

Questions and replies for 2023 IW Railway Co AGM

Chris Tagart

To: co.secretary

Sat 10/06/2023 08:08

Good morning Iain,

I've read the minutes of the 2022 AGM and notice that there is no record of the questions raised and answers given, whereas in the recent past these have been included. Given that the minutes of the AGM are a record of the business conducted and the questions raised over the years have, in many cases, been fundamental to the business of the Railway, why have they been omitted this year? I would propose that an addendum to the minutes of the 2021 be prepared and in future years a full record of the AGM business be restored.

Regards

Chris Tagart

Reply

Prompted initially by going over to the present summary Annual Report, I was trying to keep the minutes concise. No one queried this approach last year.

The minutes have not, as I had initially anticipated, been incorporated into the Report but rather are available on line (or on request) so their length has not turned out to be a critical consideration.

We provide a response to individuals raising questions. Many of the questions are seeking information and tend to be of particular interest to those individuals rather than merit lengthy reporting in the minutes. Where an issue is indeed fundamental to the business of the Railway, that will necessarily have been picked up by the board and management for further action. Such action would in due course be reported in board minutes, *Island Rail News* and otherwise. An AGM is reviewing a previous year's activities so the minutes will tend to be primarily historical. Other than for checking who was elected when, I suggest anyone looking for information will instinctively look at current reports in the first instance.

I can append details of last years questions and answers if that is felt beneficial. They are on file if anyone wants to check. Your question came in on the deadline so I have not been able to take any action beyond preparing this response.

Iain Whitlam

ISLE OF WIGHT RAILWAY CO LTD AGM 15/6/23 QUESTION

Roger Silsbury regrets and apologises that he is unable to attend the meeting and has requested me to ask his question on his behalf.

My question concerns the number of staff employed and the ongoing sustainability of supporting them. The figures I have used are taken from the Annual Accounts.

In 2014 the Company employed an average of 39 staff and the ratio of gross cost of employment against charitable income was 30%. By 2019 these figures had risen to 52 staff costing 40% of income. The Heritage Railway Association had issued advice that above this 40% threshold could severely compromise the financial stability of any of its members. A review of staffing was carried out and five employees made redundant in 2020.

The Covid pandemic severely impacted upon the Company's fortunes, but sound financial management, both previously and during the pandemic, enabled the Company to weather the storm and continue to operate and generate a surplus, apart from 2020.

With the reduction in the impact of the pandemic on the trading pattern, the Company has continued to trade profitably. However, it is very noticeable that a significant number of new employees have been recruited; 2022 accounts give an average of 48 employees for the year but also state that at year end the full-time number had increased by three from 22 to 25. In 2023, the increase in the minimum wage coupled with the increases in wages awarded, the costs of employment will have risen significantly. As widely reported in the railway press, a number of the top heritage railways are struggling financially, to the point that redundancies, both voluntary and compulsory, are having to be made for those companies to remain solvent and to be able to continue to operate.

Could a Director/Trustee please give the following information:

1. The total number of employees at today's date (full- and part-time and seasonal).
2. For 2023, the projected gross cost of employment and how this relates to the budgeted charitable income in percentage terms.
3. Trading for the early season of 2023 is encouraging but events beyond the Company's control could have an adverse effect on projected income. What contingency is in place should income fail to meet projection?
4. At what point would a review of the level of employed staff be undertaken?

Roger Silsbury Member 488

ISLE OF WIGHT RAILWAY CO LTD

Income streams v employees; cost of employment as % of charitable income.

Year	Income Total	Income Charity + trading	Income voluntary	Employee full time	Employee part time	Employee seasonal	Employee Coy /Trading	Employee Total	Employee Cost	Employee/ Charity income as %
2014	1828692	1475275	353417	19	7	13		39	444262	30
2015	1804859	1521834	283025	20	6	12	30/8	38	495867	33
2016	1861254	1658818	202436	18	12	12	33/9	42	540571	33
2017	1938585	1640656	297929	18	15	19	40/12	52	619926	38
2018	1985255	1712244	273011	20	18	13	41/10	51	684493	40
2019	2423807	1871668	552139	27	16	9	44/8	52	754002	40
2020	1463691	856905	606786	25	18	7	44/6	50	699172	82
2021	2618593	2132974	485619	21	15	8	37/7	44	744672	35
2022	2681873	2237817	444056	22*	12	14	35/13	48	842420	38

Notes:

1. Up to and including 2017 Membership subs were included under Voluntary income - donations & legacies and Grants under charitable activities. From 2018, these allocations have been reversed.

In 2020-22, the sums of £6560; 9647; 9367 appear as Restricted Funds under Membership subscriptions and included in total Charitable activities funds.

Employee figures are quoted as average for the year; *2022 accounts state that full-time employees at year end was 25.

The figures for Year 2020 are distorted because of the exceptional circumstances relating to the Covid-19 pandemic.

Roger Silsbury, 02 June 2023

REPLY

Thank you, Roger, for your question.

The Railway currently employs:

- 24 Full-time staff on permanent contracts
- 13 Part-time staff on permanent contracts
(Most organisations would describe this using 'Full-Time Equivalent' posts – together these total 32.4 FTE)
- In addition, we employ 13 seasonal staff on 'zero-hours' contracts – generally in our catering team and booking offices – who play an invaluable role in revenue generation.

For 2023 our budget is as follows

- Total payroll costs (salary + NI + pension contributions) = £1,004,148
- This represents 38.0% of budgeted income
(This excludes any income from legacies)

Like most businesses, payroll represents our largest expense. There is not a 'magic formula' – the key is that a business trades profitably, regardless of the amount spent on its payroll. As a charitable trust we are not in the business of making a profit and any surpluses generated are reinvested in the business to deliver our charitable objectives, which includes paying staff to undertake necessary roles where volunteers are unwilling or unavailable to fulfil those duties.

In the last 12 months, the most significant additions to our team include a part-time Marketing Manager, recognising the importance of revenue generation. A part-time Volunteer Development Manager has also been recruited who is making a real difference to the way that we recruit and retain volunteers (ultimately this is important if we are able to grow our volunteer team and not rely on paid staff)

As Roger has highlighted, our payroll costs have increased over the last 12 months. In part this is down to the increase in minimum wage – in general we have a low-paid workforce, with the majority of our team earning a little above this level. As an employer, the railway is conscious that paying staff the 'minimum that we can get away with' is not great for staff retention or attracting the right calibre of staff. Over time the aspiration is for our salaries to a more competitive level. In the meantime, an inflation-matching pay award was felt appropriate to reward to significant contribution made by our paid team.

The economic environment is tougher in 2023. Fortunately, we are in a much better position than most heritage railways. Our income continues to grow (currently 7% higher than 2022), and our costs are lower than many comparable railways (lower coal bills, simpler infrastructure and no loco hire fees all help with this).

Overall, we are in a good financial position – we operate profitably and have healthy reserves. The board's strategy is to continue growing the business – generating more revenue and then using this to re-invest in the Railway, including in staff where this is appropriate. In the short term we have the resilience to weather any fluctuations caused by the wider state of the economy

All costs are always under review. Ultimately nothing is 'off the table'; however, talk of redundancies is premature and unsettling for those employed by the Railway.

Peter Taylor