

## **Finance Vice Chair's REPORT TO AGM 2021**

The Annual Accounts – 2020

**In a further year of uncertainty, emanating from the pandemic with the changing landscape it was not entirely clear at the time of writing how many members will be able to attend in person for this year's AGM. I include myself and while I am hopeful about being able to attend, I may well be one of those joining on line as part of the hybrid event.**

**This report has been prepared to ensure that one of the essential elements of the AGM are completed, namely the approval of the Annual Accounts by members.**

**To assist with this process the accounts for the year for 2020 have been published. These comprise of the Income and Expenditure Account, Balance Sheet, Movement of Funds Summary (supported by notes to the accounts), and a 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, 65 Mortlake High Street, SW14 8HL or by email to [tboorman@napo.org.uk](mailto:tboorman@napo.org.uk).**

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**The auditors confirmed the accounts were prepared in accordance with financial regulations governing the union's capacity to deliver these and function accordingly.**

**Efforts to achieve the stated aim of a balanced budget continues and part of the contribution to the deficit of £341,755 has been around the costs associated with the purchase of property for Napo. This includes the £308,110 corporation tax, stamp duty and solicitors fees. The budget approved by the NEC was set at £269,269, achieving the reduction in deficit in respect of the revenue budget was as a result of undertaking union business differently; something that will continue to shape the way the business moving into the coming years.**

**I am aware that from the questions raised in the accountability session at last year's AGM that the financial health of the union continues to be a concern for members. Assisting in the scrutiny of the Unions finances has been the contribution of the Finance Sub-Committee who have already met to deal with the challenges posed for next year's budget. The costs of purchasing offices was as set out in previous reports part of the effort to take control of revenue expenditure. This has meant that the combined cost of £110,110 taken from reserves to pay for the offices at Falcon Road will be avoided in future. Reserves have fallen from £2,176,716 in 2019 to £1,726,605 in 2020 and this need to be protected by setting budgets which follow the objective of achieving a balance between expenditure and income. This raises challenges for the incoming Finance Vice Chair and the Finance Sub Committee.**

**Work on this has been undertaken over the year by scrutinising expenditure while seeking to ensure members interests through representation and the pursuit of campaigns along with meeting the challenges arising from re unification.**

**I am sure members share my considerable disappointment that Napo still awaits the arrival of the database and progress on providing the long heralded services connected to this. This includes the planned increase in the Direct Debit subscription rate for those members earning £35,001 - £40,000 from £23 a month to £24. This was planned for June this year after the launch of the database. However, this was not implemented when planned as it was considered without the support of the technology, would have been potentially greater than the return it would have yielded.**

**At the time of writing, there was no news around this and the delay has required additional money to be spent on running two systems along with the costs associated with the migration of data. This includes £36,755.71 for running the existing system which includes such costs as covering data extraction, maintenance running licences and running direct debit. Much of this will be avoided once the delayed database has been installed.**

**Once the database is up and running, the budget will need to finance the Napo Help Line as part of the arrangement with Morrish Solicitors at a cost of £57,000 a year.**

**Another additional cost will be the requirement to pay towards the running of the Certification Officer. This measure was launched under the guise of upholding employees' rights announced by Paul Scully, Minister for Small Business Consumers and Labour Markets. With it will be an increase in the powers of the certification officer to investigate unions without having to wait for complaints. Under the percentage, levied Napo will have to include £11,000 in the 2022 budget to pay this Tory tax on unions.**

## **2020 Accounts**

**The overall income for the year was £1,221,918 and expenditure was £1,672,029 made up of costs such as staffing, accommodation, operating costs, committee, AGM, branches, donation and affiliations, amounting to £1,254,465. Legal and representation for members £108,356 and payment of £308,110 capital gains tax to HMRC in respect of the profit on the sale of Chivalry Road office is included in the above figure.**

**During the year, we incurred additional costs of £165,523 in respect of VAT, Agent and Solicitors fees associated with the purchase of new premises. This cost would have increased the year's deficit to £615,635 but due to the skilful accounting practice of Theresa Boorman, these were accounted as capital expenditure instead of revenue expenditure. This has increased the property asset and in turn allow for a timely distribution of these costs back into the accounts by way of yearly depreciation over the lifetime of the asset.**

**The overall deficit for 2020 financial year was £341,755, which was better by £59,171 on the preceding year. This deficit once again has been offset from the general reserve funds**

## **Income**

### **Subscriptions**

**For the 2020 financial year, the amount received from membership subscription was £1,157,000. While this was £27,602 more than 2019, it was a long way from the first report I gave in 2010 subscription income for that year was £2,156,958 and there was a surplus before taxation and adjustments of £192,523. This demonstrates how much ground Napo needs to make to strengthen the Union's financial position.**

**Napo has continued to encourage a move towards paying subscriptions via direct debit but at the time of writing there were just over 390 members who had yet to make the change after reunification. Because those that do will be paying less on these more favourable rates, even without the switch a static membership base will lead to a further reduction of income.**

### **Other income**

**This at £7,932 is less than achieved in the previous year as a result of a reduced amount on deposit and a reduction in interest rates.**

## **Expenses**

### **Staff Costs**

**These for 2020 covering salary pensions and expenses were down on last year by £40,398 and reflected the net compliment of staff time has remained reasonably static along with the increase in reduced claims for expenses.**

### **Accommodation**

**Accommodation costs were broadly in line with those associated with the cost for Napo's office space in PCS building and increased by £8,927 under the extension of the additional rental period.**

## **Operating Costs**

**Office costs were down on the previous year by £102,952 reflecting as referred to the different way of conducting union activities.**

## **Committees, Conferences and Branch Costs**

**Likewise, committee expenditure was less by £48,047. However, the cost for AGM was considerably higher than the previous year at £78,182 compared to £55,529. This went over budget last year by £14,553.**

**Grants from National office to the branches was £13,881 less than the previous year with conference funding also down by £9,102 reflecting the hybrid event for last year's AGM.**

## **Affiliations and Donation**

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

## **Financial Costs**

**These continue to remain in line with previous years with a reduction of £1,358 on last year's thanks to the amount of preparation work undertaken by the Finance Official prior to the audit.**

## **Branches' Expenses**

**These were £2,758 less than last year.**

**I would like to remind Branch 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 less than the previous year by £6,808 partly as a result of the lack physical copies of the Napo Quarterly newsletter.**

## **Appointment of Auditors**

**Sturgess Hutchinson (Leicester) Limited have acted as Napo's auditors for the past four financial years and have successfully audited our annual accounts and assisted with the annual returns to the Certification Officer for England, Wales and Northern Ireland. 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 2021.**

## **Recommendations to AGM:**

- 1) To approve the Report and Accounts for the year ended 31 December 2020.**
- 2) To appoint Sturgess Hutchinson (Leicester) Limited as Napo's auditors for the year ending 31 December 2021.**

**Keith Stokeld  
National Vice Chair for Finance**