,100)	(160,600)	(171,800)
Total Expenditure:	(138,835)	(161,800)	(172,800)	(184,500)

Library capital expenditure is set out above on the basis of purchasing plans for journal subscriptions and acquisition of volumes put forward by the Library. The main issue currently driving increases in cost well over the general rate of inflation is the annual rise in subscriptions (c. 7% - 10%). Over the three years from 2018 to 2020, this results in a total increase of cost of £22,700. Whilst the purpose of this expenditure is to maintain the integrity of the library collection through continuing to provide a complete and up-to-date set of material for users, over time this constant increase in cost must be addressed – otherwise other capital projects will be squeezed out or the level of total capital spending will inevitable rise to levels that are unsustainable in the long term. In 2018, for example, the Library accounts for c.46% of the total capital target of £350k; by 2020 this rises to c.53%.

The Society needs to give serious consideration to whether it can continue to fund such increases in expenditure and, if so, how (fund-raising might provide options).

Appendix A – Income and expenditure by activity

Operating income and expenditure is analysed in total by activity as follows:

SUMMARY by Activity	Income	Expenditure	Total
INCOME & EXPENDITURE TOTALS	Budget	Budget	Budget
Revenue Budget Heading	2018	2018	2018
	£	£	£
Governance & Executive			
Executive Secretary	0	(438,524)	(438,524)
Business Development	222,500	(94,799)	127,701
Geoscientist	17,000	(229,487)	(212,487)
Marketing	0	(147,637)	(147,637)
Sub-total:	239,500	(910,447)	(670,947)
Finance & Operations			
Fellowship	1,873,471	(339,610)	1,533,861
Conferences	720,800	(493,180)	227,620
IT & Website Support	0	(434,987)	(434,987)
Facilities Management	0	(626,674)	(626,674)
Finance	257,600	(353,153)	(95,553)
HR	0	(62,377)	(62,377)
Sub-total:	2,851,871	(2,309,980)	541,891
Publishing			
Book Sales	369,400	(218,500)	150,900
Journal Sales	470,550	(189,860)	280,690
Lyell & Other Activities	1,769,170	(331,700)	1,437,470
Publishing Management	28,037	(967,637)	(939,600)
Sub-total:	2,637,157	(1,707,697)	929,460
Library			
Library & Archives	36,600	(486,194)	(449,594)
Sub-total:	36,600	(486,194)	(449,594)
Science & External Relations			
External Relations	5,500	(292,400)	(286,900)
Education & Outreach	29,000	(104,920)	(75,920)
Sub-total:	34,500	(397,321)	(362,821)
Projects			
Space Review	0	0	0
Finance/CRM Project	0	0	0
Sub-total:	0	0	0
Annual Total Operating Budget	5,799,628	(5,811,639)	(12,011)

These figures agree back to the summary income and expenditure totals reported in section 2.2.