**AGM 05-2020**

KS/TB

Finance Vice Chair’s REPORT TO AGM 2020

**The Annual Accounts – 2019**

At the time of writing, I am conscious the impact of corona virus has had on society and the loss some members will have experienced on a personal level. I would like to acknowledge this. No doubt, the impact of the pandemic will be referred to in other reports and contributions connected to personal loss and the way Napo has had to adapt since March. The AGM for 2020 will be no exception. Therefore, this finance report is being prepared for an AGM with a very different format. In an effort to ensure members are provided with sufficient information, this report has been prepared with the aim of completing one of the essential elements of the AGM, namely the approval of the Annual Accounts by members.

I am submitting the statutory accounts for the year ended 31 December 2019. These comprise the Income and Expenditure Account, Balance Sheet; Movement of Funds Summary supported by notes to the accounts and detailed breakdown of the income and expenditure figures.

If members require further information regarding the accounts, they can obtain this by to [tboorman@napo.org.uk]

I am pleased to inform members that despite yet another difficult year, the union has retained its capacity to function as a going concern as noted in the Independent Auditors Report which forms part of the annual accounts. This continues to be an aspect that members are concerned to establish, and remains a subject of debate. I am encouraged by the responses from member’s keen to stress their interest around this, as they emphasise how important they consider Napo retains its capacity to function.

Plans for the future are being shaped by the way the union and employer business is being conducted. In any event doing things differently was always on the agenda, but enforced change has shown there are other options to carry out Union activities in an inclusive way, often at a much-reduced cost. This provides the union with an opportunity to plan in a way that will enable a positive financial outlook.

The financial health of the union has been assisted by the way the Finance Sub Committee has scrutinised the budget. This will continue to be the case in reviewing ongoing expenditure as part of the process following the approval of the budget set by the NEC. This includes a clear commitment to setting a balanced budget to maintain the financial stability of the Union for the future.

Crucial to this will be achieving a satisfactory balance between expenditure and income, along with ensuring the reserves from the sale of Chivalry Road are used as intended.

Reserves have been held in a mixture of investments including the traditional deposit and current accounts. Some of the funds were used to meet revenue commitments and this assisted the running of the union, while the principle aims of securing long-term office space remained on the agenda.

One of the consequences of the pandemic, in addition to the development of a different way of working, has been a review of the requirements for office space. With Napo staff finding an increasing capacity to work from home, it has been possible to revise the requirements for office space. This along with revising the geographical parameters has allowed for a widening of the search for potential property. Acquiring a suitable property that becomes part of Napo’s assets as opposed to renting will greatly assist in reducing accommodation costs, thus assisting the budget setting process for the future.

Unfortunately, the decision taken last year to increase the Direct Debit subscription rate for those members earning £35,001 - £40,000 from £23 a month to £24 has yet to be implemented. This was scheduled to be effective as of June this year after the launch of the database. Unfortunately, at the time of writing, this had yet to take place. It was therefore decided to suspend the increase, as the cost of imposing it without the support of the appropriate technology would not have been cost effective.

**2019 Accounts**

The overall income for the year was £1,202,879 and expenditure was £1,617,590; this includes £231,703 spent on representing members, and £13,576 paid to branches from the organising fund. The overall deficit for the 2019 financial year was £416,019. A transfer of funds from the General Reserve once again has offset this deficit.

It was always anticipated that the financial year would end with a deficit but this was higher than budgeted for, largely due to an increase in demand for members’ representation. Members who have attended previous AGM’s will recall how the legal and representation fund has been a matter of debate and it should remain so.

**Income**

**Subscriptions**

For the 2019 financial year, the amount received from membership subscription was £1,129,398, which was a modest increase on the previous year of £20,169, reversing the trend of preceding years of decline. There is an urgent need to prepare for reunification by ensuring members moving to the NPS who have yet to switch to direct debit do so. There is an ongoing recruitment campaign, which hopefully will see us welcoming new members thus strengthen the Union and is financial situation.

**Other income**

This continues to reduce over the years and at £10,477 is £3,446 less than received in 2018, reflecting the continued fall in bank interest rates. £63,004 was received and the same amount expended in respect of the Welsh Union Learning Funds

**Expenses**

**Staff Costs**

Compared to 2018, this expenditure has increased by £ £16,636. During the year, we employed a temporary administrative assistant to assist the membership department.

**Accommodation**

Overall accommodation costs are down by £2,247 on 2018.

**Operating Costs**

A variety of additional expenditure has led to an increase in these including postage, telephone and expenses relating to the renewal of the lease for the current HQ.

Computer equipment and IT support amounted to £172,867 this Includes some of the development costs for the new database.

**Committee Conference and Branch Costs**

The overall expenditure under this heading was £22,645 higher in this year than for the previous financial year.

Committee expenditure saw a small increase, as did the net cost of the conferences including the national AGM. This year, most of the branches claimed their full conference entitlement, hence the increase in expenditure comparing to 2018.

We also had additional expenditure on branch reps training and on member’s recruitment.

**Affiliations and Donation**

These expenses were broadly in line with last year.

**Campaign Parliamentary and Media**

There was a £2,664 increase in the cost of the work undertaken in campaign, media and Parliamentary lobbying. Last year, we had the cost of two ballots, officers and General Secretary, whereas in this year, we incurred cost for only the officer’s ballots hence the reduction of £7,335 compare to last year.

**Financial Costs**

The audit fee remains at a reasonable level due to the amount of preparation work undertaken by the Finance Official prior to the audit.

**Appointment of Auditors**

Sturgess Hutchinson (Leicester) Limited have acted as Napo’s auditors for the past three financial years. They have provided Napo with a thorough, accessible and efficient service whilst maintaining reasonable charges. I am therefore **recommending** that they be re-appointed as auditors for the financial year 2020.

Finally, in keeping with the request to assist in the accountability process, members with questions regarding the accounts are invited to submit these to tboorman@napo.org.uk or myself kstokeld@napo.org.uk prior to the AGM. These will be increasingly helpful given the virtual nature of this year’s meeting.

**Recommendations to AGM:**

1. To approve the Report and Accounts for the year ended 31 December 2019.
2. To appoint Sturgess Hutchinson (Leicester) Limited as Napo’s auditors for the year ending 31 December 2020.

Keith Stokeld

National Vice Chair for Finance