

## **NEC47/2018**

### **Finance Report to the November 2018 NEC**

Since being elected last year as chair with financial responsibility I have sought to focus on a number of developments linked to the role. Not least among this has been how to ensure the unions business and objectives could be financed within an increasingly challenging environment as evidenced by efforts to balance our revenue budget. However this, as was the case last year, has resulted in the setting of a deficit budget. The focus remains on reversing this trend and recent events have shown where the strength of the union lies and points to success as one of the drivers behind increased membership from which income is derived and where financial stability can be improved.

Producing the means on which Napo can best function includes ensuring that in addition to working with officers and officials on budget headings, enough detail was provided to ensure the budget could be scrutinised effectively by the finance sub-committee. The aim of this is to offer the NEC an informed basis on which to approve the finished article. The process has provided the basis for a realistic appraisal of income with a focus on ensuring the expenditure has been based on delivering the most effective outcomes.

Achieving this required budget holders to examine their bids on providing the most cost effective option with a clear vision on how each objective is to be delivered. In addition to meeting the standing obligations of the union such as staff costs, the expectation is that such items as member training and conferences are relevant and of the kind that members can sign up to, in venues and places that are accessible, and will ensure a commitment from branches and members to taking part.

A great deal of work has been invested into the adjustments made to reduce the deficit which within the current budget before the NEC stands at £197,288. Some of the decisions taken today may assist with this but at this point the business the NEC is asked to support will result in a deficit budget for 2019.

In addition to managing the revenue side of the budget it has been essential to ensure the proceeds of the sale from Chivalry Road have been protected while seeking to meet the agreed objectives set out in the “strategy for growth” These include such items as the I T developments linked to Napo’s emerging data base and other commitments such as financing the current office accommodation.

In addition to our core commitment to such things like affiliations to the TUC and GFTU, efforts are being made to examine existing arrangements such as the provision of ballots, legal services and other contracts, to ensure Napo is best placed to deliver for its members. Some of these are referred to here and in other reports.

One of the encouraging developments has been the Comms Strategy designed to improve member engagement, communication alongside the development and distribution of Napo Magazine. These have been developed to ensure members have a connection with the union and with such initiatives as the member’s journey. This includes a letter reminding members of the benefits of being in the union with a peel off membership card. The continuation of this is provided for as part of the £12,997 bid under publications.

## **Money from the sale of Chivalry**

In my report to the June NEC I referred to the sale of the office in Chivalry Road and approval was given for the officers to examine options around the purchase of another premises. Work has started on this including an approach for tenders from agents who could carry out the necessary searches for options. A meeting of the Premises Working Group is scheduled for the 26 November to consider these and set some goals for NEC to consider. A verbal update will be provided on the outcome of this meeting to the committee.

To assist, the following is a summary of the how money has been spent from the sale of Chivalry Road. £2,074,627 was the net proceed after estate agents and solicitors fees were paid. From this money the 3 year rental of the PCS building amounts to £285,327 to cover the rental/service charges for the 3 year period Napo is at Falcon Road.

Other amounts released included the £146,367 for the purchase of the data base.

In addition to this £45,254 has so far been released under Strategy for Growth for the FSC to report back on the spending of this including the recent allocation of £20,000 for the Branch Reps training. This equates to a total of £476,948 has been used or allocated leaving us with £1,597,679 on investment.

It must be noted that the chargeable gain on the sale is £1,605,963, of this the full capital gains tax has been calculated as £309,148. If Napo were to use £1 million including on costs for the purchase of a new building this would leave the sum of £605,963 liable to capital gains tax of £116,647. This will leave a balance of £481,032 on investment.

It is therefore crucial when considering the bids for the coming and subsequent years that there is a sense of realism over setting budget headings.

It is also worth considering there will continue to be a need to ensure there is sufficient funds to meet the cost of paying out any potential redundancies alongside any dissolution costs. It should be emphasised that none are being considered at this stage, but this is an ongoing commitment as a responsible employer.

With regard to the accompanying budget the following commentary is provided for members to assist in its deliberation.

## **Income**

In respect of subscription income the figure of £1,087,764 was based on membership figures sourced in August. It was considered prudent not to increase anticipated income in line with new applications for membership made since then.

### ***Other income streams:-***

These are made up of bank interest of £4,720 based on cash in bank. The income from the AGM is based on last year's registration figures as per attendance.

## ***Publications***

One of the achievements from the Napo Magazine has been the development of an income stream from Adverts and it is anticipated this will £6,000 will continue with anticipated growth as a result of the work under the comms strategy.

**Probation Journal** – this is based on the trends on royalty payments were reported on by Sage the publishers of the Journal. It was decided to keep the estimate on royalties at £38,000.

## **Expenditure**

### **Staffing**

**Salary -£745,605** - No allowance has been made in the budget for any increase in salary beyond the contractual increments.

**Staff expenses** – £13,000 these are for travel and associated costs incurred by staff in carrying out work for Napo. Investment in staff time remains a premium as it is recognised that there have been increasing demands on the time and commitment of Napo employees. These include dealing with re unification of Probation agenda and other campaigns such as Pay.

### **Staff training £3,400**

Within this bid a provision of £1,000 for Ad hoc training has been held as part of a contingency for approval of any application for staff training by FSC. This is to ensure there will be sufficient safeguards about its release to ensure transparency about its value to the union and ensure equity of opportunity in respect of any application from this provision. A request for £950 for a management development programme has also been held in a contingency until the reassurances were provided about its value to the union. Once established with the FSC it will be brought back to the NEC.

### **Professional indemnity insurance £2,000**

Checks are currently underway to ensure the policy covers staff and reps in line with the requirements of GDPR.

## **Operating Costs**

### **Printing £1,000**

Following the use of in house printing through PCS it has been possible to half the cost of this heading.

### **I T Maintenance Support £81,041**

Because of the need to ensure the integrity of the union's information and communication system software licences, maintenance of servers and warranties need to be secured as part of this expenditure.

### **New data base item £99000**

This forms part of money brought into budget as part of funding from strategy for growth. A transfer of £200,000 from reserves has been made to cover this cost and also the Rent and Service charge as mentioned above.

## ***Publications***

### **Probation Journal**

After considering a proposal to reduce the number of copies of the Journal published under the existing contract of 8000 to a figure that is more representative of our current membership of 6,000. This will reduce the current expenditure from approximately £62,343 to £55,656, a reduction of £6,687 for this publication. To achieve this Napo will enter into a 10 year contract taking our commitment to 2025. Currently the existing contract is due to run to 2021 and is for the purchase of 8,000 copies at £7.79 including Vat. It is worth bearing in mind that the net royalties from the Probation Journal have to date been around the £40,000 mark

### ***Strategy for Growth Comms £12,997***

This includes finance in support of the distribution network of the Napo magazine seeking the involvement of members and the publicising of the Union's activity along with approval for continued use of Mail Chimp. It also provides for the integrated individual letters with peel off labels referred to earlier. This will replace the rolling audit as a replacement and assists membership with up to date data as well as engaging members.

### **Family Court Journal**

After the NEC granted £5,000 for the publication of two journals at the time of writing no invoices were submitted for 2018 and as no bid to date has been made, no provision has been made for 2019

### ***Branch AGM Funding***

Following increasing and regular difficulties experienced by some branches in sending members to the AGM funding under this arrangement has been increased by 1% to 3%. This is designed to encourage activism within the branches.

However, this is seen as the first step as part of a review prompted by recent calls on the hardship fund some branches who have struggled to meet the gap between the AGM and the end of the financial year. For some branches this has included requests for additional support to send a reasonable number of activists to AGM which for some include meeting the challenges presented by the distance from the branch to the venue. Examination of the accounts submitted in support of these applications reflect how these branches have higher demands on their resources.

Any review would need to ensure that the financial discipline of branches continues to be supported while finding the means to improve the viability of branches who are consistently struggling. The current formula is based on a percentage of the total of a branches membership from the previous year. Adding any weighting say based on geographical area or perhaps a balance or urban versus rural would be complicated and potentially divisive. Attempts to find a way through this dilemma has proved finding a durable and equitable solution has been fraught with challenges leading to a return to the established formula as outlined.

The NEC is asked to consider ideas about how activism at a branch level can be sustained in a way that can allow for a call on the finite resources of the union.

### ***Conference Seminars and Forums***

#### ***The Forum Conference £3,568***

This is a reduction on last year to reflect the use of a more cost effective venue.

#### ***Branch Training and Development***

Two new headings have been added to this year's budget of £4,861 and £6,150 as part of the ongoing training and development for the branches

#### ***Family Court Conference £3,162***

The budget set aside for the conference takes account of previous years spends and the potential of the section to support the event and that there is no requirement for those attending to pay a registration fee.

#### ***Women in Napo £4,020***

This figure is a reduction to the previous allowance from 2017 but has been based on projected costs for the venue and in support of speakers as well as running the conference.

#### ***TUC budgets***

These have been revised to ensure attendance at each diversity conference is supported equally.

#### ***Contingency fund £11,540***

There is a contingency of £2,000 to provide for unforeseen events such as that used to generate the re unification campaign after the announcement to end the CRC contracts earlier. £7,500 has been set aside for a scheme under which members will be rewarded under a "recruit a friend campaign". Under this scheme those who succeed in introducing a colleague to join Napo, who stays for longer than three months will be able to claim a £25 reward. It is envisaged this will link to the comms strategy and the "Active8r" campaign. Research suggests this is an effective initiative and will be self- financing. However, a more detailed plan of action will need to be drawn up and submitted to the FSC for further considered. There is also a provision of £1,000 for Ad hoc staff training under the approval of the FSC and £950 for a management development programme. Both these sums are held in contingency until reassurances are provided regarding the spending value to the union.

#### ***Membership Recruitment £8,384***

Within this budget is a provision of £5,000 for promotional item, £3,000 for recruitment materials and a £384 for the use of survey monkey.

### ***The NEC is invited to approve the following recommendations:***

- 1. to approve the £11,450 contingency fund as above.**
- 2. to commission the FSC to review the current formula for branch funding with a view to presenting its findings to the NEC**
- 3. to approve the budget draft 2019 budget.**