

**AGM05- 2019**  
KS/TB

## **Finance Vice-Chair's REPORT TO AGM 2019**

### **The Annual Accounts – 2018**

The past financial year has flown by quickly and once again, I am submitting the statutory accounts for the year ended 31 December 2018 to you; 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 writing to Theresa Boorman at Napo, 160 Falcon Road, London SW 11 2NY.

I am pleased to inform members that despite yet another difficult year, following the annual audit, the auditors have endorsed the Union as a going concern. The auditor's report is published on page 2 of the accounts. This is largely due to the efforts of the Finance Official and the support of the Finance Sub Committee throughout the year in providing the Officers and NEC with the information necessary to enable them to make decisions on which to progress the union.

A satisfactory balance between using the reserves and monies from the sale of Chivalry Road in a mixture of investments and revenue spending has been achieved to ensure Napo was able to meet its commitments for the year. Essential to this has been the work on exploring ways of growing the union for the future, along with continued efforts to maintain control over expenditure, especially in sourcing new affordable office space. These are ongoing aspects of the equation and are being actively pursued during the 2019 phase of the financial period. We are mindful of the obligation for Napo to remain solvent and its ability to discharge its duty of care to the staff and the optimum point at which to settle the HMRC bill in respect of the capital gains tax on the sale of Chivalry Road.

Page 8, item 4 of the notes explain in detail the situation regarding the capital gains tax on the sale of property.

These challenges are keeping me and the other Officers along with key officials extremely busy – there is no time to be bored or complacent! Helping us all to keep our feet on the ground has been the watchful eye of Theresa Boorman in respect of the shorter and long-term financial goals of the union, aided by the efforts of Napo staff as budget holders in maintaining financial discipline.

Since moving to the office at Falcon Road, Napo's financial situation has been supported by the transfer of monies from the reserve funds to cover the costs of renting its current accommodation as set out below. In addition, investment in the Strategy For Growth initiative and the purchase of a new IT system designed to improve communication with members and strengthen the union's organisational structure has been made.

## **2018 Accounts**

The overall income for the year was £1,184,983 and expenditure was £1,585,909, this include £109,074 spend on representing members and £3,500 paid to branches from the organising fund. The overall deficit for 2018 financial year was £400,926. This deficit once again has been offset from the general reserve funds.

## **Income**

### **Subscriptions**

For the 2018 financial year, the amount received from membership subscription was £1,109,229; again, this has fallen dramatically over the preceding years. There is an urgent need for recruiting new members to strengthen the Union's financial position.

The cynical ending of Checkoff has undoubtedly had a lasting impact on our income. Napo has embarked on a campaign in preparation for the transfer of staff across Cymru to encourage the switch to Direct Debit for the payment of subscriptions. This will continue as the process of staff transfers continues with the ending of CRC contracts in England.

There are two rates for subscription covering the existing system for payment through salary and those paying under Direct Debit. The latter as well as offering a reduced rate are shorter in range.

For as long as I was treasurer and more lately as Vice Chair finance the AGM has not been asked to consider the level of member subscription. Members will be pleased to learn that this meeting is not being invited to increase these rates across the board. However, it is proposed to increase the current top rate of those paying by Direct Debit by £1 each month and a further tier introduced to the rates paid through this method

In essence, this would mean those, earning £35,001 - £40,000 would move from £23 a month to £24. An additional tier for those earning over £40,001 will provide the union with an option of increasing their contribution to £25. Effectively an additional £2 to the current rate for those earning a higher salary.

This may seem like a modest increase but any further rise in the rate may lead to the risk of diminishing returns for those who see it as the opportunity to cancel on the basis of affordability. In both cases would still fall below the maximum for those paying their subscriptions through their salary. This at present sits at £27.20 a month for the current maximum.

The two comparable rates for those members paying through deductions from salary are;-

32001 – 33000 £26.40 monthly, annually £316.80

33001 and above £27.20 monthly and annually £326.40

Because of the constraints of data protection, control and the way records are kept it is not possible to provide an accurate assessment of how much this change could yield in membership subscription at this stage but when the new database has been fully implemented, we should be able to compute this information.

Any increase along these lines would for the time being require the cooperation of members to declare their salary range including if they qualify for the additional tier. However, those who have benefited either through pay progression or an increase in pay would if members approve be in a position to assist in providing additional income for the union

### **Other income**

This at £13,923 is £7,830 less than achieved in 2017, however, in that year, we benefited from £15,327 accumulated interest on the maturity of a long-term investment taken out at a reasonable rate of interest. Since then, interest rates have fallen substantially.

### **Expenses**

#### **Staff Costs**

These for 2018 are near enough comparable with the previous financial year. However, it should be noted that the staff compliment has fallen accordingly; we have not replaced staff who have left or reduced their working hours.

#### **Accommodation**

Accommodation costs for 2018 remain similar to the previous year. However, member's attention is drawn to the rental and associated cost for Napo's office space in PCS building; at £95,107 for the year this is a considerable drain on the union's reserves.

#### **Operating Costs**

Office costs such as stationery and postage are showing small increases in 2018 comparing to 2017. The more significant increase of £62,308 relates to the purchase of the new database and the installation of a new server.

## **Committee Conference and Branch Costs**

Committee expenditure was largely in line with that of last year. The overall cost of conference in 2017 is £25,500 higher than in 2018, this is because in 2018 the AGM was held over 2 days rather than 3 days as in the previous year.

Branch Grant expenditure for 2018 was £7,695 lower than in 2017 due to a reduction for claims made. As result of this, the Officers have decided to open up a “Branch Support Fund” reserve account and allocate £5,141 of this unclaimed money into it. The purpose of the fund is to support branches in the future who are experiencing difficulties in sending members to AGM.

Branch Conference funding was £6,640 more than 2017, this is due to the fact that in 2017 several branches requested that Napo HQ arrange their hotel bookings for the AGM held in Nottingham and hence lower expenditure in 2017. In 2018 all branches made their own arrangements for hotel accommodation and therefore claimed their conference funding accordingly

In 2018, we had some new expenditure headings - namely T-Shirts where we spent £1,285 in the campaign to re-unite the service and attract new members. Similarly, we spent ££6,410 on the Strategy for Growth Communication initiative. We also spent £8,568 on consultancy for professional advice regarding the New Database.

In response to the question raised at the 2018 AGM regarding the amount of £4,644 spend on consultancy in 2017; I can confirm that this was in respect of professional advice on the computation and rollover relief of the capital gains tax on the sale of 4 Chivalry Road.

## **Affiliations and Donation**

These were in line with the reduction in the overall subscription income.

## **Financial Costs**

There is a saving of £1,000 in audit fee due to the amount of preparation work undertaken by the Finance Official prior to the audit.

Due to a change in our internal financial processes, bank charge expenditure has reduced by £2,800.

The increase in legal fees was largely the result of a case that was brought against the Union and required special investigation and arbitration.

At the end of 2018 financial year, we had to re-evaluate the money invested from the sale of Chivalry Road due to the volatile nature of the financial markets. Initially we had a gain of approximately £40,000 but lost £37,478 through the changing pace in the money market. However, by the mid-point of this year, the investment had recovered to show a gain of £82,992.

## **Branches' Expenses**

These were higher than last year and resulted to an overall deficit of £15,992.

I would like to remind Treasurers who are struggling with preparing their end of year accounts that support is available from Theresa Boorman and Kath Falcon at Napo Head Office. Prompt submission of end of year accounts would be appreciated in order to aid timely and cost effective audit process.

## **Cost of Publications**

These were higher than the previous year as the result of the increase in the dissemination cost of Napo Quarterly newsletter. This was a necessary cost towards the effort to make Napo more visible in work places and as an aid towards recruitment.

## **Appointment of Auditors**

Sturgess Hutchinson (Leicester) Limited have acted as Napo's auditors for the past two financial years and have audited our annual accounts for 2017 and 2018. They assisted with completion of the annual return to the Certification Officer for England, Wales and Northern Ireland and will provide advice on tax and other issues if required. 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 2019.

## **Recommendations to AGM:**

- 1) To increase the Direct Debit subscription rate for those members earning £35,001 - £40,000 from £23 a month to £24. The annual rate for members earning within this salary range would increase from £276 to £288.
- 2) To provide an additional tier for those earning over £40,001, to pay a monthly subscription rate of £25. The annual rate for members earning this salary and above would increase from £276 to £300.
- 3) To approve the Report and Accounts for the year ended 31 December 2018.
- 4) To appoint Sturgess Hutchinson (Leicester) Limited as Napo's auditors for the year ending 31 December 2019.

Keith Stokeld  
National Vice-Chair for Finance

12/09/2019