



# Financial Report



# **PCS** **Financial report** **2019**

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Accounts to 31 December 2018

Budget 2019

Financial outlook 2019 – 2021



# PCS Financial report 2019

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# PCS Financial report 2019

Accounts to 31 December 2018

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# Overview of 2018

## INTRODUCTION

We present the PCS accounts for 2018. This commentary highlights the most important aspects of the financial results of the union for 2018. In addition to this overview, the financial report includes a review of the annual budget for 2019, and a review of the medium term financial outlook across 2020 to 2021. These accounts will be presented to the Annual Delegate Conference (ADC) in May 2019.

## OVERVIEW

Thanks to the detailed contingency planning put in place to deal with the financial trauma that arose following the government's unlawful withdrawal of 'check-off' in 2015, combined with the financial boost from the £3m DWP compensation award, the union's financial position has improved. The High Court compensation settlement provides a platform for the launch of claims in other departments and we are working with our lawyers to that effect.

Good financial planning and budgetary controls have paid off and with the support of budget holders, the union has survived the most challenging period in our history. The successful delivery of the new 3 year plan will further consolidate our long journey to full financial stability by 2020.

### Developments in 2018

There have been a number of positive and significant developments in 2018 that has boosted our financial position:

- a) The completion of the PCS Plan 2015-2017 which has restructured our staffing structure to better enable future union growth
- b) The stabilisation of union subscription income in 2018
- c) The High Court victory which has secured £3m compensation from the DWP with further claims to follow
- d) The delivery of our PCS rental strategy for 2 vacant

floors in HQ which has secured £1m worth in rental agreements per annum to date

- e) The launch of our ambitious new plan 2018–20 which envisages union growth over a 3 year period.

### Unfinished Business

Whilst the future looks much more positive, there is unfinished business on our finances to ensure that we implement the PCS plan from a strong and sustainable financial foundation.

We need to maintain a balance between income and expenditure. This is essential to avoid a rapid erosion of our bolstered reserves and to avoid a return to previous financial difficulties. It follows that, as we go forward, any increase in spending has to be mirrored by an increase in income though increased membership.

As part of our ongoing financial monitoring and planning, at the December meeting the NEC has agreed a mid-point financial review of the financial plan which will take place in the summer of this year.

### Membership and Income

Membership subscription income, after collection costs, was £21.0m in 2018 compared to £20.9m in 2017 and £21.3m in 2016. This relative stabilisation of subscription income last year, compared to previous years, provides a launch pad for growth in the future.

The unlawful withdrawal of check-off had a dramatic impact on our finances. In the worst year, 2015, our membership fell by 37,000. We now have 50,000 fewer members than at the start of 2015. However, the magnificent efforts of our reps in the Direct Debit campaign allowed us to weather the storm better than originally anticipated. We turned a potential crisis into an opportunity, have restructured our staffing to have a stronger PCS staff presence across the UK and have embarked on an ambitious modernisation and reform programme.



### 3 year Plan 2018-2020

At ADC 2018, we launched a new 3 year PCS plan with a strong financial component.

A reminder of the plan objectives:

- Growth in membership to 200,000
- Organising strength, increasing density, reps, diversity and member participation
- Budget surplus and £2m in fighting fund
- Key industrial objectives on pay, job security and a return to national bargaining.

Our staff restructuring was completed last year and now more of our resources are engaged on organising activity, working with our reps to strengthen our union's presence at workplaces.

With a renewed vigour and engagement of reps across the union we can deliver the objectives and grow the union in the period ahead.

### Recruitment – Key to Success

Key to our future financial success is enhanced workplace organisation efforts to increase our membership as well as strengthening union leverage to get more wins for our members. Groups and branches have a critical role at the centre of this objective, to ensure robust organising programmes are in place in every workplace. This forms part of the National Bargaining Strategy being put to ADC 2019.

### Pension Challenges

As highlighted in the previous four financial reports, as with all other pension schemes, the financial crash placed the PCS staff pension schemes in a major deficit scenario. A new pension scheme for all PCS staff was introduced in 2015 which increased contributions, raised the retirement age to 65 and reduced benefits. A long-term pension deficit recovery is in place under the supervision of the Pension Regulator. In 2017 deficit reduction payments increased to £3.1m per annum, as previously agreed as part of the 2012 pension valuation. Total pension costs for the year including deficit reduction payments amounted to £4.2m.

We continue to work closely with pension trustees and the staff union to find a long term sustainable plan to tackle the deficit as well as ensuring our staff have affordable and decent pensions.

## Modernising the Union

### a) PCS Accommodation Strategy

Our London HQ has been fully refurbished and 2 floors have been allocated for future rental purposes. The first and second floors have been made available for paying tenants with PCS staff located on the third and fourth floor. The ground floor continues to house the print room, reception with the remaining space allocated for rentable meeting rooms.

The income generated from renting out space in 2018 totalled £0.48m. Lease agreements for rental space in 2019 amount more than £1m per annum, and will be used to further consolidate the improving financial position of the union. The total cost of refurbishment was £3.1m. Our tenants include our sister unions NAPO and Unite, the local Labour MP and the NHS. Further rental opportunities on the second floor south wing are available with an expected income of £0.25m.

Elsewhere, we are planning to move the Midlands hub into a new Unite facility in central Birmingham in 2020 which will also house a hotel and conference centre. We are also reviewing our accommodation in Leeds.

### IT Investment Strategy

We have made a major investment in our IT infrastructure. We launched an IT digital project which will support our modernisation process, freeing up staff resources and improving the support we provide reps and their members.

## Summary of Financial Performance

In respect of financial performance, the key variances between 2017 and 2018 were:

### Income

- Gross membership income has reduced from 2017 levels by £19k.

### Investment income

- Dividend, interest and capital gains for 2018 were £32k (2017: £41k).

### Management of costs

- Total employment costs have increased by £0.3 million compared to actual costs in 2017.
- Non payroll costs have decreased by £0.2 million compared to actual costs in 2017.

### Campaign activities

- Campaign expenditure in 2018 was £455,507 (2017: £770,666)

### Balance sheet

The balance sheet shows net assets at the end of 2018 of £32.4 million compared to net assets of £22.4 million at December 2018. This movement includes under FRS102, a net pension reserve movement of £5.3 million.

Cash and investment balances have increased by £0.66 million, from £3.16 million to £3.82 million.

## INCOME

### Membership income

Membership subscription income, after collection costs, has reduced by £98k (2017: £374k). PCS has seen a loss of 1,648 members in 2018 (2017: 3,953). The financial impact due to the loss of members has been reduced by an increase in membership fees of 1% and a decrease in collection costs of £117k.

### Investment and commercial income

Dividend, interest and capital gains for 2018 were £32k (2017: £41k). The value of the PCS investment portfolio is £1.4 million (see page 31). This decreased by £34k in 2018 resulting in an overall loss of £2k to investment income (2017: £50k gain).

### PCS+

The new PCS plus membership scheme, exclusive for PCS members, is entirely free and accessible following registration. PCS Plus is managed by Boundless, formerly CSMA Club, who have been running one of the UK's largest membership schemes for more than 90 years. The scheme offers a range of services which can be viewed

on the PCS website. In 2018, commission income amounted to £48,031.

## EXPENDITURE

The 2018 budget (before campaign and political fund allocations and depreciation) was set at £21.1m which represented an increase of £0.2m in expenditure compared to the actual costs in 2017.

### Total Staff costs

Total staff costs were £13.3m in 2018 which amount to £0.1m more than budget. This includes gross salary costs of £8.3m, employer's National Insurance of £0.9m, pension fund contributions of £4.1m.

### Non Staff costs

Non payroll costs were £7.7 million in 2018 which is £0.5 million over budget.

	<b>2018 Actual £m</b>	<b>2018 Budget £m</b>	<b>2017 Actual £m</b>
Total staff costs	13.3	13.2	13.0
Non payroll costs	7.7	7.2	7.9
	<u>21.0</u>	<u>20.4</u>	<u>20.9</u>

## BALANCE SHEET

### Fixed assets

The property at 160 Falcon Road is shown currently shown under two headings in the balance sheet.

- i) Freehold Property at £3.6m, this is historic cost at 31 December 2018.
- i) Investment property at £12.9m based on current market value at 31 December 2018.

Due to Falcon Road rental usage, current accounting standards have required reclassification of part of the building from Freehold to Investment property.

Capital purchases of £537,347 for office furniture and computer equipment costs and £1,741,837 for refurbishment costs are included in the balance sheet.

### Investments and cash balances

Investment holdings have decreased in value from £1.415m to £1.412m. The investments of PCS remain managed by Sarasin’s Fund Managers. Cash balances stood at £2.406m up by £0.662m from 2017.

**The PCS ethical investment policy**

Full details of the ethical criteria are shown at Appendix II.

**Pensions**

The 2017 FRS102 pension adjustment to the balance sheet shows an increase in the net pension scheme asset position of £1.4 million in 2017 to a £6.7m million asset position as at December 2018.

In contrast, the FRS102 pension adjustment to the general fund income and expenditure account is a credit of £3.0 million. This reflects the increased contributions by the employer in 2018 towards pensions costs, compared to the average cost per annum of pension provision over the entire service life of a scheme member.

**Campaign and disputes fund**

We continue to ensure expenditure is directed towards our campaign priorities. The total campaign expenditure during 2018 was £455,507 and a detailed breakdown of this expenditure breakdown is provided on page 45 of this report. The fund stands at £144,061 at December 2018.

**Political fund**

The political fund at the end of December 2018 had 156,765 members contributing each month. Political fund expenditure in 2018 was £55,576 and again a full breakdown is detailed on page 46 of this report. The fund stands at £652,054 at December 2018.

**Subscriptions**

Branch Briefing 81 / 18 advised branches of the annual increase in subscriptions. In setting increases, the NEC had to make a balanced judgement in terms of the requirement to raise sufficient income to ensure the effective operation of the union to protect and promote members’ interests, set against what would be a fair and defensible subscription increases for the members themselves, many of whom continue to be subject to government pay restraint. As with all organisations, our costs increase year on year.

The union has gone through a financial trauma in recent years as a consequence of the Government’s unlawful withdrawal of ‘check-off’ collection of union subscriptions as described above.

At the same time the NEC recognised that many members are also experiencing difficulties with their own finances due to ongoing austerity measures. As a consequence, it has been agreed that the 2019 monthly subscription increase would be limited to between 4p and 21p. These increases are in line with the 1.5% government cap on civil service pay in 2019.

The new banding rates are set out below:

<b>Band</b>	<b>Salary Range</b>	<b>2019 Rate</b>
A	Over £26,000	£14.07
B	£24,001 – £26,000	£13.29
C	£22,001 – £24,000	£12.24
D	£20,001 – £22,000	£11.21
E	£18,001 – £20,000	£10.15
F	£16,001 – £18,000	£9.09
G	£14,001 – £16,000	£8.04
H	£12,001 – £14,000	£6.98
I	£10,001 – £12,000	£5.93
J	£8,001 – £10,000	£4.87
K	£6,001 – £8,000	£3.82
L	Up to £6,000	£2.76

**Credit Union**

At ADC 2018, we reported on the decision of the PCS Credit Union Board to enter into negotiations with 1st Class credit union with a view to merger. Membership endorsement of the merger followed and the transfer of PCS credit union undertakings took place in October.

PCS credit union interests are well represented on the 1st Class board and a working relationship between PCS and 1st Class has been established. 1st Class will be branded as ‘Your PCS credit union’ and we shall promote it as an additional membership benefit. The Membership Support Centre will act as a gateway to direct members to 1st Class.

Further information will be issued via a Briefing, a website update and at Annual Delegate Conference.

**Conclusion**

It is worth reflecting on our experience of the past 4 challenging years and to acknowledge that had ADC not agreed decisive actions in 2015, we would now be in serious financial difficulties facing compulsory redundancies for our staff, office closures and reduced support for members at a time when they need a union like never before.

We have successfully come through a very difficult financial period, have stabilised our position and can continue the process of rebuilding the union. Our ambition is to increase our membership and income which in turn can strengthen our organisational base and bargaining power with the employer. The successful delivery of the 3 year plan is the key to achieving our goals.

Consistent with the 2018-20 plan objectives, this year's report continues to set out a course to return to budget surpluses by the end of the 3 year review period and is based on the following financial aims:

- Meeting the financial objectives set out in the 2019 Finance Report within the framework of the 2018–20 PCS Plan

- Continuing to prioritise our organising work within the National Organising Strategy to strengthen our membership levels, union organisation and financial base
- Continuing to fund our recruitment and organising priorities to increase our bargaining power
- To manage and balance employment and non-staff costs as a proportion of subscription income
- Continuing to monitor all areas of expenditure / activity and introduce IT software to record committed expenditure to assist budget and audit controls
- Continuing to work with groups and branches to develop best practise and ensure sound financial controls are in place
- Review, monitor and re-negotiate where appropriate all contracts with external providers
- Develop the union's ethical, tax justice and environmental policies on PCS investments, PCS suppliers, procurement and facilities.

We ask members and branches to endorse the financial strategy contained in this report. Particular thanks are due to the Finance Committee, finance staff, Special Members Auditors and Lay Treasurers at all levels of the union for their work in delivering these results and the service given to PCS members.

**Chris Baugh**

National Treasurer

**Kevin McHugh**

Vice President and Chair of  
Finance Committee

**Jeff Evans**

Director of Central Services

**22 March 2019**



Public and Commercial Services Union

# Independent auditors' report

For the year ended 31 December 2018

## Independent auditors report to the members of the Public and Commercial Services Union

### Opinion

We have audited the financial statements of the Public and Commercial Services Union ("the Union") for the year ended 31 December 2018 which comprise the total funds income and expenditure account, the general fund income and expenditure account, the statement of comprehensive income, the balance sheet, the statement of changes in funds and reserves, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Union's affairs as at 31 December 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Trade Union and Labour Relations (Consolidation) Act 1992.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical

responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Officers' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Officers have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Officers are responsible for the other information. The other information comprises the information included in the Financial report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Union and its environment obtained in the course of the audit, we have not identified material misstatements in the Financial report.

We have nothing to report in respect of the following matters in relation to which the Trade Union and Labour Relations (Consolidation) Act 1992 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Union has not maintained a satisfactory system of controls over transactions; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit

### **Responsibilities of Officers**

As explained more fully in the Statement of Officers' responsibilities, the Officers are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Officers determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Officers are responsible for assessing the Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Officers either intend to liquidate the Union or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Union's members, as a body, in accordance with the Trade Union and Labour Relations (Consolidation) Act 1992. Our audit work has been undertaken so that we might state to the Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Union and the Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Phil Clifflands (Senior Statutory Auditor)**

**For and on behalf of BDO LLP, statutory auditor**

**London**

**25 March 2019**

**BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).**



Public and Commercial Services Union

# Total funds income and expenditure account

For the year ended 31 December 2018

	Note	2018 £	2018 £	2018 £	2017 £	2017 £	2017 £
		Before Pension Adjustment	Pension Adjustment	Total	Before Pension Adjustment	Pension Adjustment	Total
<b>Subscription income</b>							
Members subscriptions		21,211,384	–	21,211,384	21,230,292	–	21,230,292
Collection costs		(190,219)	–	(190,219)	(307,132)	–	(307,132)
		<b>21,021,165</b>	<b>–</b>	<b>21,021,165</b>	<b>20,923,160</b>	<b>–</b>	<b>20,923,160</b>
<b>Other income</b>							
Investment income	4	(2,418)	100,000	97,582	50,241	(300,000)	(249,759)
Commercial activities	5	561,665	–	561,665	216,698	–	216,698
Miscellaneous income	6	166	–	166	7,227	–	7,227
VAT recovered		41,042	–	41,042	53,598	–	53,598
		<b>600,455</b>	<b>100,000</b>	<b>700,455</b>	<b>327,764</b>	<b>(300,000)</b>	<b>27,764</b>
Income received from legal settlements	7	3,000,000	–	3,000,000	–	–	–
<b>Total net income</b>		<b>24,621,620</b>	<b>100,000</b>	<b>24,721,620</b>	<b>21,250,924</b>	<b>(300,000)</b>	<b>20,950,924</b>
<b>Expenditure</b>							
Network administration	8	(15,378,607)	2,900,000	(12,478,607)	(14,963,235)	3,200,000	(11,763,235)
Members representative costs	9	(2,284,652)	–	(2,284,652)	(2,241,214)	–	(2,241,214)
Members benefits	10	(1,078,082)	–	(1,078,082)	(1,242,126)	–	(1,242,126)
Members communications	11	(1,535,290)	–	(1,535,290)	(1,696,577)	–	(1,696,577)
Affiliations and donations	12	(759,223)	–	(759,223)	(746,366)	–	(746,366)
Campaign & disputes expenditure	Appendix A	(455,507)	–	(455,507)	(330,831)	–	(330,831)
Political fund expenditure	Appendix B	(55,576)	–	(55,576)	(75,046)	–	(75,046)
Fighting fund		22,089	–	22,089	3,551	–	3,551
Voluntary & selective early retirement fund expenditure		(99,079)	–	(99,079)	(755,624)	–	(755,624)
<b>Total expenditure</b>		<b>(21,623,927)</b>	<b>2,900,000</b>	<b>(18,723,927)</b>	<b>(22,047,468)</b>	<b>3,200,000</b>	<b>(18,847,468)</b>
<b>Total net income less expenditure</b>		<b>2,997,693</b>	<b>3,000,000</b>	<b>5,997,694</b>	<b>(796,544)</b>	<b>2,900,000</b>	<b>2,103,456</b>
<b>Depreciation</b>							
Freehold property	13	(63,026)	–	(63,026)	(85,279)	–	(85,279)
Leasehold property	13	(29,710)	–	(29,710)	(29,710)	–	(29,710)
Other fixed assets	13	(659,531)	–	(659,531)	(630,652)	–	(630,652)
		<b>(752,267)</b>	<b>–</b>	<b>(752,267)</b>	<b>(745,641)</b>	<b>–</b>	<b>(745,641)</b>
<b>Operating surplus / (deficit)</b>		<b>2,245,426</b>	<b>3,000,000</b>	<b>5,245,427</b>	<b>(1,542,185)</b>	<b>2,900,000</b>	<b>1,357,815</b>
Gain on investment property	13	2,510,259	–	2,510,259	1,163,661	–	1,163,661
Profit on disposal of investment property		–	–	–	–	–	–
Tax payable		–	–	–	(100,000)	–	(100,000)
<b>Net surplus / (deficit) for the year</b>		<b>4,755,686</b>	<b>3,000,000</b>	<b>7,755,686</b>	<b>(478,525)</b>	<b>2,900,000</b>	<b>2,421,475</b>
All operations are continuing							



## Public and Commercial Services Union

**General fund income and expenditure account**

As at 31 December 2019

	Note	2018 £	2018 £	2018 £	2017 £	2017 £	2017 £
		Before Pension Adjustment	Pension Adjustment	Total	Before Pension Adjustment	Pension Adjustment	Total
<b>Subscription income</b>							
Members subscriptions		21,211,384	–	21,211,384	21,230,292	–	21,230,292
Collection costs		(190,219)	–	(190,219)	(307,132)	–	(307,132)
		<b>21,021,165</b>	<b>–</b>	<b>21,021,165</b>	<b>20,923,160</b>	<b>–</b>	<b>20,923,160</b>
Subscriptions allocated to:							
Campaign & disputes fund	Standard	(525,000)	–	(525,000)	(399,350)	–	(399,350)
	Additional	–	–	–	–	–	–
Political fund		(194,844)	–	(194,844)	(201,160)	–	(201,160)
		<b>20,301,321</b>	<b>–</b>	<b>20,301,321</b>	<b>20,322,650</b>	<b>–</b>	<b>20,322,650</b>
<b>Other income</b>							
Investment income	4	(2,418)	100,000	97,582	50,241	(300,000)	(249,759)
Commercial activities	5	561,665	–	561,665	216,698	–	216,698
Miscellaneous income	6	166	–	166	7,227	–	7,227
VAT recovered		41,042	–	41,042	53,598	–	53,598
		<b>600,455</b>	<b>100,000</b>	<b>700,455</b>	<b>327,764</b>	<b>(300,000)</b>	<b>27,764</b>
Income received from legal settlements	7	3,000,000	–	3,000,000	–	–	–
<b>Total net income</b>		<b>23,901,776</b>	<b>100,000</b>	<b>24,001,776</b>	<b>20,650,414</b>	<b>(300,000)</b>	<b>20,350,414</b>
<b>Expenditure</b>							
Network administration	8	(15,378,607)	2,900,000	(12,478,607)	(14,963,235)	3,200,000	(11,763,235)
Members representative costs	9	(2,284,652)	–	(2,284,652)	(2,241,214)	–	(2,241,214)
Members benefits	10	(1,078,082)	–	(1,078,082)	(1,242,126)	–	(1,242,126)
Members communications	11	(1,535,290)	–	(1,535,290)	(1,696,577)	–	(1,696,577)
Affiliations and donations	12	(759,223)	–	(759,223)	(746,366)	–	(746,366)
Total expenditure		<b>(21,035,854)</b>	<b>2,900,000</b>	<b>(18,135,853)</b>	<b>(20,889,518)</b>	<b>3,200,000</b>	<b>(17,689,518)</b>
Total net income less expenditure		<b>2,865,922</b>	<b>3,000,000</b>	<b>5,865,923</b>	<b>(239,104)</b>	<b>2,900,000</b>	<b>2,660,896</b>
<b>Depreciation</b>							
Freehold property	13	(63,026)	–	(63,026)	(85,279)	–	(85,279)
Leasehold property	13	(29,710)	–	(29,710)	(29,710)	–	(29,710)
Other fixed assets	13	(659,531)	–	(659,531)	(630,652)	–	(630,652)
		<b>(752,267)</b>	<b>–</b>	<b>(752,267)</b>	<b>(745,641)</b>	<b>–</b>	<b>(745,641)</b>
Operating surplus / (deficit)		<b>2,113,655</b>	<b>3,000,000</b>	<b>5,113,657</b>	<b>(984,745)</b>	<b>2,900,000</b>	<b>1,915,255</b>
Gain on investment property	13	2,510,259	–	2,510,259	1,163,661	–	1,163,661
Profit on disposal of investment property		–	–	–	–	–	–
<b>Appropriation from / (to) reserves</b>							
Transfer from political fund		–	–	–	–	–	–
Net surplus for the year before cost of voluntary & early retirement		<b>4,623,914</b>	<b>3,000,000</b>	<b>7,623,915</b>	<b>178,916</b>	<b>2,900,000</b>	<b>3,078,916</b>
Transfer to fighting fund		(1,000,000)	–	(1,000,000)	–	–	–
Transfer from Property fund		92,736	–	92,736	114,989	–	114,989
Transfer to voluntary selective and early retirement		–	–	–	–	–	–
Tax payable		–	–	–	(100,000)	–	(100,000)
Net surplus for the year		<b>3,716,650</b>	<b>3,000,000</b>	<b>6,716,650</b>	<b>193,905</b>	<b>2,900,000</b>	<b>3,093,906</b>
All operations are continuing							

Public and Commercial Services Union

## Statement of comprehensive income

For the year ended 31 December 2018

	Before Pension adjustment £	Pension adjustment £	2018 Total £	2017 Total £
Surplus for the financial year - all funds	4,755,686	3,000,000	7,755,686	2,421,475
Reversal of unrealised opening gain on investment	-	-	-	0
Actuarial (losses) / gains on scheme assets	-	(11,800,000)	(11,800,000)	11,700,000
Actuarial gains/(losses) on scheme liabilities	-	14,100,000	14,100,000	(700,000)
<b>Other comprehensive income for the year</b>	-	<b>2,300,000</b>	<b>2,300,000</b>	<b>11,000,000</b>
<b>Total comprehensive income for the year</b>	<b>4,755,686</b>	<b>5,300,000</b>	<b>10,055,686</b>	<b>13,421,475</b>

## Public and Commercial Services Union

**Balance sheet**

As at 31 December 2018

	Note	2018		2017	
		£	£	£	£
<b>Fixed assets</b>					
<b>Tangible fixed assets:</b>					
Freehold property	13	3,592,835		3,655,860	
Leasehold property	13	612,122		641,833	
Investment property	13	12,879,000		10,070,000	
Other fixed assets	13	4,138,243		2,817,331	
			21,222,200		17,185,024
Investments	15		1,411,911		1,415,529
			22,634,111		18,600,553
<b>Current assets</b>					
Debtors	16	2,644,858		2,459,408	
Cash at bank and in hand	17	2,405,709		1,742,784	
		5,050,567		4,202,192	
<b>Current liabilities</b>					
<b>Amounts falling due within one year</b>					
Creditors	18	(1,935,452)		(1,809,203)	
<b>Net current assets</b>			3,115,115		2,392,989
<b>Total assets less current liabilities</b>			25,749,226		20,993,542
<b>Provisions:</b>					
Pension assets	23	24,300,000		22,600,000	
Pension liabilities	23	(17,600,000)		(21,200,000)	
			6,700,000		1,400,000
<b>Net assets</b>			32,449,226		22,393,541
Represented by:					
<b>Funds and reserves</b>					
General fund			11,430,043		7,713,393
Property fund			12,303,475		12,396,211
Campaign and disputes fund			144,061		74,568
Political fund			652,054		512,786
Fighting fund			1,074,297		52,208
Voluntary selective and early retirement reserve			145,296		244,376
Pension reserve			6,700,000		1,400,000
<b>Total funds and reserves</b>			32,449,226		22,393,541

Approved on behalf of the National Executive Committee and authorised for issue on 22 March 2019

Chris Baugh  
National TreasurerJeff Evans  
Head of Central Services

Public and Commercial Services Union

# Statement of changes in funds and reserves

For the year ended 31 December 2018

	2018 £ Total
<b>General fund</b>	
Brought forward at 1 January 2018	7,713,393
Surplus from income and expenditure account	6,716,650
Actuarial (losses) / gains on defined benefit pension schemes	2,300,000
Transfer to pension reserve	(5,300,000)
<b>Carried forward at 31 December 2018</b>	<u>11,430,043</u>

	2018 £ Total
<b>Property fund</b>	
<b>Brought Forward at 1 January 2018</b>	12,396,211
Transfer to general fund – depreciation	(92,736)
<b>Carried forward at 31 December 2018</b>	<u>12,303,475</u>

	2017 £ Total
<b>General fund</b>	
<b>Brought forward at 1 January 2017</b>	7,519,488
Surplus from income and expenditure account	3,093,906
Actuarial (losses) / gains on defined benefit pension schemes	11,000,000
Transfer to pension reserve	(13,900,000)
<b>Carried forward at 31 December 2017</b>	<u>7,713,394</u>

	2017 £ Total
<b>Property fund</b>	
<b>Brought Forward at 1 January 2017</b>	12,511,200
Transfer to general fund – depreciation	(114,989)
<b>Carried forward at 31 December 2017</b>	<u>12,396,211</u>

## Public and Commercial Services Union

**Statement of changes in funds and reserves**

For the year ended 31 December 2018 (continued)

Pension fund	2018 £
<b>Brought forward at 1 January 2018</b>	1,400,000
Transfer from general fund	5,300,000
<b>Carried forward at 31 December 2018</b>	<u>6,700,000</u>

There were no other comprehensive income movements in the year.

Rule book funds	Campaign and disputes fund 2018 £	Political fund 2018 £
	Appendix	
<b>Income</b>		
Allocation from general fund		
Standard	A/B 525,000	194,844
<b>Expenditure</b>	A/B (455,507)	(55,576)
Surplus income and expenditure account	69,493	139,268
<b>Brought forward at 1 January 2018</b>	A/B 74,568	512,786
<b>Carried forward at 31 December 2018</b>	<u>144,061</u>	<u>652,054</u>

There were no other comprehensive income movements in the year.

Pension fund	2017 £
<b>Brought forward at 1 January 2017</b>	(12,500,000)
Transfer from general fund	13,900,000
<b>Carried forward at 31 December 2017</b>	<u>1,400,000</u>

There were no other comprehensive income movements in the year.

Rule book funds	Campaign and disputes fund 2017 £	Political fund 2017 £
	Appendix	
<b>Income</b>		
Allocation from general fund		
Standard	A/B 399,350	201,160
Additional from VSER fund	438,000	-
Other income	1,835	-
<b>Expenditure</b>	A/B (770,666)	(75,046)
Surplus income and expenditure account	68,520	126,114
<b>Brought forward at 1 January 2017</b>	A/B 6,048	386,672
<b>Carried forward at 31 December 2017</b>	<u>74,568</u>	<u>512,786</u>

There were no other comprehensive income movements in the year.

Public and Commercial Services Union

# Statement of changes in funds and reserves

For the year ended 31 December 2018 (continued)

Designated reserves	Fighting Fund 2018 £	Voluntary selective and early retirement 2018 £
<b>Income</b>		
Transfer from general fund	1,000,000	-
Donations	22,089	-
<b>Expenditure</b>		
Costs associated with the VSER programme	-	(99,079)
Surplus/(deficit) income and expenditure account	1,022,089	(99,079)
<b>Brought forward at 1 January 2018</b>	52,208	244,376
<b>Carried forward at 31 December 2018</b>	1,074,297	145,296

There were no other comprehensive income movements in the year.

Designated reserves	Fighting Fund 2017 £	Voluntary selective and early retirement 2017 £
<b>Income</b>		
Transfer to campaign and disputes fund	-	(438,000)
Donations	36,990	-
<b>Expenditure</b>		
Costs associated with the VSER programme	-	(317,624)
Strike pay	(33,439)	-
Surplus/(deficit) income and expenditure account	3,551	(755,624)
<b>Brought forward at 1 January 2017</b>	48,657	1,000,000
<b>Carried forward at 31 December 2017</b>	52,208	244,376

There were no other comprehensive income movements in the year.

Public and Commercial Services Union

**Statement of changes in total funds and reserves**

For the year ended 31 December 2018

Statement of changes in total funds and reserves	Before Pension adjustment £	Pension adjustment £	2018 Total £	2017 Total £
<b>Members funds at 1 January 2018</b>	20,993,540	1,400,000	22,393,540	8,972,065
Surplus for the financial year	4,755,686	3,000,000	7,755,686	2,421,475
Actuarial gains on defined benefit pension schemes	–	2,300,000	2,300,000	11,000,000
<b>Members funds at 31 December 2018</b>	<b>25,749,226</b>	<b>6,700,000</b>	<b>32,449,226</b>	<b>22,393,540</b>

There were no unrealised gains and losses arising in the year in the campaign and disputes or political funds

Public and Commercial Services Union

# Statement of cashflows

For the year ended 31 December 2018

	Note	2018 £	£	2017 £	£
<b>Net cash inflow / (outflow) from operating activities</b>	22		2,940,909		(349,672)
<b>Cashflow from Investing activities</b>					
Interest received		461		100	
Dividends received		24,827		29,999	
Capital gains		6,967		11,240	
Purchase of tangible assets		(2,279,184)		(2,089,979)	
Sale of Investments		7,331		131,062	
Purchase of investments		(38,386)		(171,201)	
<b>Net cash generated from investing activities</b>			(2,277,984)		(2,088,779)
<b>Net increase / (decrease) in cash at bank and in hand</b>			662,924		(3,702,923)
<b>Cash and cash equivalents at the beginning of the year</b>			<u>1,742,784</u>		<u>5,445,707</u>
<b>Cash and cash equivalents at the end of the year</b>			2,405,709		1,742,784
<b>Cash and cash equivalents consists of:</b>					
Cash at bank and in hand			<u>2,405,709</u>		<u>£1,742,784</u>
<b>Cash and cash equivalents</b>			<u>2,405,709</u>		<u>£1,742,784</u>



## Public and Commercial Services Union

**Notes to the accounts**

For the year ended 31 December 2018

**1 Accounting policies****Basis of accounts**

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies

These financial statements incorporate the results of a number of semi-autonomous groups and branches operated by the Union with the estimated balance of funds held by each branch recognised within these financial statements. Movements in branch reserves are included in the year in which they occurred.

**Going concern**

The officers of the union have considered their obligations to prepare these financial statements on an appropriate basis, having regard to the union's net asset position at 31 December 2018.

The officers have also assessed the impact of the financial budgets in place for 2018 and beyond against the working capital available, notably its cash and investments.

The officers have also assessed the impact of the financial budgets in place for 2019 and beyond against the working capital available, notably its cash and investments. Despite a challenging environment a cash surplus arising from operations is expected in 2019.

As a result, in the opinion of the officers the union will have sufficient resources to meet its obligations as and when they fall due and accordingly the accounts have been prepared on a going concern basis.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

**a Subscriptions**

Subscription income received includes amounts

remitted by, and due to be remitted from, the following sources:

- i) Pay centres who operate a payroll deduction scheme on behalf of PCS.
- ii) Members who have a direct debit facility with their bank.
- iii) Branch and office secretaries.
- iv) Members directly to headquarters.

Amounts deducted by pay centres at 31 December 2018 but not received and members paying by direct debit one month in arrears have been brought into the income and expenditure account and included in current assets within debtors.

**b Investment and commercial income**

All investment and commercial income is credited to the general fund when receivable.

**c Taxation**

As an unincorporated association the PCS is liable to corporation tax on its investment income, and realised gains on investments sold. As a trade union relief is available in respect of provident benefits expenditure as statutorily defined. Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable surpluses

**d Depreciation**

Depreciation is calculated to write off the cost of an asset over its estimated useful working life.

- i) Depreciation on freehold property is charged, on a straight line basis, at 2% per annum.
- ii) Depreciation on leasehold property is being charged over the length of the lease
- iii) The following are depreciated on a straight line basis at 20% per annum.
  - a) Office furniture, machinery and equipment.
  - b) Computer equipment and software.

Public and Commercial Services Union

# Notes to the accounts

For the year ended 31 December 2018 (continued)

**c Company cars.**

Depreciation on freehold improvements is charged, on a straight line basis at 10% per annum.

**d Property – investment property**

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the general fund income and expenditure account.

**e Property – other**

Properties are included at deemed cost, less depreciation as detailed above.

**f Investments**

Investments are shown at market value and any appreciation or diminution in value between cost and market price at the end of the period is shown in the general fund statement of changes in funds and reserves. Gains and losses on disposal are calculated as the difference between gross cost and net proceeds and accounted for when realised. Certain investments that are held for political rather than investment purposes are stated at cost rather than market value. These are shown separately.

**g Operating Leases**

Operating lease rentals are charged to the income and expenditure account evenly over the term of the lease.

**h Pension costs**

The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting

pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

## 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the officers have made the following judgements:

### *Useful lives of property, plant and equipment*

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of property, plant and equipment would reduce.

## 3 Purpose of the funds and reserves

**a General fund**

Established to receive the subscription income and all other receipts which are intended to be used for the general purposes and meet all normal expenses and outgoings of the PCS.

**b Campaign and disputes fund**

Established by rule 9.11 to provide funds for special campaigns, including disputes, or highlight special issues concerning the PCS's membership.

**c Political fund**

Established by rule 9.12 to provide funds for campaigns which could include the furtherance of the political objectives to which section 72 of the Trade Union and Labour Relations (Consolidation) Act 1992 applies.

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Public and Commercial Services Union

## Notes to the accounts

For the year ended 31 December 2018 (continued)

**d Property fund**

Established to account for any capital costs, profits or losses, incurred in the future purchase or disposal of property.

**e Voluntary selective and early retirement reserve (formerly the early retirement reserve)**

Established to meet the identifiable costs of a voluntary selective early retirement scheme that allows PCS to release surplus staff.

**f Fighting fund**

Established to support members taking targeted industrial action, as agreed by the 2014 annual delegate conference.

**g Pension reserve**

Established to account for any FRS 102 revaluations on pension assets and liabilities.

Public and Commercial Services Union

# Notes to the accounts

For the year ended 31 December 2018 (continued)

	2018		2017	
	£	£	£	£
<b>4 Investment income</b>				
Dividends and credits		24,827		29,999
Net capital gains		6,967		11,240
Unrealised (loss) / gain on investments		(34,673)		8,902
Interest from investment managers		461		100
		<u>(2,418)</u>		<u>50,241</u>
Pension adjustment				
Expected return on pension scheme assets	5,300,000		5,200,000	
Interest on pension scheme liabilities	(5,200,000)		(5,500,000)	
		<u>100,000</u>		<u>(300,000)</u>
		<u>97,582</u>		<u>(249,759)</u>
<b>5 Commercial activities</b>				
Advertising income		32,811		49,525
Rent		480,823		99,012
Commission received:				
Liverpool Victoria		23,411		51,441
Lighthouse Financial Advice		15,257		-
BHSF		8,701		9,911
Union Income Benefit		(246)		6,810
Boundless		124		-
The People's Operator		784		-
		<u>561,665</u>		<u>216,698</u>
<b>6 Miscellaneous income</b>				
Other		166		7,227
		<u>166</u>		<u>7,227</u>

## Public and Commercial Services Union

**Notes to the accounts**

For the year ended 31 December 2018 (continued)

**7 Income received from legal settlements**

The Union reached a settlement of £3,000,000 in damages from the Department of Works and Pensions (DWP) in relation to a withdrawal of a system for collecting union subscriptions direct from salaries known as “check-off”.

**8 Network administration (summary)**

(See appendix C)

	2018		2017	
	£	£	£	£
Superannuation fund running costs		744,699		752,003
Pension Protection Fund Levy		75,421		70,120
Legal & professional fees		76,853		39,562
Credit Union Loan written off		4,145		–
Audit fees		40,582		38,600
Bank charges and interest		36,459		20,673
Staff development costs		17,822		14,218
Staff recruitment costs		16,532		23,041
Computer running costs		622,441		590,809
Vehicle running costs		6,423		4,367
Pension adjustment				
Current service costs of defined benefit schemes	1,000,000		900,000	
Past service costs of defined benefit schemes	300,000		–	
Pension contributions paid in year	(4,200,000)		(4,100,000)	
		(2,900,000)		(3,200,000)
Employment costs		11,687,319		11,329,220
Accommodation running costs*		1,108,536		1,074,711
Printing, stationery and photocopying		110,224		146,824
Postage		66,664		97,246
Research		47,163		57,302
Telephone		120,712		136,809
Office costs		168,077		219,690
Subsistence		123,351		119,055
Travel		266,212		215,934
Miscellaneous		38,974		13,051
Hospitality		–		–
		<u>12,478,607</u>		<u>11,763,235</u>

\* Includes rent paid £385,066 (2017; £391,494)

Public and Commercial Services Union

# Notes to the accounts

For the year ended 31 December 2018 (continued)

9 Members representative costs	Appendix	2018		2017	
		£	£	£	£
<b>Organising and learning</b>					
Recruitment publicity		79		8,700	
National organising forums		–		2,193	
Youth work		14,583		14,097	
National courses		5,898		3,631	
Group and associations courses		53		215	
Branch courses		116,162		52,559	
Organising and learning publicity		47,726		49,325	
			184,502		130,720
<b>Other meetings</b>					
International meetings		6,111		3,769	
Seminars		49,642		74,052	
National meetings		86,990		69,537	
			142,743		147,358
<b>National representatives</b>					
Annual delegate conference		519,617		498,040	
Subsistence		61,939		50,505	
Travel		69,822		56,290	
			651,378		604,835
<b>Elections</b>					
National		143,848		138,237	
Groups, associations and branches		70,032		73,608	
			213,879		211,845
<b>Local representatives</b>					
Group and occupational associations	D	768,710		811,448	
Branch grants		262,775		275,018	
Branch IT support		9,716		9,295	
Geographical and other structures	E	50,949		50,695	
			1,092,150		1,146,456
			2,284,652		2,241,214

## Public and Commercial Services Union

**Notes to the accounts**

For the year ended 31 December 2018 (continued)

<b>10 Members benefits</b>	<b>Appendix</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
Death and personal accident		317,536	297,295
Benevolence service		81,121	56,456
Legal Services		287,698	488,523
Ex IR group sickness benefit		3,953	8,682
Helplines		59,580	22,900
Gold badges		–	1,973
Employment costs		328,193	366,297
		<b>1,078,082</b>	<b>1,242,126</b>
<b>11 Members communications</b>			
PCS View/PCS People		222,215	415,929
National publications		–	954
Employment costs		1,313,076	1,279,695
		<b>1,535,290</b>	<b>1,696,577</b>
<b>12 Affiliations and donations</b>			
Affiliation fees	<b>G</b>	751,423	732,942
PCS in the community fund		2,000	2,800
Donations	<b>F</b>	5,800	10,624
		<b>759,223</b>	<b>746,366</b>

Public and Commercial Services Union

# Notes to the accounts

For the year ended 31 December 2018 (continued)

	Investment Property £	Freehold Property £	Long Leasehold Properties £	Short Leasehold Properties £	Total Property £
<b>13 Tangible fixed assets</b>					
<b>Property</b>					
<b>Valuation/cost</b>					
<b>Brought forward at 1 January 2018</b>	10,070,000	4,151,485	563,500	282,560	15,067,545
Additions	298,741	-	-	-	298,741
Revaluation in year	2,510,259	-	-	-	2,510,259
<b>Carried forward at 31 December 2018</b>	<b>12,879,000</b>	<b>4,151,485</b>	<b>563,500</b>	<b>282,560</b>	<b>17,876,545</b>
<b>Depreciation</b>					
Brought forward at 1 January 2018	-	(495,625)	(28,175)	(176,052)	(699,852)
Depreciation for year	-	(63,026)	(5,635)	(24,075)	(92,736)
Carried forward at 31 December 2018	-	(558,651)	(33,810)	(200,128)	(792,589)
Net book value at 31 December 2018	12,879,000	3,592,834	529,690	82,432	17,083,957
Net book value at 31 December 2017	10,070,000	3,655,860	535,325	106,508	* 14,367,693

The Unions, freehold property 160 Falcon Road is held under existing use and as investment property. The property was revalued by SHW, an external valuer, on the basis of existing use and rental property using standard RICS terms, as at the 31 December 2018.

At 31 December 2013. The property is secured. At 31 December 2016 the PTC pension scheme had a charge over the 160 Falcon Road of £7.825 million.

<b>EQUIPMENT</b>	<b>Freehold Improvements</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Company cars</b>	<b>Total</b>
<b>Cost</b>		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Brought forward at 1 January 2018</b>	891,654	606,987	3,090,714	10,000	4,599,355
Elimination of fully depreciated assets	-	(43,254)	(522,465)	-	(565,719)
Additions in year	1,443,096	78,928	458,419	-	1,980,443
<b>Carried forward at 31 December 2018</b>	<b>2,334,750</b>	<b>642,661</b>	<b>3,026,668</b>	<b>10,000</b>	<b>6,014,079</b>
<b>Depreciation</b>					
Brought forward at 1 January 2018	-	(279,039)	(1,492,984)	(10,000)	(1,782,023)
Elimination of fully depreciated assets	-	43,254	522,465	-	565,719
Depreciation for year	-	(117,032)	(542,499)	-	(659,531)
<b>Carried forward at 31 December 2018</b>	<b>-</b>	<b>(352,817)</b>	<b>(1,513,018)</b>	<b>(10,000)</b>	<b>(1,875,835)</b>
<b>Net book value at 31 December 2018</b>	<b>2,334,750</b>	<b>289,844</b>	<b>1,513,650</b>	<b>-</b>	<b>4,138,243</b>
Net book value at 31 December 2017	891,654	327,948	1,597,730	-	2,817,332

Freehold improvements represent assets that are under construction.



Public and Commercial Services Union

# Notes to the accounts

For the year ended 31 December 2018 (continued)

14 Taxation on surpluses on ordinary activities	2018 £	2017 £
<b>UK Corporation tax</b>		
Current tax on income from the year	–	160,000
Adjustment in respect of prior year	(200,000)	–
Movement in deferred tax	200,000	(60,000)
<b>Tax on results on ordinary activities</b>	–	100,000
<b>(Deficit) / surplus on ordinary activities before tax</b>	<b>7,755,686</b>	<b>2,521,475</b>
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2016: 20%)	1,473,580	479,080
Non taxable income	(1,473,580)	(459,080)
Adjustment in respect of prior years	–	140,000
Tax on results on ordinary activities	–	160,000

15 Investments	Bonds and Unit Trusts and Money market					Total Investment movement £
	Equity £	Interest bearing stock £	funds £	£	Miscellaneous holdings at cost £	
<b>Market value:</b>						
<b>Cost brought forward 1 January 2018</b>	13,658	54,000	500,832	69,215	704,269	1,341,974
Unrealised gains	9,757	209	63,589	–	–	73,555
<b>Market value carried forward 1 January 2018</b>	<b>23,415</b>	<b>54,209</b>	<b>564,421</b>	<b>69,215</b>	<b>704,269</b>	<b>1,415,529</b>
<b>Movement in year-cost</b>						
Purchases-cost	–	–	–	–	321	321
Disposals-cost	(6,977)	–	–	–	(354)	(7,331)
Cash deposit	–	–	–	38,065	–	38,065
<b>Cost carried forward 31 December 2018</b>	<b>6,681</b>	<b>54,000</b>	<b>500,832</b>	<b>107,280</b>	<b>704,236</b>	<b>1,373,029</b>
Unrealised gains in year	2,523	(3,266)	39,625	–	–	38,882
<b>Market value carried forward 31 December 2018</b>	<b>9,204</b>	<b>50,734</b>	<b>540,457</b>	<b>107,280</b>	<b>704,236</b>	<b>1,411,911</b>

	Appendix	2018 £	2017 £
Equities	<b>H</b>	9,204	23,415
Bonds and interest bearing stock	<b>I</b>	50,734	54,209
Unit trusts and funds	<b>J</b>	540,457	564,421
Money market	<b>K</b>	107,280	69,215
Miscellaneous holdings at cost	<b>L</b>	704,236	704,269
		<b>1,411,911</b>	<b>1,415,529</b>

## 16 Debtors

### Recoverable in less than one year:

Membership subscription debtor	1,623,846	1,607,968
Other debtors	589,121	382,305
Prepayments	431,890	469,136
	<b>2,644,858</b>	<b>2,459,408</b>

Public and Commercial Services Union

# Notes to the accounts

For the year ended 31 December 2018 (continued)

17 Cash at bank and in hand	2018	2017
	£	£
Cash	2,148	2,017
Bank	2,157,386	1,448,257
Balances in hands of groups and branches	246,174	292,510
	2,405,709	1,742,784

18 Creditors: amounts falling due within less than one year

Trade creditors	581,186	709,469
Accruals	823,726	785,891
Deferred income	219,394	–
Corporation tax payable	31,146	233,843
Deferred tax payable	280,000	80,000
	1,935,452	1,809,203

## Public and Commercial Services Union

**Notes to the accounts**

For the year ended 31 December 2018 (continued)

**19 Commitments****Lessee**

The PCS has the following rental agreements net of VAT:

	Date of Expiry	Total Commitment
		£
Property leased		
1 Islington Liverpool, L3	30 June 2025	339,296
6 Holt Court North, Birmingham, B7	31 August 2018	32,000
Lease to be ceased on completion of new premises		
John Dobson St, Newcastle, NE1	24 March 2025	217,589
145 West Regent, St Glasgow G2	1 December 2027	470,976
Towncentre House, Wood house lane, Leeds	24 May 2020	170,139
1 Cathedral Street, Cardiff, CF1	9 Dec 2025	268,621
Part 2nd Floor Tony Benn House, Victoria Street, Bristol, BS1 6AY	30 June 2030	163,525
Peterborough, 15 Church Walk, Peterborough. PE1 22TP	21 August 2031	150,315

**Leasehold**

5 Falcon Mews	2113	202,900
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**Lessor**

PCS leases out office space under non-cancellable operating leases for the following future minimum lease payments. There are no contingent rents.

	2018	2017
Not later than 1 year	968,835	110,158
Later than 1 year and not later than 5 years	4,364,496	165,925
Later than 5 years	7,893,128	–
	13,226,459	276,083

**20 Contingent liabilities**

On 16 December 2004 the union gave its commitment to a charge over the freehold property (Note 12) of £4.5 million to the PTC pension scheme.

On 19 January 2009 the charge was revised up to a maximum amount of £7.825 million.

**21 Related party transactions**

At 31 December 2018 the PTC pension scheme had a charge over the Unions freehold property (Note 13).

Public and Commercial Services Union

# Notes to the accounts

For the year ended 31 December 2018 (continued)

## 22 Reconciliation of operating surplus to net cash movement from operating activities

	2018		2017	
	£	£	£	£
<b>Surplus for the year – general fund</b>		6,716,650		3,093,906
Appropriation to campaign and disputes fund	525,000		837,350	
Campaign and disputes fund expenditure	(455,507)		(770,666)	
Donations	–		1,835	
		69,493		68,520
Appropriation to political fund	194,844		201,160	
Political fund expenditure	(55,576)		(75,046)	
		139,268		126,114
Appropriation to fighting fund	1,022,089		36,990	
Fighting fund expenditure	–		(33,439)	
		1,022,089		3,551
Allocation to designated reserves	–		–	
Transfer from property fund	(92,736)		(114,989)	
Transfer from VSER fund	–		(438,000)	
VSER expenditure	(99,079)		(317,624)	
		(191,815)		(870,614)
Depreciation		752,267		745,641
Pension contributions paid in year	(2,900,000)		(3,200,000)	
		(2,900,000)		(3,200,000)
		5,607,952		(32,882)
Interest receivable	(461)		(100)	
Dividends	(24,827)		(29,999)	
Pension scheme income	(100,000)		300,000	
(Gain) on sale of investments	(6,967)		(11,240)	
Loss/(gain) on revaluation of investments	34,673		(8,902)	
(Gain) on revaluation of investment property	(2,510,259)		(1,163,661)	
Increase/(decrease) in creditors	126,247		(741,414)	
(Increase)/decrease in debtors	(185,450)		74,054	
		(2,667,043)		(1,581,262)
<b>Net cash inflow from operating activities</b>		<b>2,940,909</b>		<b>(1,614,144)</b>

## Public and Commercial Services Union

**Notes to the accounts**

For the year ended 31 December 2018 (continued)

**23 Pension**

The PCS operates two funded defined benefit pension schemes providing benefits based on length of service and final pensionable salary. The assets of each scheme are held separately by means of an independent trust advised by professional actuaries. In addition since the incorporation of the Association of Magisterial Officers, PCS has been a member of the General Federation of Trade Unions Pension Scheme, a defined benefit scheme.

The pension charge to the general fund for all schemes for the period was £4,191,532 (2017: £4,133,625)

**The PTC Pension Scheme**

PCS operates this as a defined benefit scheme. The assets of the scheme are held, almost entirely, by Aon PLC in the form of individual holdings of equities, unit trusts, government securities, hedge funds and cash. An actuarial valuation of the scheme was carried out at 31 December 2015.

Employer contributions to the scheme charged to the general fund amounted to £2,778,846. Additional employer contributions will be required if there are any redundancies or augmentations during the year.

**The main actuarial assumptions were:**

Rate of pay increases 1.5% pa  
Rate of pension increases – RPI 3.2% pa

Expenses incurred in operating the scheme are charged to the PCS general fund income and expenditure account.

An interim valuation has been performed as at 31 December 2018 for FRS 102 accounting purposes and the assumptions used and the deficit within the scheme are disclosed as follows

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under Pension are set out below:

**Main financial assumptions**

	at 31 December 2018 (% p.a.)	at 31 December 2017 (% p.a.)	at 31 December 2016 (% p.a.)
Inflation assumption-RPI	3.2	3.2	3.3
Rate of general long-term increase in salaries	1.5	1.5	1.5
Rate of increases to pensions in payment	3.2	3.2	3.3
Discount rate for scheme liabilities	2.9	2.5	2.7

The scheme rules link to RPI not CPI.

Public and Commercial Services Union

# Notes to the accounts

For the year ended 31 December 2018 (continued)

## 23 Pension (continued)

### The PTC Pension Scheme (continued)

#### Mortality assumption

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 26.7 years if they are male and 28.6 years if they are female. A member currently aged 45 will live an additional 27.8 years from the age of 60 if they are male and 29.9 years if they are female.

#### The assets in the scheme and the expected rates of return were:

	Value at 31 December 2018 £m	Value at 31 December 2017 £m	Value at 31 December 2016 £m
Equities	16.7	42.7	43.8
Hedge fund	15.2	-	-
Opportunities portfolio	2.9	-	-
Other liquid assets	4.9	-	-
Property	2.6	7.6	5.4
Government bonds	6.7	28.6	27.9
Hedging components**	40.5	8.9	9.1
Corporate bonds	17.7	7.5	7.1
Alternative Investments	-	13.3	10.1
Cash & other	0.4	3.8	0.7
Combined	107.6	112.4	104.1

\*The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

\*\* This includes an annuity policy held with Sun Life

#### Narrative description of the basis used to determine expected return

PCS employs a building block approach in determining the long-term rate of return on scheme assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme at 31 December 2018.

#### Reconciliation of funded status to balance sheet

	Value at 31 December 2018 £m	Value at 31 December 2017 £m	Value at 31 December 2016 £m
Fair value of scheme assets	107.6	112.4	104.1
Present value of funded defined benefit obligations	(125.2)	(133.6)	(132.3)
(Liability) recognised on balance sheet	(17.6)	(21.2)	(28.2)

## Public and Commercial Services Union

**Notes to the accounts**

For the year ended 31 December 2018 (continued)

**23 Pension (continued)****The PTC Pension Scheme (continued)****Analysis of income and expenditure charge**

Current service cost
Past service cost
Interest cost
Expected return on scheme assets
Expenses recognised in income and expenditure

Year ended 31 December 2018	Year ended 31 December 2017
£m	£m
0.3	0.3
0.3	–
3.3	3.5
(2.8)	(2.8)
1.1	1.0

**Changes to the present value of the defined benefit obligation during the year****Opening defined benefit obligation**

Current service cost
Interest cost
Contributions by scheme participants
Actuarial (loss)/ gain on scheme liabilities*
Net benefits paid out
Past service cost

Year ended 31 December 2018	Year ended 31 December 2017
£m	£m
133.6	132.3
0.3	0.3
3.3	3.5
0.2	0.2
(9.2)	0.4
(3.3)	(3.1)
0.3	–
125.2	133.6

\*Includes changes to the actuarial assumptions

**Changes to the fair values of scheme assets during the year****Opening fair value of scheme assets**

Expected return on scheme assets
Actuarial gain/(loss) on scheme assets
Contributions by the employer from all funds
Contributions by scheme participants
Net benefits paid out

Year ended 31 December 2018	Year ended 31 December 2017
£m	£m
112.4	104.1
2.8	2.8
(7.3)	5.6
2.8	2.8
0.2	0.2
(3.3)	(3.1)
107.6	112.4

**Closing fair value of scheme assets****Actual return on scheme assets**

Expected return on scheme assets
Actuarial gain/(loss) on scheme assets
Actual return on scheme assets

Year ended 31 December 2018	Year ended 31 December 2017
£m	£m
2.8	2.8
(7.3)	5.6
(4.5)	8.4

Public and Commercial Services Union

# Notes to the accounts

For the year ended 31 December 2018 (continued)

## 23 Pension (continued)

### The PTC Pension Scheme (continued)

#### Analysis of amounts recognised in statement comprehensive income (SOCl)

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Total actuarial gains/(losses)	(1.9)	5.2
Total gain/(loss) in SOCl	(1.9)	5.2
Cumulative amount of (losses) recognised in SOCl	(35.7)	(33.8)

#### History of asset values, defined benefit obligation and surplus/(deficit) in scheme

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Fair value of scheme assets	107.6	112.4	104.1	90.2	88.6
Defined benefit obligation	(125.2)	(133.6)	(132.3)	(107.4)	(111.7)
Deficit in scheme	(17.6)	(21.2)	(28.2)	(17.2)	(23.1)

#### History of experience gains and losses

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Experience gains/(losses) on scheme assets	7.3	5.6	11.8	(0.6)	0.1
Experience gains/(losses) on scheme liabilities*	(9.2)	(0.4)	(23.5)	5.2	-

\* This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.



## Public and Commercial Services Union

**Notes to the accounts**

For the year ended 31 December 2018 (continued)

**23 Pension (continued)****The CPSA Pension Scheme**

PCS operates this as a defined benefit scheme. A full actuarial valuation of the scheme was carried out as at 31 December 2015.

The assets of the scheme are held by Legal & General and Hermes in the form of managed funds.

The main actuarial assumptions are:

Rate of pay increases	1.5%
Rate of pension increases – CPI	2.1%

The pension fund meets expenses incurred in operating the scheme.

Employer contributions to the scheme amounted to £1,387,704. Additional employer contributions will be required if there are any redundancies or augmentations during the year.

An interim valuation has been performed as at 31 December 2018 for FRS 102 accounting purposes and the assumptions used and the surplus within the scheme are disclosed as follows:

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under Pension are set out below:

**Main financial assumptions**

	31 December 2018 (% p.a.)	31 December 2017 (% p.a.)	31 December 2016 (% p.a.)
Inflation assumption – CPI	2.1	2.1	2.2
Rate of general long-term increase in salaries	1.5	1.5	1.5
Rate of increases to pensions in payment	2.1	2.1	2.2
Discount rate for scheme liabilities	2.9	2.5	2.7

The scheme rules link inflation assumptions to CPI.

**Mortality assumption**

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 26.7 years if they are male and 28.6 years if they are female. A member currently aged 45 will live an additional 27.8 years from the age of 60 if they are male and 29.9 years if they are female.

Public and Commercial Services Union

# Notes to the accounts

For the year ended 31 December 2018 (continued)

## 23 Pension (continued)

### The CPSA pension scheme (continued)

The assets in the scheme and the expected rates of return were:

	Value at 31 December 2018	Value at 31 December 2017	Value at 31 December 2016
	£m	£m	£m
Equities	8.7	41.2	37.7
Property	3.9	1.5	9.7
Opportunities portfolio	2.0	-	-
Other liquid assets	4.5	-	-
Government bonds	18.0	24.3	23.7
Corporate bonds	13.1	14.1	13.5
Diversified Growth Fund	14.3	7.9	7.3
Hedging component	31.7	-	-
Other	0.2	9.7	0.5
Combined	96.4	98.7	92.4

\*The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

### Narrative description of the basis used to determine expected return

PCS employs a building block approach in determining the long-term rate of return on scheme assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme at 31 December 2018.

### Reconciliation of funded status to balance sheet

	Value at 31 December 2018	Value at 31 December 2017	Value at 31 December 2016
	£m	£m	£m
Fair value of scheme assets	96.4	98.7	92.4
Present value of funded defined benefit obligations	(72.1)	(76.1)	(76.7)
Asset recognised on balance sheet	24.3	22.6	15.7

### Analysis of income and expenditure charge

	Year ended 31 December 2018	Year ended 31 December 2017
	£m	£m
Current service cost	0.7	0.6
Interest cost	(0.6)	(0.4)
Expenses recognised in income and expenditure	0.1	0.2

## Public and Commercial Services Union

**Notes to the accounts**

For the year ended 31 December 2018 (continued)

**23 Pension (continued)****The CPSA pension scheme (continued)****Changes to the present value of the defined benefit obligation during the year**

	Year ended 31 December 2018	Year ended 31 December 2017
	£m	£m
<b>Opening defined benefit obligation</b>	76.1	76.7
Current service cost	0.7	0.6
Interest cost	1.9	2.0
Contributions by scheme participants	0.4	0.4
Actuarial losses/(gains) on scheme liabilities*	(4.9)	0.3
Net benefits paid out	(2.1)	(3.9)
<b>Closing defined benefit obligation</b>	<b>72.1</b>	<b>76.1</b>

\*Includes changes to the actuarial assumptions

**Changes to the fair values of scheme assets during the year**

	Year ended 31 December 2018	Year ended 31 December 2017
	£m	£m
<b>Opening fair value of scheme assets</b>	98.7	92.4
Expected return on scheme assets	2.5	2.4
Actuarial gains/(losses) on scheme assets	(4.5)	6.1
Contributions by the employer from all funds	1.4	1.3
Contributions by scheme participants	0.4	0.4
Net benefits paid out	(2.1)	(3.9)
<b>Closing fair value of scheme assets</b>	<b>96.4</b>	<b>98.7</b>

**Actual return on scheme assets**

	Year ended 31 December 2018	Year ended 31 December 2017
	£m	£m
Expected return on scheme assets	2.5	2.4
Actuarial gain/(loss) on scheme assets	(4.5)	6.1
Actual return on scheme assets	(2.0)	8.5

**Analysis of amounts recognised in statement of comprehensive income (SOCl)**

	Year ended 31 December 2018	Year ended 31 December 2017
	£m	£m
Total gain/(loss) in SOCl	(0.4)	5.8
Total actuarial gain/(loss) in SOCl	(0.4)	5.8
Cumulative amount of (losses) recognised in SOCl	2.9	3.3

Public and Commercial Services Union

# Notes to the accounts

For the year ended 31 December 2018 (continued)

## 23 Pension (continued)

### The CPSA pension scheme (continued)

#### History of asset values, defined benefit obligation and surplus in scheme

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Fair value of scheme assets	96.4	98.7	92.4	79.0	78.8
Defined benefit obligation	(72.1)	(76.1)	(76.7)	(63.1)	(66.1)
<b>Surplus in scheme</b>	<b>24.3</b>	<b>22.6</b>	<b>15.7</b>	<b>15.9</b>	<b>12.7</b>

#### History of experience gains and losses

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Experience gains/(losses) on scheme assets	4.4	6.1	11.2	(0.3)	3.6
Experience (losses)/gains on scheme liabilities*	(4.8)	(0.3)	(12.5)	2.9	(0.2)

\* This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

#### The General Federation of Trade Unions Pension Scheme (GFTU)

The union participates in the GFTU defined benefit pension scheme, a multi-employer scheme. Previously it was not possible to identify the union's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and as a result contributions were charged to the income and expenditure account as they were paid. Following discussions with the scheme actuary it has now been established that it is possible to identify the assets and liabilities attributable to the union. However, the officers of the union are of the opinion that the cost of obtaining the precise value of their share of the scheme deficit as at 31 December 2018 along with disclosures required to fully comply with FRS 102 Section 28 "Employees Benefits" outweighs the benefits given the known immaterial value of the union's share of assets and liabilities. Therefore these financial statements have continued to treat this scheme as if it were a defined contribution scheme.

**The charge to PCS general fund for the year was £24,982 (2017: £24,847).**

#### Reserves

	Year ended 31 December 2017 £m	Year ended 31 December 2017 £m
Funds as stated excluding pension assets/(liabilities)	25.8	21.0
Pension liability	(17.6)	(21.2)
Pension asset	24.2	22.6
<b>Adjusted funds figure including pension assets/(liabilities)</b>	<b>32.4</b>	<b>22.4</b>

## 24 Contingent assets

In 2018, the Union reached a settlement of £3,000,000 in damages from the Department of Works and Pensions (DWP) in relation to a withdrawal of a system for collecting union subscriptions direct from salaries known as “check-off”.

The High Court has declared that the DWP breached our members’ contracts when withdrawing check off and has also declared that PCS can claim damages under the Contracts (Rights of Third Parties) Act 1999.

The Union will now be pursuing similar claims against other employers who withdrew check off.

**The following pages do not form part of the audited financial statements.**

## Public and Commercial Services Union

**Appendices to the accounts**

For the year ended 31 December 2018

**A Campaign and disputes fund (detailed analysis)**

	2018		2017	
	£	£	£	£
Balance at 1 January 2018		74,568		6,048
Transfer from subscription Income		525,000		399,350
Transfer from VSER fund		–		438,000
Hardship fund donations		–		1,835
		<u>599,568</u>		<u>845,233</u>
Strike Pay	(13,240)		(66,380)	
Civil Service Compensation scheme – Consultative Ballot	–		–	
National Communications	(99,421)		–	
Anti-jobs cuts campaign	(58,274)		(371,921)	
Strategic legal cases	(71,732)		(272,971)	
Credit Union	–		(20,617)	
Industrial Action Ballots	(195,690)		(9,955)	
Department of Works and Pensions	(15,500)		(19,271)	
Alternative vision for the justice system	(212)		(1,666)	
Customs & Excise Group	(488)		–	
Commercial Sector Group	(4,010)		–	
Mod Core Group	(57)		–	
Miscellaneous costs	3,259		(6,004)	
Culture Media & Sports Group	(143)		(1,880)	
		<u>(455,507)</u>		<u>(770,666)</u>
<b>Balance at 31 December 2018</b>		<u>144,061</u>		<u>74,568</u>

Public and Commercial Services Union

# Appendices to the accounts

For the year ended 31 December 2018 (continued)

**B Political fund**

	2018		2017	
	£	£	£	£
<b>Balance at 1 January 2018</b>		512,786		386,672
Transfer from subscription income		194,844		201,160
		707,630		587,832
Less:				
Parliamentary work	(38,365)		(60,356)	
Unite Against Fascism	(2,822)		724	
Greening The Workplace	(8,727)		(8,863)	
Scottish Campaigns	(5,663)		(2,204)	
International Campaigns	–		(4,347)	
		(55,576)		(75,046)
<b>Balance at 31 December 2018</b>		<u>652,054</u>		<u>512,786</u>



## Public and Commercial Services Union

**Appendices to the accounts**

For the year ended 31 December 2018 (continued)

**C Network administration (detail)**

	2018		2017	
	£	£	£	£
<b>National costs</b>				
Superannuation fund costs		744,699		752,003
Pension Protection Fund Levy		75,421		70,120
Legal and professional fees		76,853		39,562
Credit Union Loan written off		4,145		0
Audit fees		40,582		38,600
Bank charges and interest		36,459		20,673
Staff development costs		17,822		14,218
Staff recruitment costs		16,532		23,041
Computer running costs		622,441		590,809
Vehicle running costs		6,423		4,367
Pension adjustment				
Current service costs of defined benefit schemes	1,000,000		900,000	
Past service costs of defined benefit schemes	300,000		–	
Pension contributions paid in year	(4,200,000)		(4,100,000)	
		(2,900,000)		(3,200,000)
		<u>(1,258,624)</u>		<u>(1,646,607)</u>
<b>London headquarters</b>				
Employment costs		7,358,413		7,797,959
Voluntary selective and early retirement scheme costs paid		–		90,560
Accommodation running costs		414,421		387,122
Printing, stationery and photocopying		88,657		127,194
Postage		49,800		81,361
Research		47,163		57,302
Telephone		119,460		132,037
Office running costs		132,594		188,429
Subsistence		50,992		54,653
Travel		114,871		90,925
Miscellaneous		38,773		12,557
		<u>8,415,144</u>		<u>9,020,099</u>
<b>English regions</b>				
<b>Yorkshire and Humberside</b>				
Employment costs		735,796		469,775
Accommodation running costs		221,461		217,605
Printing, stationery and photocopying		4,492		3,980
Postage		3,509		4,220
Telephone		234		714
Office running costs		15,189		15,454
Subsistence		10,803		10,861
Travel		24,599		24,853
Miscellaneous		50		203
		<u>1,016,131</u>		<u>747,665</u>

Public and Commercial Services Union

# Appendices to the accounts

For the year ended 31 December 2018 (continued)

**C Network administration (detail) (continued)**

	2018 £	2017 £
<b>North West</b>		
Employment costs	695,400	436,524
Accommodation running costs	90,448	108,594
Printing, stationery and photocopying	3,356	2,880
Postage	3,586	3,345
Telephone	250	254
Office running costs	3,099	3,172
Subsistence	10,012	11,420
Travel	13,554	14,108
	<u>819,705</u>	<u>580,297</u>
<b>Eastern</b>		
Employment costs	–	97,763
Accommodation running costs	17,274	13,964
Printing, stationery and photocopying	675	245
Postage	221	1,187
Telephone	–	590
Office running costs	1,120	1,397
Subsistence	16	797
Travel	222	826
Miscellaneous	6	–
	<u>19,533</u>	<u>116,769</u>
<b>West Midlands</b>		
Employment costs	691,905	553,390
Accommodation running costs	129,681	108,994
Printing, stationery and photocopying	4,250	4,648
Postage	5,701	2,448
Telephone	–	1,607
Office running costs	6,251	2,712
Subsistence	16,860	8,159
Travel	30,398	21,287
Miscellaneous	0	45
	<u>885,046</u>	<u>703,290</u>
<b>Northern</b>		
Employment costs	–	79,292
Accommodation running costs	50,343	51,465
Printing, stationery and photocopying	2,628	2,039
Postage	502	1,018
Telephone	134	254
Office running costs	2,359	2,136
Subsistence	1,811	–
Travel	5,365	–
	<u>63,142</u>	<u>136,204</u>

## Public and Commercial Services Union

**Appendices to the accounts**

For the year ended 31 December 2018 (continued)

**C Network administration (detailed) (continued)**

	2018 £	2017 £
<b>South West</b>		
Employment costs	(623)	188,854
Accommodation running costs	31,706	40,024
Printing, stationery and photocopying	1,015	589
Postage	789	(221)
Telephone	274	639
Office running costs	1,055	1,507
Subsistence	4,086	5,061
Travel	9,732	10,675
Miscellaneous	15	–
	<u>48,049</u>	<u>247,128</u>
<b>London and South Eastern</b>		
Employment costs	811,510	505,235
Subsistence	8,167	12,441
Travel	16,907	17,645
	<u>836,585</u>	<u>535,321</u>
<b>Devolved</b>		
<b>Scotland</b>		
Employment Costs	687,637	604,033
Accommodation Running Costs	85,141	80,155
Printing, Stationery & Photocopying	2,302	1,956
Postage	783	1,435
Telephone	243	(213)
Office Running Costs	1,470	2,268
Subsistence	12,948	7,523
Travel	30,405	21,047
	<u>820,928</u>	<u>718,204</u>
<b>Wales</b>		
Employment Costs	707,281	505,835
Accommodation Running Costs	68,062	66,795
Printing, Stationery & Photocopying	2,849	3,216
Postage	1,773	2,453
Telephone	117	726
Office Running Costs	4,940	2,614
Subsistence	7,656	7,997
Travel	20,158	13,280
Miscellaneous	131	246
	<u>812,967</u>	<u>603,162</u>
<b>Ireland</b>		
Printing, Stationery & Photocopying	–	76
Subsistence	–	143
Travel	–	1,288
Telephone	–	196
	–	1,703
	<u>12,478,607</u>	<u>11,763,235</u>

Public and Commercial Services Union

# Appendices to the accounts

For the year ended 31 December 2018 (continued)

## D Group and occupational associations

	2018 £	2017 £
ATOS	3,610	8,500
Aviation Group	15,058	17,800
Commercial Sector Association	3,772	3,882
Crown Prosecution Service	23,349	21,056
Culture, Media & Sport OA	10,634	9,000
Defence Sector	19,141	29,000
Department for Business & Innovation Skills	26,834	41,000
Department for Transport	29,004	35,000
Department for Work and Pensions	269,358	297,300
Department of Health	811	1,333
Education Group	4,741	3,991
Environment, Food and Rural Affairs	15,457	20,000
Forestry Commission	1,982	1,500
Government Communications Group	47,759	27,000
HP Enterprise Services	–	2,160
Home Office	36,897	55,000
Land Registry	21,047	25,058
Metropolitan Police	5,966	9,000
Ministry of Justice	71,943	77,000
Office of National Statistics	1,947	1,163
PSG Eastern	10,064	10,813
Revenue & Customs	146,332	170,000
Scottish Government	2,335	2,500
Welsh Government	749	400
National Offender Management Service	252	–
Returned funds	(333)	(58,008)
	<u>768,710</u>	<u>811,448</u>

## E Geographical and other structures

	2018 £	2017 £
Public Services Group	–	4,484
Associate Members Section	18,099	16,756
Professional Managers Association	21,298	18,994
Regional committees:		
Wales	1,154	1,589
Scotland	439	859
Ireland	311	359
Eastern	2,344	1,393
North West	557	2
Northern	771	1,289
Midlands	1,971	565
South West	2,227	2,007
London & South East	134	–
Yorkshire and Humberside	1,643	2,398
	<u>50,949</u>	<u>50,695</u>

## Public and Commercial Services Union

**Appendices to the accounts**

For the year ended 31 December 2018 (continued)

**F Principal donations**

The donations over £100 are listed below

	2018 £	2017 £
Shewsbury 24 Campaign	2,500	–
RMT	1,000	–
Justice4Grenfell Campaign Ltd	1,000	–
Mechanics Institute Trust	500	500
Jack Jones Trust	500	–
Burston Strike School	200	200
Railway Children	100	–
Centre for Labour and Social Studies	–	5,000
The Radical Housing Network	–	2,000
The Friends of the Durham Miners	–	1,000
Show Racism the Red Card	–	500
The Mary MacArthur Holiday Trust	–	300
European Federation of Public Services Unions	–	224
With Banners Held High	–	200
Phil Maxwell	–	200
Working Class Movement Library	–	200
Women Against State Pension Unequality	–	100
Black Activist Rising Against Cuts	–	100
Totally Eclipse of the Sun	–	100
	<u>5,800</u>	<u>10,624</u>

Public and Commercial Services Union

# Appendices to the accounts

For the year ended 31 December 2018 (continued)

**G Affiliation fees**

	2018	2017
	£	£
ACTSA	350	350
Black Activists Rising Against Cuts (BARAC) UK	100	100
Amnesty International	240	240
Campaign Against Climate Change	300	300
Campaign for Press/Broadcasting Freedom	450	450
Cuban Solidarity Campaign	200	200
Eurocadres	1,272	1,294
European Federation of Public Service Unions	34,101	34,674
European Transport Workers Federation	983	–
General Federation of Trade Unions	8,220	8,220
Howard League	400	–
Institute of Employment Rights	(2,329)	408
International Transport Workers Federation	2,125	2,475
Irish Congress of Trade Unions	6,522	6,522
Jubilee Debt Campaign	1,500	1,500
Labour Research Department	17,836	15,160
Mena Solidarity Network	200	200
National Pensioners Convention	2,250	2,275
Public Services International	82,117	80,798
STUC	43,556	40,749
Trade Justice Movement	500	500
Trade Union Coordinating Group	6,458	6,431
TUC	506,274	513,841
UNI	29,268	8,500
Union Des Finanzpersonals in Europa	5,000	5,035
Unity Trust Bank	169	–
Venezuela Solidarity Campaign	–	240
Wales TUC	2,462	1,695
War on Want	500	500
Women's Federation of England	400	285
	<u>751,423</u>	<u>732,942</u>

## Public and Commercial Services Union

**Appendices to the accounts**

For the year ended 31 December 2018 (continued)

**H Equities**

	Nominal holding 2018	Cost 2018 £	Market value 2018 £	Market value 2017 £
3I Infrastructure PLC ord NPV	6,750	6,977	-	14,016
International Public Partnership Ltd 0.01p ordinary shares	6,000	6,681	9,204	9,399
		13,658	9,204	23,415

**I Bonds and interest bearing stock**

	Nominal holding 2018	Cost 2018 £	Market value 2018 £	Market value 2017 £
Sarasin Responsible Corporate Bond - I Inc	52,174	53,878	50,734	54,209
		53,878	50,734	54,209

**J Unit trusts and investment funds**

	Nominal holding 2018	Cost 2018 £	Market value 2018 £	Market value 2017 £
BH Macro Ltd Ordinary	450	7,900	10,643	8,937
Source Physical Gold	97	9,212	9,507	9,072
Sarasin CI Real Estate Equity Income	974	8,880	15,710	16,750
Sarasin Equisar - Global Thematic	10,409	75,000	98,744	105,344
Sarasin Sterling Bond	277,598	298,660	303,135	319,515
Sarasin Global Dividend-I Inc	43,153	60,383	62,399	64,729
Sarasin IE Systematic	653	6,322	5,936	5,828
Jupiter Absolute Return - IA	11,069	6,358	6,213	6,228
ICS - INC Sterling Heritage Account (Blackrock)	271	28,000	28,170	28,018
		500,715	540,457	564,421

**K Money market**

	Nominal holding 2018	Cost 2018 £	Market value 2018 £	Market value 2017 £
Sarasin & Partners LLP Money Market		69,215	107,280	69,215
		69,215	107,280	69,215

Public and Commercial Services Union

# Appendices to the accounts

For the year ended 31 December 2018 (continued)

## L Miscellaneous holdings

	Nominal holding 2018	Cost 2018 £	Market value 2018 £	Market value 2017 £
Members portfolio				
Accenture Ltd Class A common shares	40	744	4,429	4,528
Atos Origin SA €1 common stock	25	781	1,604	2,693
Babcock International Group PLC 60p ordinary shares	105	401	515	742
Balfour Beatty PLC 50p ordinary shares	250	915	623	741
Banco Santander SA	51	1,185	182	248
Cap Gemini SA €8	25	830	1,945	2,195
Capita Group PLC 2p ordinary shares	126	914	355	505
DXC Technology	30	413	1,253	2,105
CRSA Inc	–	–	–	664
Eurocorp	200	722	172	186
Engie	8	87	90	–
G4S PLC	400	946	790	1,066
Groupe Steria SCA	80	774	1,451	2,767
Grupo Ferrovial SA €1	60	813	956	1,008
IBM Corporation common stock	15	750	1,338	1,702
Interserve	255	102	27	–
Lonmin PLC	1	1,378	–	1
MITIE Group PLC 2.5p ordinary shares	400	852	442	771
Osran Licht AG	1	15	34	67
Propecta Inc	15	63	203	0
Siemens AG no-par-value registered shares	15	710	1,317	1,546
Total Members' Portfolio		13,395	17,726	23,535
<b>Miscellaneous holdings</b>				
Unity Trust Bank PLC:				
'A' ordinary shares of £1	171,844	172,093	171,844	171,844
'C' ordinary shares of £1	102,728	105,129	102,728	102,728
'A' ordinary shares of £1	50,000	100,000	100,000	100,000
Energy Prospects Co-operative Ltd £1 shares	1,000	1,000	1,000	1,000
Wortley Hall Ltd £5 shares	200	1,000	1,000	1,000
Trades Union British Trust	57,952	311,619	362,767	398,075
		704,236	757,065	798,182



# **PCS** **Financial report** **2019**

Financial outlook 2019–2021

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# PCS annual budget 2019

## INTRODUCTION

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This section of the Financial Report sets out the detailed budget for 2019 agreed by the NEC and the outline budgets for 2020 and 2021.

As stated in the introductory overview, we are continuing along a path towards financial stabilisation following the Government's vindictive withdrawal of check-off and the subsequent financial fallout for the union from 2015 onwards.

The £3m compensation award received from the DWP in November 2018, as a result of our High Court action, has provided a much needed cash boost and has assisted cash flow management. Further compensation claims against other government departments 'check-off' are in the pipeline.

### Cash Position

As we highlighted in the 2018 Finance Report, a combination of falling membership coupled with an ambitious 'spend-to-save' investment programme meant that our cash reserves had fallen last year. At the start of 2018, we agreed an overdraft facility with Unity Trust Bank to ensure we had sufficient cash resources before the anticipated inward flow of additional rental income from late 2018 onwards. The DWP compensation award enabled us to cancel that facility.

The past 4 years have been exceptionally challenging in respect of financial management as we had to dramatically reduce spending across the board. We are grateful for the patience and support of all budget holders and treasurers across the union.

Effective financial planning and budgetary control provided ensured operational continuity and we turned a crisis into an opportunity by making changes to our structure and ways of working. We reformed our staffing structure so that a greater proportion of our staff resource is based in the regions to support our reps and the delivery of our union growth

ambitions. The successful delivery of the current 3 year plan will take us back into achieving annual surpluses and complete the long journey of full financial stability by 2020.

### Recruitment is Key

Whilst the future looks much more positive, there is unfinished business on our finances to ensure that we implement the PCS plan from a strong and sustainable financial foundation.

We need to maintain a balance between income and expenditure. This is essential to avoid a rapid erosion of our bolstered reserves and to avoid a return to previous financial difficulties. It follows that, as we go forward, any increase in spending has to be mirrored by an increase in income though increased membership.

In looking forward, it is self-evident that the key to the union's future financial prosperity is the delivery of enhanced organising activity which is the foundation of the PCS Plan. Successful implementation will lead to better organised workplaces, strengthening union leverage and protecting union income.

As part of our ongoing financial monitoring and planning the NEC has agreed a mid-point financial review of the financial plan which will take place in the summer of this year following conference.

This report details the main features and issues surrounding the budget for 2019 as well as providing the underlying assumptions on income projections.

## FORMAT

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The budget presented includes the following statements:

- General fund income and expenditure account
- Balance sheet
- Supporting income and expenditure analyses.

## OVERVIEW

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The 2019 budget has been established by the NEC using

the latest projections on expected subscription income. A prudent and cautious approach has been adopted for that purpose.

**Key assumptions in the creation of this budget are detailed below.**

## INCOME

Membership subscription income after collection costs has been budgeted at £21.2 million. An assumption has been made that our membership will remain stable in 2019 i.e. no gains or losses. This is based on an assessment of recruitment and leaver rate trends and factors in the additional resources being allocated for organising activity. Our organising programme will be shaped by a strategic approach to recruitment in which all groups and branches will be engaged.

Allocations have been made from subscription income to campaign and political funds of £0.8 million. As in prior years we will review the demands on the campaign budget at the midyear point when we will also be able to further update our assumptions on the membership position.

## EXPENDITURE

General fund expenditure (before campaign and political fund allocations and depreciation) is budgeted at £21.1 million. This includes staff and non-staff costs.

### Staffing Budget

There has been a modest increase of £0.3 million in the staff cost budget. This includes the cost of the annual pay rise.

The union has now completed its staff restructuring programme following the financial trauma as a result of the check-off withdrawal in 2015. Mirroring the decline in membership, staffing numbers have reduced by a third in the past 8 years.

Staff Costs (Pay + Pension + NI)	£10.3m
Pensions deficit recovery payment	£3.1m
Non-staff costs	£7.7m
Total	£21.1m
<hr/>	
Campaign and Political fund	£0.8m

## NETWORK ADMINISTRATION

A summary of the main budget issues and changes follows:

- **Superannuation Fund Running Costs and Pension Protection Fund:** There was a sizeable overspend on this budget in 2018, mainly relating to pension reform, GDPR and additional work linked to the deficit funding position and governance review. An additional £100k has been added to the budget to cover the cost of the 2018 valuation work.
- **Computer systems:** It is hoped that cost savings would be realised in 2020 linked to the replacement of the Commix database, however we are currently still paying for the old system as well as developing the new one. We have delayed some hardware purchases e.g. laptops until 2020 but other IT upgrades and hardware are required incurring an additional £110k
- **Office and Accommodation:** Budgets are similar to those set for 2018.
- **Telephone:** The annual budget has been reduced as a new cloud based telephony system has been installed as part of the IT upgrade with a centrally paid billing arrangement.
- **Printing:** The demand for printing in 2018 was much higher than expected and the 2019 budget has been revised slightly upwards accordingly.
- **Travel and Subsistence:** The T&S budgets for 2018 across the board were set too low and did not properly allow for an increase in workplace organising activity. As a consequence, the budget was overspent by more than £100k.

**Budget increase compared to 2018 £641,626**

## MEMBERS REPRESENTATIVES COSTS

- **National Elections:** We have managed to reduce election spend in previous years through efficiency measures, however in 2018 there are elections for AGS and GS positions and this will incur an additional cost of £135k.
- **Branch and Group funding:** Despite the fall in membership in 2018, branch and group funding budgets will remain at 2018 levels.
- **Annual Conference:** The budget for ADC 19 has been frozen at the same level as 2018.

**Budget increase compared to 2018. £237,447**

## PCS annual budget 2019 (continued)

### BENEFITS AND COMMUNICATION COSTS

- **PCS People:** This budget is being reduced as we transition from costly paper communications, with heavy postage charges, to greater use of digital communication. In addition, we have successfully trialled other new media such as Facebook and the move to a broader range of communication methods will continue as part of the digital project.
- **Death and Personal Accident:** This budget is being increased based on 2018 patterns of expenditure.

**Budget decrease compared to 2018 £198,049**

### AFFILIATIONS AND DONATIONS

The affiliations budget has been set at 2018 levels.

**Budget increase compared to 2018 £66**

### CAMPAIGN AND POLITICAL FUND

We have increased the budget to support activity on major campaigning initiatives, including pay.

**Budget increase compared to 2018 £63,787**

### PCS TRAVEL SERVICES

PCS conducted a Travel Services Review in line with ADC decisions. This resulted in PCS signing a new contract in 2018 with Redfern. The company is a leading supplier of services to large civil service departments including DWP, HMRC and Scottish Government. This is a travel and hotel booking service available to reps and full time officers claiming travel and subsistence and has generated savings through the greater use of online booking. The contract is monitored through quarterly meetings with Redfern and an annual review has been agreed by the NEC following conference.

### BALANCE SHEET

#### Fixed Assets

Capital bids were carefully reviewed to ensure only essential expenditure will be incurred.

Capital purchases for office furniture and computer equipment have been set at £0.48m.

#### Investments and Cash

As always the balance between holdings of cash and investments will need careful management to enable cash flows to be met but we do not anticipate a need to

disinvest during 2019.

#### Reserves and funds

Expenditure on campaigns and political activities is budgeted at £0.8m which reflects the continuing campaigning needs in the current climate.

#### FRS102 Pension adjustment

No assumptions can be made concerning FRS102 pensions adjustment, as the pension asset / liability created is a function of market conditions which cannot be reliably predicted. The position of £6.7A million net assets at December 2018 has been included in the balance sheet as this is the current known position.

### OVERVIEW AND CONCLUSION

The 2019 budget has been set appropriately as we see an improvement in our financial position thanks to the collective effort to balance our books over the past four years.

We believe the tide has now turned in our favour. We are rebuilding the union and creating a more dynamic, visible and strategically focussed organisation. Keeping the finances in good shape is integral to our future success.

#### Chris Baugh

National Treasurer

#### Kevin McHugh

Vice President and Chair of Finance Committee

#### Jeff Evans

Director of Central Services

**22 March 2019**

## PCS budget 2019

**General fund projected income and expenditure account**

For the year ended 31 December 2019

	Notes	2019 £	£
<b>Income</b>			
<b>Subscription income</b>			
Members subscriptions		21,468,000	
Collection costs		(246,000)	
			21,222,000
<b>Other income</b>			
Investment income	1	24,200	
Commercial activities	2	1,206,160	
			1,230,360
<b>Total income</b>			22,452,360
<b>Expenditure</b>			
<b>General fund expenditure</b>			
Network administration	3	(15,325,938)	
Members representative costs	4	(2,312,525)	
Members benefits	6	(1,149,412)	
Members communications	5	(1,606,070)	
Affiliations and donations	7	(749,466)	
TOTAL			(21,143,411)
<b>Subscriptions allocated to campaign and political funds</b>			(799,670)
<b>Depreciation</b>			
Depreciation on freehold properties		(63,026)	
Depreciation on leasehold properties		(29,710)	
Depreciation on other fixed assets		(835,434)	
			(928,170)
<b>Transfer to Property Fund</b>			292,736
<b>Tax</b>			(80,000)
<b>Total expenditure</b>			(22,658,515)
<b>Budgeted general fund overall deficit</b>			(206,155)

PCS budget 2019

# General fund projected balance sheet

As at 31 December 2019

<b>Fixed Assets</b>	£
Freehold property	3,529,809
Leasehold property	582,413
Investment property	12,879,000
Other fixed assets	3,940,808
	<u>20,932,030</u>
Investments	1,437,411
Cash	2,225,575
<b>Cash / Investments</b>	<u>3,662,985</u>
<b>Current assets</b>	
Debtors and Prepayments	2,686,000
Creditors and accrued charges	(1,862,000)
<b>Net current assets</b>	<u>824,000</u>
<b>Total assets less current liabilities</b>	<u>25,419,016</u>
<b>Total net assets</b>	25,419,016
<b>Pension adjustments</b>	
Pension assets	24,300,000
Pension Liabilities	(17,600,000)
	<u>6,700,000</u>
<b>Total net Asset at 31 December 2019</b>	<u><u>32,119,015</u></u>
Represented by:	
<b>Funds</b>	
General	11,223,891
Property	12,010,739
Campaign and political funds	942,795
Fighting Fund	1,096,295
<b>Designated reserves</b>	
Voluntary Selective and early retirement	145,296
<b>Pension adjustment</b>	
Pension reserve	6,700,000
<b>Total budgeted reserves and funds at 31 December 2019</b>	<u><u>32,119,015</u></u>

## PCS budget 2019

**Notes supporting the budget**

For the year ending 31 December 2019

	2018 £
<b>1 Investment income</b>	
Dividends	23,900
Interest from investment managers	300
	<u>24,200</u>
<b>2 Commercial activities</b>	
Advertising income	32,000
Commission received	29,185
Rent	1,144,975
	<u>1,206,160</u>
<b>3 Network administration summary</b>	
Superannuation fund running costs	(650,000)
Pension protection levy	(76,126)
Legal and professional fees	(38,000)
Audit fees	(43,000)
Bank charges	(34,070)
Staff Recruitment Costs	(3,000)
Staff development costs	(22,000)
Computer system running costs-ITT	(609,872)
Computer system running costs-campaigns	(121,000)
Vehicle running costs	(3,000)
Employment costs	(11,666,800)
Accommodation running costs	(1,064,404)
Printing, stationery & photocopying	(201,750)
Postage	(96,500)
Research & Media Costs	(49,500)
Telephone	(125,226)
Office running costs	(148,915)
Subsistence	(133,025)
Travel	(229,600)
Miscellaneous	(10,000)
Hospitality	(150)
	<u>(15,325,938)</u>

PCS budget 2019

# Notes supporting the budget

For the year ending 31 December 2019 (continued)

	2018	£
	£	£
<b>4 Members representative costs</b>		
Organising and learning		
Recruitment publicity	(8,700)	
National organising forum	(850)	
Youth work	(14,000)	
PCS Academy	(90,000)	
Organising and learning publicity	(25,500)	
	<u>                    </u>	(139,050)
Other meetings		
International meetings	(2,500)	
Seminars	(46,250)	
National meetings	(103,050)	
	<u>                    </u>	(151,800)
National representatives		
Delegate conference	(503,500)	
Subsistence	(60,075)	
Travel	(69,000)	
	<u>                    </u>	(632,575)
Elections		
National	(293,000)	
Groups, occupational associations and branches	(75,000)	
	<u>                    </u>	(368,000)
Local representatives		
Group and occupational associations	(700,000)	
Branch grants	(255,000)	
IT support	(1,000)	
Geographical and other structures	(65,100)	
	<u>                    </u>	(1,021,100)
		<u>                    </u>
		<u>(2,312,525)</u>
<b>5 Members communications</b>		
PCS People		(180,000)
Employment costs		(1,426,070)
		<u>                    </u>
		<u>(1,606,070)</u>



## PCS budget 2019

**Notes supporting the budget**

For the year ended 31 December 2019 (continued)

	2019
	£
<b>6 Members benefits</b>	
Death & personal accident	(335,000)
Benevolence service	(55,000)
Legal services	(365,500)
Ex IR group members' sickness benefit	(3,500)
Employment costs	(335,372)
Helplines	(47,040)
	<u>(1,149,412)</u>
<b>7 Affiliations and donations</b>	
Affiliation fees	(740,000)
PCS in the community fund	(4,466)
Donations	(5,000)
	<u>(749,466)</u>
<b>8 Campaign and Political funds - planned expenditure</b>	
Greenwich resource centre	(3,000)
Group campaigns	(15,000)
Industrial action ballots	(200,000)
Jobs campaign	(73,000)
Strategic legal cases	(235,000)
Anti-racism/fascism	(4,000)
Greening the workplace	(10,000)
Credit Union	(4,470)
National Communications	(54,520)
Parliamentary Work	(54,000)
	<u>(652,990)</u>

# PCS financial outlook 2019–2021

## INTRODUCTION

After 5 years of the toughest financial climate, at the heart of which was the major trauma that arose following the government's unlawful withdrawal of 'check-off', the union's financial position has, at last, improved. Budget discipline and strategic planning contributed to a stabilisation of our financial position. This has now been boosted by the £3m cash compensation from the DWP.

Thanks to the support during that period from budget holders and our treasurers, the union has survived the most challenging period in our history. The successful delivery of our current 3 year plan will further consolidate our long journey to full financial stability by 2020.

Whilst we can now say that the financial storm clouds have lifted, we have unfinished business to restore full financial stability. We have not yet reached a point whereby membership loss has been fully halted, although the increasing recruitment rates in 2018 supported by the new PCS staffing structure and an enhanced organising drive, has meant we are on that path. In 2018, our membership subscription income stabilised for the first time in a decade and this was an important milestone for future growth.

It follows that the prudent and cautious approach has to continue until our membership income starts to grow again on a sustained basis.

As a consequence, for financial planning purposes, we taking a cautious approach on projected membership. We have assumed that membership will not grow in 2019 i.e. that there will not be any membership increases or losses. In doing so, if we increase our membership in line with the 3 year plan, this will feed directly through to a potential budget surplus.

In looking forward to the next 3 years, it is self-evident that the key to the union's future financial prosperity is the delivery of enhanced organising activity which is the foundation of the PCS Plan. Successful implementation

will lead to better organised workplaces, strengthening union leverage and protecting union income.

## 3 YEAR BUDGET PLAN

A summary of the revised 3 year income and expenditure estimates is shown at Table 1 below.

For ease of reference, as well as showing 2020 and 2021, we also incorporate the agreed 2019 budget.

Other income is estimated to raise from £1.23m in 2018 to £1.36m in 2019 & 2020 and increase due to increase occupancy of rental areas.

## Investments and Cash

No assumptions can be made concerning future market movements on investments. Market conditions continue to fluctuate widely post Brexit, however the union's intention is to maintain our asset base going forward with a view to future growth.

## CONCLUSION

We have come through a tough and challenging period but, despite everything the UK government has thrown at us, we are standing strong and fighting back. We have stabilised union finances and this will provide a foundation to grow again and achieve wins for our members.

### Chris Baugh

National Treasurer

### Kevin McHugh

Vice President and Chair

### Jeff Evans

Director of Central Services

**22 March 2019**

# Notes supporting the PCS financial outlook 2019 – 2021

## 3 YEAR BUDGET PLAN 2019 – 2021

	2019 Budget	2020 Budget	2021 Budget
<b>INCOME</b>			
Gross Subscriptions	£21.47m	£21.79m	£22.12m
Less Collection Costs	(£0.25m)	(£0.25m)	(£0.25m)
Net Subscriptions	£21.22m	£21.54m	£21.87m
Other Income*	£1.23m	£1.36m	£1.36m
<b>TOTAL INCOME</b>	<b>£22.45m</b>	<b>£22.90m</b>	<b>£23.23m</b>
<b>EXPENDITURE</b>			
Staff Costs (Excluding deficit recovery)	£10.33m	£10.49m	£10.65m
Pensions Deficit Recovery Payment	£3.10m	£3.10m	£3.10m
Non-Staff Costs	£7.71m	£7.82m	£7.95m
Campaign and Political fund	£0.80m	£0.81m	£0.82m
Depreciation	£0.93m	£1.10m	£1.16m
Property Fund Transfer	(£0.29m)	(£0.34m)	(£0.34m)
Tax	£0.08m	£0.10m	£0.10m
<b>TOTAL EXPENDITURE</b>	<b>£22.66m</b>	<b>£23.08m</b>	<b>£23.43m</b>
<b>SURPLUS / DEFICIT</b>	<b>(£0.21m)</b>	<b>(£0.18m)</b>	<b>(£0.21m)</b>

PCS financial outlook 2019–2021

# General fund projected income and expenditure account

For the year ended 31 December

	2019 £	2020 £	2021 £
<b>INCOME</b>			
Net Subscriptions	21,222,000	21,544,100	21,871,000
Other Income	1,230,360	1,357,000	1,357,000
Total Income	<u>22,452,360</u>	<u>22,901,100</u>	<u>23,228,000</u>
<b>EXPENDITURE</b>			
General fund expenditure	(21,143,411)	(21,413,900)	(21,688,500)
Subscriptions allocated to campaigns and political funds	(799,670)	(811,600)	(823,700)
Depreciation	(928,170)	(1,101,003)	(1,165,068)
Property fund transfer	292,736	342,211	342,211
Tax	(80,000)	(100,000)	(100,000)
Total expenditure	<u>(22,658,515)</u>	<u>(23,084,291)</u>	<u>(23,435,057)</u>
Planned general fund overall surplus / (deficit)	<u>(206,155)</u>	<u>(183,191)</u>	<u>(207,057)</u>

## PCS financial outlook 2019–2021

**General fund projected balance sheet**

As at 31 December

	2019	2020	2021
		£	£
<b>Fixed Assets</b>			
Freehold	3,529,809	3,466,783	3,403,757
Leasehold	582,413	552,702	522,992
Investment Property	12,879,000	12,879,000	12,879,000
Other fixed assets	3,940,808	4,355,542	3,703,210
	<u>20,932,030</u>	<u>21,254,027</u>	<u>20,508,959</u>
<b>Cash / Investments</b>	3,662,985	2,869,402	3,119,175
<b>Current assets</b>			
Debtors and Prepayments	2,686,000	2,727,000	2,769,000
Creditors and accrued charges	(1,862,000)	(1,788,000)	(1,713,000)
	<u>824,000</u>	<u>939,000</u>	<u>1,056,000</u>
<b>Net current assets</b>			
	<u>824,000</u>	<u>939,000</u>	<u>1,056,000</u>
<b>Total assets less current liabilities</b>	<u>25,419,016</u>	<u>25,062,428</u>	<u>24,684,134</u>
<b>Total net assets</b>	25,419,016	25,062,428	24,684,134
<b>FRS 102 adjustments</b>			
Pension assets	24,300,000	24,300,000	24,300,000
Pension Liabilities	(17,600,000)	(17,600,000)	(17,600,000)
	<u>6,700,000</u>	<u>6,700,000</u>	<u>6,700,000</u>
<b>Total net Asset at 31 December</b>	<u>32,119,015</u>	<u>31,762,428</u>	<u>31,384,134</u>
Represented by:			
<b>Funds</b>			
General	11,223,891	11,040,700	10,833,643
Property	12,010,739	11,668,528	11,326,316
Campaign and political funds	942,795	1,091,610	1,242,584
Fighting Fund	1,096,295	1,116,295	1,136,295
<b>Designated reserves</b>			
Voluntary Selective and early retirement	145,296	145,296	145,296
<b>FRS17 adjustments</b>			
Pension reserve	6,700,000	6,700,000	6,700,000
<b>Total budgeted reserves and funds at 31 December</b>	<u>32,119,015</u>	<u>31,762,428</u>	<u>31,384,134</u>



# **PCS** **Financial report** **2019**

Supporting appendices

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Appendix I

# PCS financial objectives

**PCS has the following financial objectives:**

**Result for 2018**

• Meet general fund expenditure from net subscription income, after allowing for VAT recovered.	Met.
• All expenditure to be budgeted for in advance of being incurred.	Partly met.
• Operate a devolved budgeting system with no budgets allowed to remain overspent without prior agreement of the Finance Committee of the NEC.	Partly met.
• Budget for an operating surplus of around 5% of net subscription income.	Met.
• Maintain employment costs, before employer's NI and superannuation contributions, at approximately one third of subscription income.	These were 39% of subscription income.
• Only create reserves for purposes which will occur within a reasonable period and can be reasonably accurately quantified, or where accounting standards require.	Met.
• Maintain the general fund at around six months subscription income.	Met
• Rebuild the campaign and disputes fund by allocating at least £250,000 per year in addition to the annual expenditure from the Fund.	Not met.
• Maintain the property fund at around the value, as shown in the balance sheet, of the freehold and leasehold properties.	Met.

**These objectives are kept under review.**



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## Appendix II

# PCS ethical investment policy

PCS has a policy of only investing in companies which pass a test of “sustainability”. This is a proactive, inclusive approach that can be applied to the whole PCS investment portfolio.

The global equities of the PCS General Fund portfolio are invested via our agents Sarasins. We provide a brief to invest in companies that make a significant contribution to environmentally and socially responsible business practices. Investments in selected forward-looking topics such as clean energy, health, water, sustainable consumption and sustainable mobility form the core of these investments.

### **Ethical, Tax, environmental Polices**

The Finance Committee continue to develop our ethical, tax justice, and environmental policies as they relate to PCS investments, suppliers, procurement and facilities.

Where information comes to light of the behaviour of companies with whom PCS has a commercial relationship we take up the issue by referring to Sarasins or raising with the company direct. The options for PCS include disinvesting, raising at company AGM’s and raising the issue as part of our campaigning activities. We continue to explore disinvesting from fossil fuel equities and are in discussion with our investment fund managers on how this is best realised. PCS also has a policy to raise issues affecting PCS members or in relation to ethical environmental policy direct with Shareholders at company AGMs.

If any member has concerns about the conduct of any company in which PCS hold shares, please set out your concerns in writing to the Assistant General Secretary / National Treasurer in the first instance (email [chrisb@pcs.org.uk](mailto:chrisb@pcs.org.uk)).

Appendix III

# PCS pay scales

With effect from 1 August 2017 (2018 rates to be confirmed)

Grade Description	Number in Grade at 31.12.18	Value £	Spinal Point	London Grade Maximum	Regional Grade Maximum
Band 7	2.0	94,774	1		
		90,767	2		
		86,742	3		
		83,809	4		
		81,243	5		
		79,533	6		
		76,558	7		
		75,477	8		
		73,440	9		
		71,710	10		
		68,778	11		
Band 6	6.0	67,217	12	Band 6	
		65,317	13		
		63,431	14		Band 6
		61,629	15		
		60,439	16		
Band 5	13.0	60,407	17	Band 5	
		58,570	18		
		56,714	19		Band 5
		54,863	20		
		53,019	21		
		51,176	22		
Band 4	69.0	49,331	23	Band 4	
		47,958	24		
		46,583	25		
		45,266	26		Band 4
		43,366	27		
		41,769	28		
Band 3	31.0	40,926	29	Band 3	
		40,087	30		
		38,489	31		
		37,412	32		
		36,627	33		Band 3
Band 2	66.0	35,891	34	Band 2	
		34,986	35		
		33,985	36		
		33,015	37		
		32,215	38		Band 2
No longer used		31,312	39		
		30,514	40		
		29,579	41		
CLG / CGT	9	28,775	42	CLG / CGT	
		27,809	43		
		26,906	44		
		26,313	45		
		25,538	46		
		24,449	47		
		23,762	48		
		22,770	49		
		21,347	50		
<b>Total FTE</b>	<b>196.0</b>				

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# Finance – resources for members and reps on the PCS website

PCS aims to ensure that members, branches and groups are able to get clear, concise information and advice relating to union financial matters.

The PCS financial report and other useful finance information, such as the subscriptions policy, expenses forms and guidance, can be found on the PCS/Resources – Finance web page: [www.pcs.org.uk/finance](http://www.pcs.org.uk/finance).

There are also links to the branch and group treasurers' pages.

For all relevant resources and information on branch and group funding, please visit the treasurers' toolkit section.

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- 2018–19 NEC Subscriptions policy.
- PCS Finance Report – 2018.
- Sources of campaign funding and guidance on submissions.
- Group hardship funds – Guidance for their establishment, fund raising and use.
- Service Level Agreement.
- Expenses guidance: More on our expenses guidance and policy.
- Expenses forms.
- Travel booking: Through new provider CTM Travel's tRIPS website.
- 2018 Travel & Subsistence expenses claim form.
- Increase in PCS Overnight Allowance (Hotel) Maximum Rates.
- Branch treasurers' toolkit
- Group treasurers' toolkit
- Credit Union (See "About PCS" webpage)

## **CONTACTS FOR ADVICE:**

**Branch Funding:** Telephone 0113 2005318 or email [funding@pcs.org.uk](mailto:funding@pcs.org.uk)

**Group Funding:** Telephone 0113 2005318 or email [funding@pcs.org.uk](mailto:funding@pcs.org.uk)

**Expenses:** Telephone 0113 2005300 or email [LeedsFinance@pcs.org.uk](mailto:LeedsFinance@pcs.org.uk)

**CTM Travel:** Telephone 0330 008 2000 email [corporate@travelctm.com](mailto:corporate@travelctm.com)

**Credit Union:** [pcs.org.uk/about-pcs/credit-union](http://pcs.org.uk/about-pcs/credit-union)









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