

HUBBARD COMMUNICATIONS OFFICE
Saint Hill Manor, East Grinstead, Sussex

HCO POLICY LETTER OF 4 AUGUST 1983

Remimeo
All Exec Secs
Exec Council Hats
Div Heads
Ad Council Hats
FBOs
D/FBOs

Finance Series 42

FINANCIAL PLANNING PROGRAMME NO. 1

Ref: LRH ED 55 INT FINANCIAL PLANNING PROGRAMME
NO. 1
LRH ED 79 INT FINANCIAL PLANNING PROGRAMME
NO. 1 ADDITION
HCO PL 9 Jan 83 VIABILITY, THE MAKE-BREAK
POINT OF AN ORG

(This Policy Letter is reprinted from LRH ED 55 INT, 10 Dec 69, FINANCIAL PLANNING PROGRAMME NO. 1, and LRH ED 79 INT, 20 Jan 70, FINANCIAL PLANNING PROGRAMME NO. 1 ADDITION, with minor additions and revisions to encompass the current operating scene of an org.)

Carefully planned financial handling will result in an organization which is not only solvent, but expanding on a sound gradient scale. A real FP No. 1 gives you your make-break point in an org (see HCO PL 9 Jan 83 VIABILITY, THE MAKE-BREAK POINT OF AN ORG).

To do this an organization has to first of all assess the following:

1. How many basic staff members are required to run and handle the organization?
2. How much is required for the basic organizational needs to merely KEEP the organization there:
 - (a) How much is the rent weekly (or mortgage or Reserves loan repayments)?
 - (b) How much is the telephone weekly?
 - (c) How much is the electricity weekly?
 - (d) How much is the water weekly?
 - (e) How much are rates weekly (property taxes)?
 - (f) How much are costs weekly to cover any other taxes, corporate or legal matters?
 - (g) How much is needed for natural gas or heating fuel weekly?
 - (h) How much is needed weekly for Estates to maintain the org buildings and MEST?
 - (i) If building is owned, how much is needed weekly for improvement/upkeep of the building so it retains and increases its value?
 - (j) How much are basic admin supplies like pens, paper, file folders, carbon paper, staples, paper clips, etc. weekly?

3. How much is required for basic promotional actions:
- (a) How much are envelopes, stationery and stamps for so many letter registrar letters out weekly?
 - (b) How much is required to keep up and mail out advance registration packets weekly?
 - (c) How much does it cost on a weekly basis to mail a magazine or broad mailing to your full address list once a month?
 - (d) How much does it cost on a weekly basis to mail out statements to people who owe the organization money?
 - (e) How much does it cost to mail out information packs to your new names weekly?
 - (f) How much does it cost to advertise your basic Div 6 services?
 - (g) How much does it cost weekly to cover any awards programs?
4. How much does it cost weekly to keep in your basic communication lines:
- (a) How much should your average weekly payment to Management be?
 - (b) How much does it cost weekly to pay your 10% or 15% FSM commission and to service and give your FSMs materials to select people to your org?
 - (c) How much is your weekly mimeo expense internally and/or to Pubs/FOLO? This covers remimeoing all issues for staff distribution, org business forms, mimeo files, newsletters, and payment to Pubs/FOLO for mimeo sent to your org.
 - (d) How much is the weekly cost of freight, mail and telex to keep the org in comm with management?
 - (e) How much is your average weekly deposit to your general liability fund so as to build up a reserve in case of necessary legal expenses?
 - (f) How much is your average weekly film lease fee?
 - (g) How much is the weekly average cost of LRH lecture tapes for use in public tape plays?
5. How much is required for basic delivery actions:
- (a) How much is clay weekly?
 - (b) How much is required to keep tape players operational?
 - (c) How much does it cost weekly to keep up supplies of mimeo forms? (Auditor Report Forms, Routing Forms, Pink Sheets, Auditing Lists, etc.?)
 - (d) How much does it cost on a weekly basis for Auditor worksheet paper?
 - (e) How much is needed weekly for course materials? (Reference books for courses, HCOBs, Policy Letters, course packs, dictionaries, translated tapes, etc.)
 - (f) How much is the weekly payment for staff training at a higher org (FLAG, New World Corps, Cont TTC or ATC at FOLO, etc.) including any payments for previous training not yet fully paid off?
6. How much is required to handle the sale of LRH Books, meters, tapes, cassettes, insignia and other HCO Book Account items:
- (a) How much is the week average cost to restock items which have been sold?

- (b) How much is the weekly cost for promotion and marketing of Book Account items?
- (c) How much needs to be set aside to purchase new items such as new books or cassettes?
- (d) How much is the weekly cost of shipping and packaging to handle mail order?

(NOTE: ALTHOUGH THE HCO BOOK ACCOUNT IS INCLUDED HERE IT IS ADMINISTERED SEPARATELY AND IS UNDER THE CONTROL OF THE D/FBO FOR M.O.R.E. ITS USE IS NOT SUBJECT TO REGULAR WEEKLY FP AND EXPENSES FROM IT MAY NOT BE CUT DUE TO ANY SITUATION RELATED TO OTHER ORG EXPENSES.)

The list above provides the guidelines for any org in calculating its FP Programme No. 1.

Sea Org Orgs and Units would need to plan additionally for basic staff welfare expenses, such as: the amounts needed weekly for crew allowance, food, medical and dental expense, basic cleaning supplies, basic housing and berthing supplies, child care, crew uniforms, laundry, transport, etc.

A Management Org might also have other basic expenses; for example, the basic amount needed to be set aside weekly for Mission (Action Bureau) expenses, etc.

Any org would review the list provided above for any additional basic expenses or any not applicable and would then work out its F.P. No. 1 within the purpose of the functions of that org. A real FP No. 1 must take into account every single expense involved in keeping the org there and making it capable of selling, calling in and delivering to public in volume and with quality.

HOW TO USE THIS PROGRAMME

After carefully figuring out your weekly costs as per above, you now know exactly how much income you will require weekly in order to exist and to promote. If you do not make this amount of income weekly, you will know at once that you are spending more than you are making, at which point everything must be done to sell more services to your public.

An organization could be in the situation where it has spent more than it has made, in other words it has greater bills than it has money with which to pay them. Now this places an organization into a danger condition as regards the society which runs on the basis generally of "pay within 30 days or else."

An organization in this situation, therefore, has got to make more money than simply its basic weekly costs. Therefore, all excess monies over its basic weekly costs must be used to pay off its bills, carefully paying such on a date line payment basis and as per policy with regard to threatening creditors.

When an organization is no longer in a danger condition as regards society and now has more income than it has in bills, it can gradually use its excess income to do more promotion, to expand its staff to make more income to do more promotion and to buy more facilities to increase promotion and so on.

There are many ways an organization can obtain service facilities like chairs, desks, typewriters, address machine, and mimeo or off-set machines without driving the organization into debt and causing it to have vast monthly payments which exceed its ability to pay. Inexpensive second hand equipment can be obtained while the org sets aside so much money until outright purchase can be made or it can lease equipment with an option to buy.

There is definitely a maxim with regard to money and it is: THE LESS AMOUNT OF INCOME AN ORGANIZATION OR AN INDIVIDUAL HAS, THE MORE CAREFULLY AND WISELY FINANCIAL PLANNING MUST BE DONE.

PROGRAMME ADDITION

When FP Programme No. 1 was first presented, the initial reports on its use made it necessary to amplify the programme.

The first organization reporting compliance had an average income of £3,500 per week, yet in doing FP Programme No. 1, found that its operating costs, promotional costs, and monies needed to pay sums due on writs against the organization amounted to £5,800 per week, whereupon it was gleefully decided that the organization would have to make more income. Now this was not the whole intention of Financial Planning Programme No. 1.

In presenting Financial Planning Programme No. 1, it was considered that the basic costs of the organization would be LESS than its income, but that such basic costs would give the Executive Council an idea of how much they would have to make to barely survive and every once in a great while, it would require added effort by the organization to pull its income up to its bare existence level.

Therefore, the following has been added to this programme:

- A. After completing the actions listed above, the average weekly income for the past four months is to be calculated.
- B. If the basic expenses of the organization are greater than the average weekly income, the operational costs must be reduced and the organizational expenses CUT BACK to a figure below that of the average weekly income.
- C. If the organization also has past bills owing, then the organizational expenses must be CUT BACK even further to permit past bills to be paid. At least 10% to 15% of the average weekly income must be set aside to pay past due bills and so the cut back in expenses must take this figure into account.

Even if an organization is in the position of having more income than bills such basic data as this will help in planning for better expansion.

Therefore, each Executive Council of each organization should meet weekly to review its basic operational costs in order to really get in this Financial Planning Programme.

In using this Financial Planning Pgm No. 1 it must be understood that the weekly allocation for the org is not fixed against the FP No. 1 amount. The idea of fixed allocations was a complete falsehood found to have been pushed by a former DGF WW, H.G. Parkhouse, and was simply an attempt to wipe out FBOs whose job it is to allocate in relation to the org's production. The amounts worked out for each category in FP Pgm No. 1 are the "buoys and landmarks" for use in "steering" Financial Planning. Having an FP No. 1 worked out does not then replace the application of Finance policy contained in OEC Vol 3 and in the Finance Series and the interrelationship of the application of the Conditions Formulas. Another false datum found was that once an FP Pgm No. 1 amount is worked out that it may not be changed. This is of course ridiculous as it is expected that orgs will greatly expand and thus will require more space, more course supplies, more promotion, etc., etc. So it is necessary to occasionally review and update an org's FP No. 1.

SUMMARY

By correctly working out the costs to run an org in detail a Financial Planning body gains the ability to actually manage and control its finances. It puts in prediction and tells one how much income must be made and gives a guideline of the expenses that should be made to buy increased production and viability for the org. An FP No. 1 is something one uses. It is not just done for the sake of form or for lack of something better to do. It is a valuable tool that determines the "course" of your org.

Good luck!

L. RON HUBBARD
FOUNDER

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