

Year 9 - Citizenship

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The table below is the current budget that Mohammed is reviewing.

Learner tasks:

1. Identify which outgoing costs are variable and fixed, and complete the column c.
2. Calculate the current outgoing spend of the Plumbing and Heating business per month (column b)

| a. Outgoing cost items | b. Cost per month | c. Fixed or variable? | d. Stop, re-consider, re-negotiate or continue? |
|----------------------------|-------------------|-----------------------|--|
| Office rent | £2,350 | <i>Fixed</i> | <i>Continue. But could consider downsizing?</i> |
| Car/van insurance | £500 | <i>Fixed</i> | <i>Continue</i> |
| Phone contracts | £350 | <i>Fixed</i> | <i>Look for cheaper options when renewing</i> |
| Petrol | £1,000 | <i>Variable</i> | <i>Re-consider e.g., ridesharing</i> |
| Stationary | £60.50 | <i>Variable</i> | |
| Permanent admin staff | £7,500 | <i>Fixed</i> | <i>Re-consider. Could some be replaced by technology?</i> |
| Permanent staff (plumbers) | £8,000 | <i>Fixed</i> | <i>Continue (CEO wants to keep plumbers)</i> |
| Temporary staff (plumbers) | £4,500 | <i>Variable</i> | <i>Could re-negotiate some of these contracts and give more work to permanent staff.</i> |
| Training | £58 | <i>Variable</i> | <i>Continue (small cost and important to keep quality)</i> |
| Teas / coffees in office | £98 | <i>Variable</i> | <i>Continue (staff morale!)</i> |
| Advertising | £550 | <i>Variable</i> | <i>Continue. May affect revenue negatively if cut</i> |



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| | | | |
|---|-------------------|----------|--|
| Staff events | £350 | Variable | Staff events could be re-considered. Could they be a quarterly event rather than a monthly occurrence? But that might affect morale. |
| Customer events | £450 | Variable | Re-consider. Do they really retain customers. Are cheaper options available? |
| Equipment purchase | £840 | Variable | Re-consider. Maybe try to fix where you might have replaced before |
| Equipment maintenance | £70 | Variable | Continue. Otherwise, may be faced with buying new |
| Uniform | £50 | Variable | Perhaps this could be re-negotiated |
| Car/van rental | £1,200 | Variable | Re-negotiate |
| Staff benefits (including gym membership) | £750 | Variable | Re-consider. Do the staff really value this? Is there something else you could offer that is more valuable e.g., more flexible working |
| Water | £60 | Fixed | Continue |
| Heating | £80 | Fixed | Re-consider (switch to cheaper if possible) |
| Electricity | £125 | Fixed | Re-consider (switch to cheaper if possible) |
| TOTAL | £28,941.50 | | |

- Shreena would like to cut outgoing costs to under £25,000 a month. Read the description of the business below, along with her priorities in the cuts. In column d, make recommendations about which costs they could stop, re-consider, continue or re-negotiate (for example, could they find a better deal for the phone contracts?) based on the money that they need to save and the aims of Shreena for the business. You may also want to consider, which of the activities helps to bring in new income.



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Overview of the business and priorities for the cuts

At the Plumbing and Heating Contractors, there are 15 members of staff (10 plumbers and 5 administrative staff). Each plumber has their own vehicle that is rented by the company and the office staff work in their main offices, where the vehicles and equipment are kept. The CEO, Shreena, knows that with the cost of energy increasing, she'll need to adjust outgoing costs in the business. She needs Mohammed to help a new budget for the business but doesn't want to make changes that will impact:

- a) Staff wellbeing, she believes that the best work will come from a happy workforce.*
- b) Keeping all members of permanent staff.*

4. Write up your findings into a report for Shreena. In your recommendations, you should include:
 - a. How much they are currently spending?
 - b. Which variable costs could be adjusted?
 - c. Which fixed costs could they consider renegotiating?
 - d. Three priority areas to help cut costs and why you have prioritised them.
 - e. What do you expect to save from cutting these costs?
 - f. Are there any negative implications to making these changes?
5. Use another colour pen to mark your neighbours' recommendations. Give them a WWW and EBI, based on the criteria given.
 - Have they included current spending?
 - Have they identified the variable and fixed costs they could reconsider?
 - Have they provided three priority areas to help cut costs and why they were prioritised?
 - Have they included projected savings?
 - Have they included what some of the negative implications to making these changes?

