



FINANCIAL REPORT

PCS **Financial report** **2018**

Accounts to 31 December 2017

Budget 2018

Financial outlook 2018 – 2020

PCS Financial report 2018

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PCS Financial report 2018

Accounts to 31 December 2017

Overview of 2017

INTRODUCTION

We present the PCS accounts for 2017. This commentary highlights the most important aspects of the financial results of the Union for 2017. In addition to this overview, the financial report includes a review of the annual budget for 2018, and a review of the medium term financial outlook across 2019 to 2020. These accounts will be presented to the annual delegate conference in May 2018.

OVERVIEW

We have survived the financial storm inflicted upon us by a hostile government whose attempt to bankrupt the Union has not succeeded. They now face compensation demands for the unlawful action they took when they removed the check-off facility, at the time our main source of Union income, from their staff. We await the legal outcome via a court remedy hearing for DWP compensation, this summer.

Effective financial planning and budgetary controls have enabled continuing financial stabilisation of the Union. Changes to our structure and ways of working has meant that it is now possible to consider ambitious objectives, to grow the Union in terms of size and influence over the next three years. The successful delivery of the new 3 year plan will take us back into achieving annual surpluses and complete the long journey to full financial stabilisation by 2020.

However, whilst the future looks much more positive, there is unfinished business on our finances to be completed to ensure that we launch the plan from a strong and sustainable financial foundation.

2015 –2017 Emergency Financial Plan

At ADC 2015, in response to the check-off removal policy, we launched a 3 year emergency plan which ended in December last year. Anticipating significant membership losses at the time as we were forced to move, with very little notice, to direct debit collection for those affected members. We introduced a painful 3 year cost cutting programme.

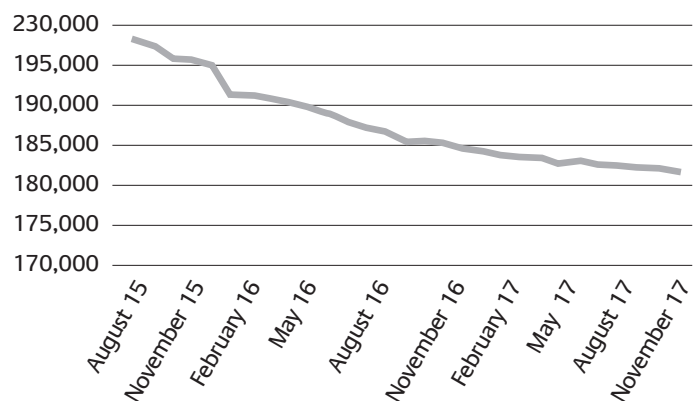
Pragmatic financial forward planning combined with the magnificent efforts of our reps in the Direct Debit campaign allowed us to weather the storm far better than originally anticipated. For example we had an emergency loan facility in place with Unity Bank, but it was not required.

With the vast majority of members now on direct debit, we are now much more financially independent with a strong core membership.

Membership and Income

There is no denying the painful effect of check-off withdrawal on our income.

At the height of the check-off withdrawal in 2015, our membership dropped by 37,000 (15%). In 2016, it further reduced by 10,000 (5%) and in 2017 by 3,500 (1.9%).



Membership subscription income, after collection costs, has reduced to £20.9m in 2017 compared to £21.3 million in 2016 and £23.4 million in 2015. This means that during the course of the 3 year plan our net subscription income has fallen by £2.5m over the three year period. In 2014, the year before the impact of the check off removal, our annual subscription income was £6m higher than it is today.

Despite these losses arising from the government’s unlawful act, we are still standing strong. 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.

2017 – Most Challenging Year

As we reported last year, 2017 was always going to be the most challenging of the 3 year financial recovery plan, launched in 2015, as we now have to fund £3.1m annually into the pension deficit recovery plan from a reduced overall budget due to continuing membership loss.

We have achieved significant spending reductions in many areas but not to the overall extent that was required to achieve a balanced budget. Because of budget overspending in a number of non-staff areas, we did not achieve our financial objective of a balanced budget in 2017.

The 2017 end of year position is showing a deficit of £970k excluding the revaluation of investment property and pension adjustments. However, an upward revaluation of property means the outturn for 2017 is a surplus of £193k. The deficit arises because of overspending budgets in several areas (see next section for more information). Adjustments have been made on several budgets for 2018 where they were set at unrealistic levels in 2017.

We have published a new budget policy with a strong emphasis on more stringent budget monitoring and more hands-on support for budget holders. The NEC has agreed that any unplanned budget overspending will have to be compensated for by reductions in spending elsewhere.

New 3 Year Plan Launched

A new 3 year PCS plan has now been launched with a strong financial component.

Our staff restructuring has been completed with more of our resource engaged on organising activity, working with our reps to strengthen our Union’s presence at workplaces.

Combined with that, we have committed to significant investment in our infrastructure, a refurbishment of our Union’s HQ to secure rental income and improved IT systems and tools, including a new membership database. The proceeds from the sale of our former Vauxhall Bridge

Road (VBR) office in London has paid for the investment.

A reminder of the plan objectives for 2018-2020

- 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

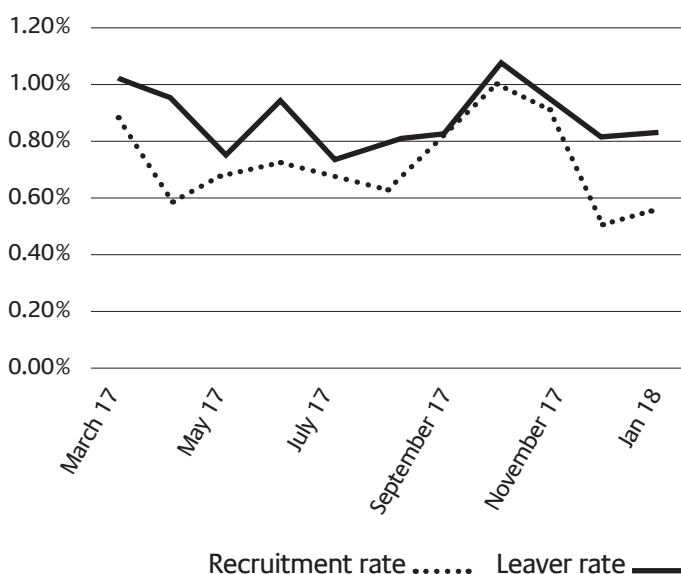
With renewed vigour and focus on the delivery of the objectives, we can now grow the Union in the period ahead.

Recruitment – Key to Success

Key to our future financial success is more effective recruitment methods 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. In the workplaces where we are organised, there is a huge pool of non-members. We estimate our membership density at around 60% which means there are 40% non-members in PCS workplaces alone as well as the potential offered by ‘green-field’ sites.

Recruitment and leaver rates 2017/2018



Pension Challenges

As highlighted in the previous 3 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 recovery payments increased by £1.4m, from £1.7m to £3.1m per annum, as previously agreed as part of the 2012 pension valuation.

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

The income generated from renting out space, estimated to be more than £1m per annum, would be used to further consolidate the improving financial position of the Union. The total cost of refurbishment incurred in 2017 was £1.3m with a further £1.8m budgeted in 2018. Our sister union NAPO have already taken up space from the start of last year. Negotiations are currently taking place with the local Unite region and the local Labour MP has recently taken office space. At the time of writing this report, talks are being held with other prospective tenants.

Elsewhere, we are planning to move The Midlands hub into a new Unite facility in central Birmingham which will also house a hotel and conference centre.

b) IT Investment Strategy

We are also making a major investment in our IT infrastructure.

We have 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.

The PCS website has been upgraded and a new web based telephony system introduced. We have upgraded our video conferencing facility and moved our internal email system to Microsoft to allow for greater compatibility with other IT projects. We have improved IT access for staff so they can access their desktop from any location. New servers have been installed to increase internet speed at PCS offices and increase storage space.

The remaining part of the IT project has now been divided into four project strands; the database and integration project, the automation project, the communications project and the user engagement project. A new database has been built and is now being tested. We are working on the member, rep and staff portals to provide improved member communication tools, enhanced data collection vehicles and a better document sharing facility. We have now created a new PCS intranet with links to cascade and QFM and a link through to the old intranet and have populated the intranet with fixed content from the old intranet, such as toolkits. We believe that user engagement is fundamental so we have set up a separate project to ensure that it is central to the development of applications.

Summary of Financial Performance

In respect of financial performance, the key variances between 2016 and 2017 were:

Income

- Gross membership income has reduced from 2016 levels by £0.3 million.

Investment income

- Dividend receipts have increased by £7,249 since 2016. Capital gains on disposal of investments amounted to £11,240.

Management of costs

- Total employment costs have increased by £0.42 million compared to actual costs in 2016.

- Non payroll costs have increased by £0.43 million compared to actual costs in 2016.

Campaign activities

- Campaign expenditure was reduced by £13,017 from £783,683 in 2016 to £770,666 in 2017.

Balance sheet

The balance sheet shows net assets at the end of 2017 of £22.4 million compared to net assets of £8.9 million at December 2016. This movement includes under FRS102, a net pension reserve movement of £13.9 million.

Cash and investment balances have decreased by £3.65 million, from £6.81 million to £3.16 million.

INCOME

Membership income

Membership subscription income, after collection costs, has reduced to £20.9 million compared to £21.3 million in 2016. This drop in income of £0.4 million reflects the drop in membership from 185,108, at December 2016, to 181,155 at the end of 2017.

Investment and commercial income

Dividend receipts from investments have increased by £7,249 to £29,999. Advertising income has decreased by £2,069 to £49,525. Rental income has increased by £29,557 to £99,012 this was due to rental area expansion at Falcon Road HQ office.

PCS+

The membership benefits package, PCS+, provides a range of products and services to members and also generates commission income which in 2017 amounted to £68,162. We continue to look at ways of increasing the services and products whilst at the same time generating income. The latest edition of the PCS+ Essential Guide gives details of the extensive range of services available and was issued with the first 2017 edition of the PCS People as well as being available on the PCS website.

Expenditure

The 2017 budget (before campaign and political fund allocations and depreciation) was set at £19.8 million

which represented an increase of £0.2 million in expenditure compared to the actual costs in 2016.

Total staff costs

Total staff costs were £13.0 million in 2017 which amount to £0.1 million more than budget. This includes gross salary costs of £7.7 million, employer's National Insurance of £0.8 million, pension fund contributions of £4.1 million

Non staff costs

Non payroll costs were £7.9 million in 2017 which is £1.0m over budget.

	2017 Actual £m	2017 Budget £m	2016 Actual £m
Total staff costs	13.0	12.9	12.6
Non payroll costs	7.9	6.9	7.4
	20.9	19.8	20.0

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 £3.6 million, this is historic cost at 31 December 2017.

ii) Investment property at £10.0 million based on current market value at 31 December 2017.

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 £804,638 for office furniture and computer equipment costs and £1,285,340 for refurbishment costs are included in the balance sheet.

Investments and cash balances

Investment holdings have increased in value from £1.37 million to £1.41 million. The investments of PCS remain managed by Sarasin's Fund Managers. Cash balances stood at £1.74 million down by £3.70 million from 2016.

The PCS ethical investment policy

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

The 2017 FRS102 pension adjustment to the balance sheet shows a decrease in the net pension scheme liability position from £12.5 million in 2016 to a £1.4 million asset position as at December 2017.

This movement is a result of an increase in the value of scheme assets and a decrease in its liabilities.

In contrast, the FRS102 pension adjustment to the general fund income and expenditure account is a credit of £2.9 million. This reflects the increased contributions by the employer in 2017 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 2017 was £770,666 and a detailed breakdown of this expenditure breakdown is provided on page 44 of this report. The fund stands at £74,568 at December 2017.

Political fund

The political fund at the end of December 2017 had 168,070 members contributing each month. Political fund expenditure in 2017 was £75,046 and again a full breakdown is detailed on page 45 of this report. The fund stands at £512,786 at December 2017.

Subscriptions

The September 2017 meeting of the NEC reviewed the subscription maximum rate and taking account of the Treasury remit guidance which sets a 1% pay policy, agreed to increase it by 1%.

This means that from 1 January 2018 the maximum subscription rate increased by 14p to £13.86.

The increase to the maximum subscription rate impacts on the direct debit banding formula and the NEC also agreed that the banding rates should also be increased by 1% or 10p whichever is the greater, with effect from

1 January 2018.

The new banding rates are set out below:

Band	Salary Range	2018 Rate
A	Over £26,000	£13.86
B	£24,001 – £26,000	£13.09
C	£22,001 – £24,000	£12.06
D	£20,001 – £22,000	£11.04
E	£18,001 – £20,000	£10.00
F	£16,001 – £18,000	£8.96
G	£14,001 – £16,000	£7.92
H	£12,001 – £14,000	£6.88
I	£10,001 – £12,000	£5.84
J	£8,001 – £10,000	£4.80
K	£6,001 – £8,000	£3.76
L	Up to £6,000	£2.72

Credit Union

Under the auspices of the Strategic Review PCS continues to finance the PCS Credit Union launched in April 2012. The Credit Union offers an additional aid to recruitment and is an important benefit to members and their families. It is an ethical and affordable savings and loan alternative to high street banks and loan companies. We support the Credit Union Board in its' marketing and promotional activity.

All aspects of PCS spending are being reviewed as part of the ongoing strategic review, and the support we provide to the Credit Union is also subject to a specific review with parameters set by ADC 2017. Following consultations, the Credit Union Board agreed to merge with 1st Class credit union and the outcome of negotiations will be presented to Credit Union members for decision. A report on the review findings and recommendations will be presented to ADC 2018.

Going concern

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.

However, the Union does recognise that because of the nature of events there are material uncertainties which may have a significant impact on budgeted assumptions.

Should one or a number of these assumptions adversely impact the Union's cash position then depending on the severity of their impact the Union may need to secure alternative sources of funding, beyond those already in place.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Union's ability to continue as a going concern.

The Union believes it is a going concern going forward and has put in place an NEC agreed budget policy. The delivery of this policy will be supported by cash flow analysis and budget monitoring. We shall review the cash position on a regular basis and, if required, take appropriate action on spending decisions during the year in line with the policy.

Conclusion

It is worth reflecting on our experience of the past 3 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. Conference policies and the Strategic Review provide a route map to achieving this.

Consistent with the previous 2015 –17 PCS plan and the new 2018 –20 plan, 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 2018 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.
- To review our subscriptions policy and report back to ADC 2019.
- 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 contacts with external providers.
- Develop the Union's ethical, tax justice and environmental policies on PCS investments, PCS suppliers, procurement and facilities.
- Promote the PCS Credit Union as a savings and loan benefit to PCS members and their families.

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
Deputy President

Jeff Evans
Director of Central Services

19 March 2018

Public and Commercial Services Union

Independent auditors' report

For the year ended 31 December 2017

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

We have audited the financial statements of the Public and Commercial Services Union ("the Union") for the year ended 31 December 2017 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 by 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 2017 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.

Material uncertainty in relation to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Union's ability to continue as a going concern.

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 of the Union recognise that because of the nature of events there are a number of uncertainties which may have a significant impact on budgeted assumptions.

Should one or a number of these assumptions adversely impact the Union's cash position then depending on the severity of their impact the Union may need to secure alternative sources of funding, beyond the £250,000 facility agreed with Unity Trust Bank plc subsequent to the end of the financial year.

These conditions, and the Union's ability to obtain further funding if required, indicate the existence of a material uncertainty which may cast significant doubt about the Union's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Union was unable to continue as a going concern.

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 explanation 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

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.

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.

Phil Cliftlands (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
21 March 2018

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 2017

	Note	2017 £ Before Pension Adjustment	2017 £ Pension Adjustment	2017 £ Total	2016 £ Before Pension Adjustment	2016 £ Pension Adjustment	2016 £ Total
Subscription income							
Members subscriptions		21,230,292	–	21,230,292	21,531,790	–	21,531,790
Collection costs		(307,132)	–	(307,132)	(234,378)	–	(234,378)
		20,923,160	–	20,923,160	21,297,412	–	21,297,412
Other income							
Investment income	4	50,241	(300,000)	(249,759)	87,604	–	87,604
Commercial activities	5	216,698	–	216,698	185,693	–	185,693
Miscellaneous income	6	7,227	–	7,227	11,181	–	11,181
VAT recovered		53,598	–	53,598	67,970	–	67,970
		327,764	(300,000)	27,764	352,449	–	352,449
Total net income		21,250,924	(300,000)	20,950,924	21,649,860	–	21,649,860
Expenditure							
Network administration	7	(14,963,235)	3,200,000	(11,763,235)	(13,900,462)	1,700,000	(12,200,462)
Members representative costs	8	(2,241,214)	–	(2,241,214)	(2,342,850)	–	(2,342,850)
Members benefits	9	(1,242,126)	–	(1,242,126)	(1,398,002)	–	(1,398,002)
Members communications	10	(1,696,577)	–	(1,696,577)	(1,652,577)	–	(1,652,577)
Affiliations and donations	11	(746,366)	–	(746,366)	(748,313)	–	(748,313)
Campaign & disputes expenditure	Appendix A	(768,831)	–	(768,831)	(782,181)	–	(782,181)
Political fund expenditure	Appendix B	(75,046)	–	(75,046)	(69,878)	–	(69,878)
Fighting fund		3,551	–	3,551	20,026	–	20,026
Voluntary & selective early retirement fund expenditure		(317,624)	–	(317,624)	–	–	–
		(22,047,468)	3,200,000	(18,847,468)	(20,874,237)	1,700,000	(19,174,237)
Total expenditure		(22,047,468)	3,200,000	(18,847,468)	(20,874,237)	1,700,000	(19,174,237)
Total net income less expenditure		(796,544)	2,900,000	2,103,456	775,623	1,700,000	2,475,623
Depreciation							
Freehold property	12	(85,279)	–	(85,279)	(137,700)	–	(137,700)
Leasehold property	12	(29,710)	–	(29,710)	(29,710)	–	(29,710)
Other fixed assets	12	(630,652)	–	(630,652)	(616,929)	–	(616,929)
		(745,641)	–	(745,641)	(784,339)	–	(784,339)
Operating surplus / (deficit)		(1,542,185)	2,900,000	1,357,815	(8,716)	1,700,000	1,691,284
Gain on investment property	12	1,163,661	–	1,163,661	4,091,001	–	4,091,001
Profit on disposal of investment property		–	–	–	843,310	–	843,310
Tax payable		(100,000)	–	(100,000)	(153,891)	–	(153,891)
		(478,525)	2,900,000	2,421,475	4,771,704	1,700,000	6,471,704
Net surplus / (deficit) for the year		(478,525)	2,900,000	2,421,475	4,771,704	1,700,000	6,471,704

All operations are continuing

Public and Commercial Services Union

General fund income and expenditure account

As at 31 December 2017

	Note	2017 £	2017 £	2017 £	2016 £	2016 £	2016 £
		Before Pension Adjustment	Pension Adjustment	Total	Before Pension Adjustment	Pension Adjustment	Total
Subscription income							
Members subscriptions		21,230,292	–	21,230,292	21,531,790	–	21,531,790
Collection costs		(307,132)	–	(307,132)	(234,378)	–	(234,378)
		20,923,160	–	20,923,160	21,297,412	–	21,297,412
Subscriptions allocated to:							
Campaign & disputes fund	Standard	(399,350)	–	(399,350)	(458,000)	–	(458,000)
	Additional	–	–	–	(170,000)	–	(170,000)
Political fund		(201,160)	–	(201,160)	(204,744)	–	(204,744)
		20,322,650	–	20,322,650	20,464,668	–	20,464,668
Other income							
Investment income	4	50,241	(300,000)	(249,759)	87,604	–	87,604
Commercial activities	5	216,698	–	216,698	185,693	–	185,693
Miscellaneous income	6	7,227	–	7,227	11,181	–	11,181
VAT recovered		53,598	–	53,598	67,970	–	67,970
		327,764	(300,000)	27,764	352,448	–	352,448
Total net income		20,650,414	(300,000)	20,350,414	20,817,116	–	20,817,116
Expenditure							
Network administration	7	(14,963,235)	3,200,000	(11,763,235)	(13,900,462)	1,700,000	(12,200,462)
Members representative costs	8	(2,241,214)	–	(2,241,214)	(2,342,850)	–	(2,342,850)
Members benefits	9	(1,242,126)	–	(1,242,126)	(1,398,002)	–	(1,398,002)
Members communications	10	(1,696,577)	–	(1,696,577)	(1,652,577)	–	(1,652,577)
Affiliations and donations	11	(746,366)	–	(746,366)	(748,313)	–	(748,313)
Total expenditure		(20,889,518)	3,200,000	(17,689,518)	(20,042,204)	1,700,000	(18,342,204)
Total net income less expenditure		(239,104)	2,900,000	2,660,896	774,912	1,700,000	2,474,912
Depreciation							
Freehold property	12	(85,279)	–	(85,279)	(137,700)	–	(137,700)
Leasehold property	12	(29,710)	–	(29,710)	(29,710)	–	(29,710)
Other fixed assets	12	(630,652)	–	(630,652)	(616,929)	–	(616,929)
		(745,641)	–	(745,641)	(784,339)	–	(784,339)
Operating surplus / (deficit)		(984,745)	2,900,000	1,915,255	(9,427)	1,700,000	1,690,573
Gain on investment property	12	1,163,661	–	1,163,661	4,091,001	–	4,091,001
Profit on disposal of investment property		–	–	–	843,310	–	843,310
Appropriation from / (to) reserves							
Transfer from political fund		–	–	–	–	–	–
Net surplus for the year before cost of voluntary & early retirement		178,916	2,900,000	3,078,916	4,924,884	1,700,000	6,624,884
Transfer from Property fund		114,989	–	114,989	167,410	–	167,410
Transfer to voluntary selective and early retirement		–	–	–	(1,000,000)	–	(1,000,000)
Tax payable		(100,000)	–	(100,000)	(153,891)	–	(153,891)
Net surplus / (deficit) for the year		193,905	2,900,000	3,093,906	3,938,403	1,700,000	5,638,403
All operations are continuing							

Public and Commercial Services Union

Statement of comprehensive income

For the year ended 31 December 2017

	Before Pension adjustment £	Pension adjustment £	2017 Total £	2016 Total £
Surplus for the financial year – all funds	(478,525)	2,900,000	2,421,475	6,471,704
Reversal of unrealised opening gain on investment	–	–	–	(18,741)
Actuarial gains / (losses) on scheme assets	–	11,700,000	11,700,000	23,300,000
Actuarial gains / (losses) on scheme liabilities	–	(700,000)	(700,000)	(36,200,000)
Other comprehensive income for the year	–	11,000,000	11,000,000	(12,918,741)
Total comprehensive income for the year	(478,525)	13,900,000	13,421,475	(6,447,037)

Public and Commercial Services Union

Balance sheet

As at 31 December 2017

	Note	2017		2016	
		£	£	£	£
Fixed assets					
Tangible fixed assets:					
Freehold property	12	3,655,860		4,853,792	
Leasehold property	12	641,833		671,543	
Investment property	12	10,070,000		7,400,000	
Other fixed assets	12	2,817,331		1,751,691	
			17,185,024		14,677,026
Investments	14		1,415,529		1,366,488
			18,600,553		16,043,514
Current assets					
Debtors	15	2,459,408		2,533,463	
Cash at bank and in hand	16	1,742,784		5,445,706	
		4,202,192		7,979,169	
Current liabilities					
Amounts falling due within one year					
Creditors	17	(1,809,203)		(2,550,618)	
			2,392,989		5,428,551
Net current assets					
Total assets less current liabilities					
			20,993,542		21,472,065
Amount falling due over one year					
Creditors	17		–		–
Provisions:					
Pension assets	22	22,600,000		15,700,000	
Pension liabilities	22	(21,200,000)		(28,200,000)	
			1,400,000		(12,500,000)
Net assets					
			22,393,541		8,972,065
Represented by:					
Funds and reserves					
General fund			7,713,393		7,519,488
Property fund			12,396,211		12,511,200
Campaign and disputes fund			74,568		6,048
Political fund			512,786		386,672
Fighting fund			52,208		48,657
Voluntary selective and early retirement reserve			244,376		1,000,000
Pension reserve			1,400,000		(12,500,000)
Total funds and reserves			22,393,541		8,972,065

Approved on 19 March 2018

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 2017

General fund	2017 £ Total
Brought forward at 1 January 2017	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)
Carried forward at 31 December 2017	<u>7,713,393</u>

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

Included in the funds are £8,908,451 of unrealised funds resulting from unrealised gains from freehold and investment properties

General fund	2016 £ Total
Brought forward at 1 January 2016	3,599,826
Reversal of opening balance	(18,741)
Surplus from income and expenditure account	5,638,403
Actuarial (losses) / gains on defined benefit pension schemes	(12,900,000)
Transfer to pension reserve	11,200,000
Carried forward at 31 December 2016	<u>7,519,488</u>

Property fund	2016 £ Total
Brought Forward at 1 January 2016	12,678,610
Transfer to general fund – depreciation	(167,409)
Carried forward at 31 December 2016	<u>12,511,201</u>

Public and Commercial Services Union

Statement of changes in funds and reserves

For the year ended 31 December 2017 (continued)

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

There were no other comprehensive income movements in the year

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

There were no other comprehensive income movements in the year

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

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 2017 (continued)

Statement of changes in total funds and reserves	Before Pension adjustment £	Pension adjustment £	2017 Total £	2016 Total £
Members funds at 1 January 2017	21,472,065	(12,500,000)	8,972,065	15,419,102
Reversal of unrealised opening gain on investment	–	–	–	(18,741)
Surplus / (deficit) for the financial year	(478,525)	2,900,000	2,421,475	6,471,704
Actuarial gains / (losses) on defined benefit pension schemes	–	11,000,000	11,000,000	(12,900,000)
Members funds at 31 December 2017	20,993,540	1,400,000	22,393,540	8,972,065

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

Public and Commercial Services Union

Cashflow statement

For the year ended 31 December 2017

	Note	2017		2016	
		£	£	£	£
Net cash outflow from operating activities	21		(1,614,144)		(349,672)
Cashflow from Investing activities					
Interest received		100		201	
Dividends received		29,999		22,750	
Capital gains		11,240		–	
Purchase of tangible assets		(2,089,979)		(1,004,841)	
Sale of Investments		131,062		–	
Sale of investment property		–		4,593,309	
Purchase of investments		(171,201)		(22,951)	
Net cash generated from investing activities			(2,088,779)		3,588,468
Cashflows from financing activities					
Repayments		–		(224,856)	
Net cash used in financing activities			–		(224,856)
Net (decrease) / increase in cash at bank and in hand			(3,702,923)		3,013,940
Cash and cash equivalents at the beginning of the year			5,445,707		2,431,767
Cash and cash equivalents at the end of the year			1,742,784		5,445,707
Cash and cash equivalents consists of:					
Cash at bank and in hand			1,742,784		£5,445,707
Cash and cash equivalents			1,742,784		£5,445,707

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017

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 2017.

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 2018 and beyond against the working capital available, notably its cash and investments.

However, the Union does recognise that because of the nature of events there are material uncertainties which may have a significant impact on budgeted assumptions. This includes the ability of the Union to maintain membership numbers at levels that existed at the end of 2017, the completion of refurbishment works at Falcon Road on time and on budget, the securing of additional tenants during 2018 and the achievement of planned cost savings during 2018.

Should one or a number of these assumptions

adversely impact the Union's cash position then depending on the severity of their impact the Union may need to secure alternative sources of funding, beyond the £250,000 facility agreed with Unity Trust Bank plc subsequent to the end of the financial year.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Union's ability to continue as a going concern.

The Union believes it is a going concern going forward and has put in place an NEC agreed budget policy. The delivery of this policy will be supported by cash flow analysis and budget monitoring. We shall review the cash position on a regular basis and, if required, take appropriate action on spending decisions during the year in line with the policy.

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 2017 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.

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

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.
 - c) Company cars.
- iv) Depreciation on freehold improvements is charged, on a straight line basis at 10% per annum.

e 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.

f Property – other

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

g 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.

h Operating Leases

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

i 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

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

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.

Voluntary selective and early retirement scheme VSER expenses are recognised in the accounts when the employee has been formally notified of their acceptance into the scheme.

3 Purpose of the funds and reserves

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.

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.

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.

Property fund

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

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.

Fighting fund

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

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 2017 (continued)

	2017		2016	
	£	£	£	£
4 Investment income				
Dividends and credits		29,999		22,750
Net capital gains		11,240		–
Unrealised gains on investments		8,902		64,653
Interest from investment managers		100		201
		<u>50,241</u>		<u>87,604</u>
Pension adjustment				
Expected return on pension scheme assets	5,200,000		6,400,000	
Interest on pension scheme liabilities	(5,500,000)		(6,400,000)	
		<u>(300,000)</u>		<u>–</u>
		<u>(249,759)</u>		<u>87,604</u>
5 Commercial activities				
Advertising income		49,525		51,594
Rent		99,012		69,455
Commission received:				
Liverpool Victoria		51,441		42,690
BHSF		9,911		9,080
Union Income Benefit		6,810		12,535
The People's Operator		–		339
		<u>216,698</u>		<u>185,693</u>
6 Miscellaneous income				
Other		7,227		11,181
		<u>7,227</u>		<u>11,181</u>

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

7 Network administration (summary)

(See appendix C)

	2017		2016	
	£	£	£	£
Superannuation fund running costs		752,003		596,507
Pension Protection Fund Levy		70,120		60,224
Legal & professional fees		39,562		88,617
Credit Union Loan written off		–		18,436
Audit fees		38,600		61,138
Bank charges and interest		20,673		40,083
Staff development costs		14,218		26,476
Staff recruitment costs		23,041		1,712
Computer running costs		590,809		617,701
Vehicle running costs		4,367		7,742
Pension adjustment				
Current service costs of defined benefit schemes	900,000		1,100,000	
Administration expenses	–		300,000	
Benefits paid	–		(200,000)	
Past service costs of defined benefit schemes	–		300,000	
Pension contributions paid in year	(4,100,000)		(3,200,000)	
		(3,200,000)		(1,700,000)
Employment costs		11,329,220		10,623,289
Voluntary selective and early retirement scheme costs paid		–		90,560
Accommodation running costs*		1,074,711		843,308
Maintenance of buildings		–		7,602
Printing, stationery and photocopying		146,824		79,181
Postage		97,246		53,802
Research		57,302		52,440
Telephone		136,809		139,490
Office costs		219,690		149,341
Subsistence		119,055		100,920
Travel		215,934		218,725
Miscellaneous		13,051		23,169
		<u>11,763,235</u>		<u>12,200,462</u>

* Includes rent paid £391,454 (2016; £205,220)

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

8 Members representative costs	Appendix	2017		2016	
		£	£	£	£
Organising and learning					
Recruitment publicity		8,700		9,912	
National organising forums		2,193		810	
Youth work		14,097		15,790	
National courses		3,631		2,290	
Group and associations courses		215		–	
Branch courses		52,559		46,510	
Organising and learning publicity		49,325		30,837	
Employment costs		–		29,434	
			130,720		135,583
Other meetings					
International meetings		3,769		2,724	
Seminars		74,052		43,583	
National meetings		69,537		87,314	
			147,358		133,621
National representatives					
Annual delegate conference		498,040		520,229	
Subsistence		50,505		37,797	
Travel		56,290		58,748	
			604,835		616,774
Elections					
National		138,237		142,878	
Groups, associations and branches		73,608		99,512	
			211,845		242,390
Local representatives					
Group and occupational associations	D	811,448		787,191	
Branch grants		275,018		364,791	
Branch IT support		9,295		16,848	
Geographical and other structures	E	50,695		45,652	
			1,146,456		1,214,482
			2,241,214		2,342,850

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

9 Members benefits

Appendix	2017 £	2016 £
Death and personal accident	297,295	381,337
Benevolence service	56,456	73,791
Legal Services	488,523	224,076
Ex IR group sickness benefit	8,682	1,654
Helplines	22,900	98,760
Gold badges	1,973	4,025
Employment costs	366,297	614,359
	1,242,126	1,398,002

10 Members communications

PCS View / PCS People	415,929	410,680
Public relations	–	1,188
National publications	954	11,209
Group publications	–	29,031
Employment costs	1,279,695	1,200,469
	1,696,577	1,652,577

11 Affiliations and donations

Affiliation fees	G 732,942	737,378
PCS in the community fund	2,800	3,035
Donations	F 10,624	7,900
	746,366	748,313

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

	Investment Property £	Freehold Property £	Long Leasehold Property £	Short Leasehold Property £	Total Property £
12 Tangible fixed assets					
PROPERTY					
Valuation/cost					
Brought forward at 1 January 2017	7,400,000	5,264,138	563,500	282,560	13,510,198
Additions	393,686	-	-	-	393,686
Reclassification of Investment property	1,112,653	(1,112,653)	-	-	-
Revaluation in year	1,163,661	-	-	-	1,163,661
Carried forward at 31 December 2017	10,070,000	4,151,485	563,500	282,560	15,067,545
Depreciation					
Brought forward at 1 January 2017	-	(410,346)	(22,540)	(151,977)	(584,863)
Depreciation for year	-	(85,279)	(5,635)	(24,075)	(114,989)
Carried forward at 31 December 2017	-	(495,625)	(28,175)	(176,052)	(699,852)
Net book value at 31 December 2017	10,070,000	3,655,860	535,325	106,508	14,367,693
<i>Net book value at 31 December 2016</i>	<i>7,400,000</i>	<i>4,853,792</i>	<i>540,960</i>	<i>130,583</i>	<i>12,925,335</i>

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 2017.

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.

EQUIPMENT	Freehold Improvements	Office equipment £	Computer equipment £	Company cars £	Total £
Cost					
Brought forward at 1 January 2017	-	671,682	3,043,898	10,000	3,725,580
Elimination of fully depreciated assets	-	(201,731)	(620,787)	-	(822,518)
Additions in year	891,654	137,036	667,603	-	1,696,293
Carried forward at 31 December 2017	891,654	606,987	3,090,714	10,000	4,599,355
Depreciation					
Brought forward at 1 January 2017		(367,662)	(1,596,227)	(10,000)	(1,973,889)
Elimination of fully depreciated assets		201,731	620,787	-	822,518
Depreciation for year		(113,108)	(517,544)	-	(630,652)
Carried forward at 31 December 2017	-	(279,039)	(1,492,984)	(10,000)	(1,782,023)
Net book value at 31 December 2017	891,654	327,948	1,597,730	-	2,817,331
<i>Net book value at 31 December 2016</i>	<i>-</i>	<i>304,020</i>	<i>1,447,671</i>	<i>-</i>	<i>1,751,691</i>

Freehold improvements represent assets that are under construction.

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

13 Taxation on surpluses on ordinary activities

	2018 £	2017 £
UK Corporation tax		
Current tax on income from the year	160,000	153,891
Movement in deferred tax	(60,000)	–
Tax on results on ordinary activities	100,000	153,891
(Deficit) / surplus on ordinary activities before tax	2,521,475	6,625,595
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2016: 20%)	479,080	–
Non taxable income	(459,080)	–
Tax on investment property	–	153,891
Adjustment in respect of prior years	140,000	–
Tax on results on ordinary activities	160,000	153,891

14 Investments

	Equity £	Bonds and Interest bearing stock £	Unit Trusts and funds £	Money market £	Miscellaneous holdings at cost £	Total Investment movement £
Market value:						
Cost brought forward 1 January 2017	13,658	46,185	469,162	68,561	704,269	1,301,835
Unrealised gains	8,161	7,337	49,155	–	–	64,653
Market value carried forward 1 January 2017	21,819	53,522	518,317	68,561	704,269	1,366,488
Movement in year-cost						
Purchases-cost	–	54,000	116,547	–	–	170,547
Disposals-cost	–	(46,185)	(84,877)	–	–	(131,062)
Cash deposit	–	–	–	654	–	654
Cost carried forward 31 December 2017	13,658	54,000	500,832	69,215	704,269	1,341,974
Unrealised gains in year	9,757	209	63,589	–	–	73,555
Market value carried forward 31 December 2017	23,415	54,209	564,421	69,215	704,269	1,415,529

	Appendix	2017 £	2016 £
Equities	H	23,415	21,819
Bonds and interest bearing stock	I	54,209	53,522
Unit trusts and funds	J	564,421	518,317
Money market	K	69,215	68,561
Miscellaneous holdings at cost	L	704,269	704,269
		1,415,529	1,366,488

15 Debtors

Recoverable in less than one year:

Membership subscription debtor	1,607,968	1,584,546
Other debtors	382,305	352,659
Prepayments	469,136	596,258
	2,459,408	2,533,463

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

16 Cash at bank and in hand

	2017	2016
	£	£
Cash	2,017	1,493
Bank	1,448,257	5,144,778
Balances in hands of groups and branches	292,510	299,435
	1,742,784	5,445,706

17 Creditors: amounts falling due within less than one year

Trade creditors	709,469	1,221,393
Accruals	785,891	1,114,182
Corporation tax payable	233,843	75,043
Deferred tax payable	80,000	140,000
	1,809,203	2,550,618

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

18 Commitments

The PCS has the following rental agreements net of VAT:

Property leased	Date of Expiry	Total Commitment
		£
1 Islington Liverpool, L3	30 June 2025	391,526
16 Waterloo St, Birmingham, B2	19 August 2018	10,418
6 Holt Court North, Birmingham, B7	31 August 2018	11,264
Lease to be ceased on completion of new premises John Dobson St, Newcastle, NE1	24 March 2025	252,689
145 West Regent, St Glasgow G2	1 December 2027	523,776
Towncentre House, Wood house lane, Leeds	24 May 2020	291,666
1 Cathedral Street, Cardiff, CF1	9 Dec 2025	307,271
Part 2nd Floor Tony Benn House, Victoria Street, Bristol, BS1 6AY	30 June 2030	177,750
Peterborough, 15 Church Walk, Peterborough. PE1 22TP	21 August 2031	159,315
 Leasehold		
5 Falcon Mews	2113	239,404

19 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.

20 Related party transactions

At 31 December 2017 the PTC pension scheme had a charge over the Unions freehold property (Note 12).

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

21 Reconciliation of operating surplus to net cash movement from operating activities

	2017		2016
	£	£	£
Surplus for the year– general fund		3,093,906	5,638,403
Appropriation to campaign and disputes fund	837,350		628,000
Campaign and disputes fund expenditure	(770,666)		(783,683)
Donations	1,835		1,502
		68,520	(154,181)
Appropriation to political fund	201,160		204,744
Release of reserves from the political fund	–		–
Political fund expenditure	(75,046)		(69,878)
		126,114	134,866
Appropriation to fighting fund	36,990		20,026
Fighting fund expenditure	(33,439)		–
		3,551	20,026
Allocation to designated reserves	–		1,000,000
Transfer from property fund	(114,989)		(167,409)
Transfer from VSER fund	(438,000)		–
VSER expenditure	(317,624)		–
		(870,614)	832,591
Depreciation		745,641	784,339
Pension contributions paid in year	(3,200,000)		(1,700,000)
		(3,200,000)	(1,700,000)
		(32,882)	5,556,044
Interest receivable	(100)		(201)
Dividends	(29,999)		(22,750)
Pension scheme income	300,000		–
(Gain) / loss on sale of investments	(11,240)		–
(Gain) / loss on revaluation of investments	(8,902)		(64,653)
(Gain) on revaluation of investment property	(1,163,661)		(4,091,001)
Profit on disposal of investment property	–		(843,310)
(Decrease) / increase in creditors	(741,414)		(1,620,608)
Decrease / (Increase) in debtors	74,054		736,808
		(1,581,262)	(5,905,716)
Net cash inflow from operating activities		(1,614,144)	(349,672)

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

22 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 £4,133,625 (2016: £3,607,872).

The PTC Pension Scheme

PCS operates this as a defined benefit scheme. The assets of the scheme are held, almost entirely, by Sarasin & Partners LLP in the form of individual holdings of equities, unit trusts, government securities 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 £2,793,199. 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 2017 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 2017 (% p.a.)	at 31 December 2016 (% p.a.)	at 31 December 2015 (% p.a.)
Inflation assumption-RPI	3.2	3.3	3.1
Rate of general long-term increase in salaries	1.5	1.5	1.4
Rate of increases to pensions in payment	3.2	3.3	3.0
Discount rate for scheme liabilities	2.5	2.7	3.8

The scheme rules link to RPI not CPI.

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

22 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. A member currently aged 45 will live an additional 27.8 years from the age of 60 if they are male.

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

	Value at 31 December 2017 £m	Value at 31 December 2016 £m	Value at 31 December 2015 £m
Equities	42.7	43.8	38.7
Property	7.6	5.4	5.6
Government bonds	28.6	27.9	22.7
Sun Life annuity contracts	8.9	9.1	8.7
Corporate bonds	7.5	7.1	6.4
Alternative Investments	13.3	10.1	7.4
Other	3.8	0.7	0.7
Combined	112.4	104.1	90.2

*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 2017.

Reconciliation of funded status to balance sheet

	Value at 31 December 2017 £m	Value at 31 December 2016 £m	Value at 31 December 2015 £m
Fair value of scheme assets	112.4	104.1	90.2
Present value of funded defined benefit obligations	(133.6)	(132.3)	(107.4)
(Liability) recognised on balance sheet	(21.2)	(28.2)	(17.2)

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

22 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 2017	Year ended 31 December 2016
£m	£m
0.3	0.3
0.0	0.3
3.5	4.0
(2.8)	(3.4)
1.0	1.2

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 2017	Year ended 31 December 2016
£m	£m
132.3	107.4
0.3	0.3
3.5	4.0
0.2	0.2
0.4	23.5
(3.1)	(3.4)
0.0	0.3
133.6	132.3

Closing defined benefit obligation

*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 2017	Year ended 31 December 2016
£m	£m
104.1	90.2
2.8	3.4
5.6	11.8
2.8	1.9
0.2	0.2
(3.1)	(3.4)
112.4	104.1

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 2017	Year ended 31 December 2016
£m	£m
2.8	3.4
5.6	11.8
8.4	15.2

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

22 Pension (continued)

The PTC Pension Scheme (continued)

Analysis of amounts recognised in statement comprehensive income (SOCl)

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Total actuarial gains / (losses)	5.2	(11.7)
Total gain / (loss) in SOCl	5.2	(11.7)
Cumulative amount of (losses) recognised in SOCl	(33.8)	(39.0)

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

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Fair value of scheme assets	112.4	104.1	90.2	88.6	83.7
Defined benefit obligation	(133.6)	(132.3)	(107.4)	(111.7)	(100.0)
Deficit in scheme	(21.2)	(28.2)	(17.2)	(23.1)	(16.3)

History of experience gains and losses

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Experience gains / (losses) on scheme assets	5.6	11.8	(0.6)	0.1	4.5
Experience gains / (losses) on scheme liabilities*	(0.4)	(23.5)	5.2	0.0	0.6

* 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 2017 (continued)

22 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% pa
 Rate of pension increases – CPI 2.1% pa

The pension fund meets expenses incurred in operating the scheme.

Employer contributions to the scheme amounted to 1,315,579. 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 2017 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 2017 (% p.a.)	31 December 2016 (% p.a.)	31 December 2015 (% p.a.)
Inflation assumption - CPI	2.1	2.2	2.0
Rate of general long-term increase in salaries	1.5	1.5	1.4
Rate of increases to pensions in payment	2.1	2.2	2.0
Discount rate for scheme liabilities	2.5	2.7	3.8

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. A member currently aged 45 will live an additional 27.8 years from the age of 60 if they are male.

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

22 Pension (continued)**The CPSA pension scheme (continued)**

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

	Value at 31 December 2017	Value at 31 December 2016	Value at 31 December 2015
	£m	£m	£m
Equities	41.2	37.7	31.2
Property	1.5	9.7	9.6
Government bonds	24.3	23.7	19.0
Corporate bonds	14.1	13.5	11.8
Diversified Growth Fund	7.9	7.3	7.4
Other	9.7	0.5	–
Combined	98.7	92.4	79.0

*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 2016.

Reconciliation of funded status to balance sheet

	Value at 31 December 2017	Value at 31 December 2016	Value at 31 December 2015
	£m	£m	£m
Fair value of scheme assets	98.7	92.4	79.0
Present value of funded defined benefit obligations	(76.1)	(76.7)	(63.1)
Asset recognised on balance sheet	22.6	15.7	15.9

Analysis of income and expenditure charge

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Current service cost	0.6	0.4
Administration expenses	–	0.3
Past service cost	–	–
Interest cost	(0.4)	(0.6)
Expected return on scheme assets	–	–
Expenses recognised in income and expenditure	0.2	0.1

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

22 Pension (continued)

The CPSA pension scheme (continued)

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

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Opening defined benefit obligation	76.7	63.1
Current service cost	0.6	0.8
Administration expenses	–	–
Interest cost	2.0	2.4
Contributions by scheme participants	0.4	0.3
Actuarial losses / (gains) on scheme liabilities*	0.3	12.7
Net benefits paid out	(3.9)	(2.6)
Past service cost	–	–
Closing defined benefit obligation	76.1	76.7

*Includes changes to the actuarial assumptions

Changes to the fair values of scheme assets during the year

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Opening fair value of scheme assets	92.4	79.0
Expected return on scheme assets	2.4	3.0
Actuarial gains / (losses) on scheme assets	6.1	11.2
Administration costs	–	–
Contributions by the employer from all funds	1.3	1.3
Contributions by scheme participants	0.4	0.3
Net benefits paid out	(3.9)	(2.4)
Closing fair value of scheme assets	98.7	92.4

Actual return on scheme assets

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Expected return on scheme assets	2.4	3.0
Actuarial gain / (loss) on scheme assets	6.1	11.2
Actual return on scheme assets	8.5	14.2

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

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Total gain / (loss) in SOCl	5.8	(1.2)
Total actuarial gain / (loss) in SOCl	5.8	(1.2)
Cumulative amount of gains / (losses) recognised in SOCl	3.3	(2.5)

Public and Commercial Services Union

Notes to the accounts

For the year ended 31 December 2017 (continued)

22 Pension (continued)**The CPSA pension scheme (continued)****History of asset values, defined benefit obligation and surplus in scheme**

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Fair value of scheme assets	98.7	92.4	79.0	78.8	72.1
Defined benefit obligation	(76.1)	(76.7)	(63.1)	(66.1)	(59.4)
Surplus in scheme	22.6	15.7	15.9	12.7	12.7

History of experience gains and losses

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Experience gains / (losses) on scheme assets	6.1	11.2	(0.3)	3.6	3.9
Experience (losses) / gains on scheme liabilities*	(0.3)	(12.5)	2.9	(0.2)	0.5

* 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 2017 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 £24,847 (2016: £27,767).

Reserves

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Funds as stated excluding pension assets/(liabilities)	21.0	21.5
Pension liability	(21.2)	(28.2)
Pension asset	22.6	15.7
Adjusted funds figure including pension assets/(liabilities)	22.4	9.0

23 Contingent assets

The Union have made a claim of £3,229,398 (excluding future losses, which the Union are inviting the Court to award) against 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 High Court will hear arguments and evidence on remedy from 22 to 25 October 2018. The Union expect to win damages, however, timings and amounts are not quantifiable at this stage.

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 2017

A Campaign and disputes fund (detailed analysis)

	2017		2016	
	£	£	£	£
Balance at 1 January 2016		6,048		160,229
Transfer from subscription Income		399,350		458,000
Exceptional transfer to income and expenditure		-		170,000
Transfer from VSER fund		438,000		-
Hardship fund donations		1,835		1,502
		<u>845,233</u>		<u>789,731</u>
Strike Pay	(66,380)		(310,088)	
Civil Service Compensation scheme – Consultative Ballot	-		(189,661)	
Anti – jobs cuts campaign	(371,921)		(161,457)	
Strategic legal cases	(272,971)		(93,123)	
Credit Union	(20,617)		(13,503)	
Industrial Action Ballots	(9,955)		(8,566)	
Department of Works and Pensions	(19,271)		-	
Alternative vision for the justice system	(1,666)		(3,226)	
Greenwich Resource Centre	-		(3,000)	
Miscellaneous costs	(6,004)		(533)	
Culture Media & Sports Group	(1,880)		(354)	
STUC	-		(172)	
		<u>(770,666)</u>		<u>(783,683)</u>
Balance at 31 December 2016		<u>74,568</u>		<u>6,048</u>

Public and Commercial Services Union

Appendices to the accounts

For the year ended 31 December 2017 (continued)

B Political fund

	2017		2016	
	£	£	£	£
Balance at 1 January 2017		386,672		251,806
Transfer from subscription income		201,160		204,744
		<u>587,832</u>		<u>456,550</u>
Less:				
Parliamentary work	(60,356)		(50,762)	
Unite Against Fascism	724		(530)	
Greening The Workplace	(8,863)		(12,244)	
Scottish Campaigns	(2,204)		(3,917)	
Jobs Campaigns	–		(1,425)	
International Campaigns	(4,347)		(1,000)	
		<u>(75,046)</u>		<u>(69,878)</u>
Balance at 31 December 2017		<u>512,786</u>		<u>386,672</u>

Public and Commercial Services Union

Appendices to the accounts

For the year ended 31 December 2017 (continued)

C Network administration (detail)

	2017		2016	
	£	£	£	£
National costs				
Superannuation fund costs		752,003		596,507
Pension Protection Fund Levy		70,120		60,224
Legal and professional fees		39,562		88,617
Credit Union Loan written off		–		18,436
Audit fees		38,600		61,138
Bank charges and interest		20,673		40,083
Staff development costs		14,218		26,476
Staff recruitment costs		23,041		1,712
Computer running costs		590,809		617,701
Vehicle running costs		4,367		7,742
Pension adjustment				
Current service costs of defined benefit schemes	900,000		1,100,000	
Administration expenses	–		300,000	
Benefits paid	–		(200,000)	
Past service costs of defined benefit schemes	–		300,000	
Pension contributions paid in year	(4,100,000)		(3,200,000)	
		(3,200,000)		(1,700,000)
		<u>(1,646,607)</u>		<u>(181,365)</u>
London headquarters				
Employment costs		7,797,959		7,394,632
Voluntary selective and early retirement scheme costs paid		90,560		90,560
Accommodation running costs		387,122		382,330
Maintenance of buildings		–		5,797
Printing, stationery and photocopying		127,194		57,665
Postage		81,361		30,160
Research		57,302		52,382
Telephone		132,037		113,350
Office running costs		188,429		119,359
Subsistence		54,653		51,626
Travel		90,925		97,730
Miscellaneous		12,557		22,729
		<u>9,020,099</u>		<u>8,418,320</u>
English regions				
Yorkshire and Humberside				
Employment costs		469,775		463,735
Accommodation running costs		217,605		175,655
Maintenance of buildings		–		673
Printing, stationery and photocopying		3,980		4,370
Postage		4,220		7,712
Telephone		714		3,867
Office running costs		15,454		15,116
Subsistence		10,861		9,626
Travel		24,853		11,005
Miscellaneous		203		(485)
		<u>747,665</u>		<u>691,274</u>

Public and Commercial Services Union

Appendices to the accounts

For the year ended 31 December 2017 (continued)

C Network administration (detail) (continued)

	2017 £	2016 £
North West		
Employment costs	436,524	315,121
Accommodation running costs	108,594	55,213
Printing, stationery and photocopying	2,880	3,382
Postage	3,345	3,271
Telephone	254	376
Office running costs	3,172	2,191
Subsistence	11,420	5,288
Travel	14,108	10,110
	<u>580,297</u>	<u>394,952</u>
Eastern		
Employment costs	97,763	95,920
Accommodation running costs	13,964	28,023
Printing, stationery and photocopying	245	888
Postage	1,187	837
Telephone	590	971
Office running costs	1,397	912
Subsistence	797	113
Travel	826	796
	<u>116,769</u>	<u>128,460</u>
West Midlands		
Employment costs	553,390	495,675
Accommodation running costs	108,994	83,260
Printing, stationery and photocopying	4,648	2,827
Postage	2,448	2,598
Telephone	1,607	12,448
Office running costs	2,712	3,212
Subsistence	8,159	3,583
Travel	21,287	8,053
Miscellaneous	45	240
	<u>703,290</u>	<u>611,896</u>
Northern		
Employment costs	79,292	91,853
Accommodation running costs	51,465	26,864
Printing, stationery and photocopying	2,039	1,310
Postage	1,018	1,430
Research	-	58
Telephone	254	974
Office running costs	2,136	1,627
Subsistence	-	13
Travel	-	21
	<u>136,204</u>	<u>124,150</u>

Public and Commercial Services Union

Appendices to the accounts

For the year ended 31 December 2017 (continued)

C Network administration (detailed) (continued)

	2017 £	2016 £
South West		
Employment costs	188,854	151,308
Accommodation running costs	40,024	14,512
Maintenance of buildings	–	533
Printing, stationery and photocopying	589	1,414
Postage	(221)	1,808
Telephone	639	1,187
Office running costs	1,507	1,632
Subsistence	5,061	2,036
Travel	10,675	6,654
	<u>247,128</u>	<u>181,084</u>
London and South Eastern		
Employment costs	505,235	573,321
Subsistence	12,441	7,948
Travel	17,645	25,797
	<u>535,321</u>	<u>607,066</u>
Devolved		
Scotland		
Employment Costs	604,033	552,354
Accommodation Running Costs	80,155	41,048
Printing, Stationery & Photocopying	1,956	2,612
Postage	1,435	1,928
Research	–	–
Telephone	(213)	3,797
Office Running Costs	2,268	1,105
Subsistence	7,523	9,436
Travel	21,047	19,511
Miscellaneous	–	686
	<u>718,204</u>	<u>632,477</u>
Wales		
Employment Costs	505,835	489,369
Accommodation Running Costs	66,795	36,402
Maintenance of buildings	–	600
Printing, Stationery & Photocopying	3,216	3,956
Postage	2,453	4,057
Research	–	–
Telephone	726	2,143
Office Running Costs	2,614	4,188
Subsistence	7,997	11,048
Travel	13,280	38,952
Miscellaneous	246	–
	<u>603,162</u>	<u>590,715</u>
Ireland		
Printing, Stationery & Photocopying	76	758
Subsistence	143	205
Travel	1,288	97
Telephone	196	373
	<u>1,703</u>	<u>1,433</u>
	<u>11,763,235</u>	<u>12,200,462</u>

Public and Commercial Services Union

Appendices to the accounts

For the year ended 31 December 2017 (continued)

D GROUP AND OCCUPATIONAL ASSOCIATIONS

	2017	2016
	£	£
ATOS	8,500	8,467
Aviation Group	17,800	14,721
Commercial Sector Association	3,882	560
Crown Prosecution Service	21,056	18,429
Culture, Media & Sport OA	9,000	9,344
Defence Sector	29,000	27,335
Department for Business & Innovation Skills	41,000	39,123
Department for Transport	35,000	29,054
Department for Work and Pensions	297,300	285,000
Department of Health	1,333	3,953
Education Group	3,991	4,359
Environment, Food and Rural Affairs	20,000	18,010
Forestry Commission	1,500	3,738
Government Communications Group	27,000	34,468
Hewlett Packard	2,160	5,073
Home Office	55,000	40,003
Land Registry	25,058	19,079
Metropolitan Police	9,000	6,712
Ministry of Justice	77,000	51,928
Office of National Statistics	1,163	2,141
PSG Eastern	10,813	–
Revenue & Customs	170,000	163,801
Scottish Government	2,500	1,893
Welsh Government	400	–
Returned funds	(58,008)	–
	811,448	787,191

E Geographical and other structures

	2017	2016
	£	£
Public Services Group	4,484	6,060
Associate Members Section	16,756	16,332
Professional Managers Association	18,994	14,032
Regional committees:		
Wales	1,589	2,774
Scotland	859	243
Ireland	359	656
Eastern	1,393	1,389
North West	2	68
Northern	1,289	1,165
Midlands	565	475
South West	2,007	1,217
Yorkshire and Humberside	2,398	1,241
	50,695	45,652

Public and Commercial Services Union

Appendices to the accounts

For the year ended 31 December 2017 (continued)

F Principal donations

The donations over £100 are listed below

	2017 £	2016 £
Centre for Labour and Social Studies	5,000	5,000
The Radical Housing Network	2,000	–
The Friends of the Durham Miners	1,000	–
Mechanics Institute Trust	500	–
Show Racism the Red Card	500	–
The Mary MacArthur Holiday Trust	300	–
European Federation of Public Services Unions	224	–
Burston Strike School	200	100
With Banners Held High	200	–
Phil Maxwell	200	–
Working Class Movement Library	200	–
Women Against State Pension Inequality	100	–
Black Activists Rising Against Cuts	100	–
Total Eclipse of the Sun	100	–
Cable Street 80 Organising Committee	–	500
The Reid Foundation	–	500
Institute of Employment Rights	–	400
Joint Council for Welfare of Immigrants	–	400
The Mary Quaille Club	–	200
Bare LRF (London Recruits)	–	200
Mental Health Issues	–	200
Grunwick 40	–	200
TUC LGBT Conference	–	100
Lucas Plan	–	100
	10,624	7,900

Public and Commercial Services Union

Appendices to the accounts

For the year ended 31 December 2017 (continued)

G Affiliation fees

	2017	2016
	£	£
Abortion Rights	–	175
ACTSA	350	350
Black Activists Rising Against Cuts (BARAC) UK	100	–
Amnesty International	240	–
Campaign Against Climate Change	300	150
Campaign for Nuclear Disarmament	–	250
Campaign for Press Broadcasting Freedom	450	450
Campaign for Trade Union Freedom	–	650
Cuban Solidarity Campaign	200	200
Eurocadres	1,294	65
European Federation of Public Service Unions	34,674	33,092
General Federation of Trade Unions	8,220	8,220
Howard League	–	400
Institute of Employment Right	408	–
International Transport Workers Federation	2,475	1,162
Irish Congress of Trade Unions	6,522	5,146
Jubilee Debt Campaign	1,500	–
Labour Research Department	15,160	12,596
Mena Solidarity Network	200	–
National Pensioners Convention	2,275	2,250
Palestine Solidarity Campaign	–	200
Public Services International	80,798	83,051
STUC	40,749	32,065
Trade Justice Movement	500	500
Trade Union Coordinating Group	6,431	5,711
TUC	513,841	534,590
UNI	8,500	10,200
Union des Finanzpersonals in Europa	5,035	3,600
Unite Against Fascism	–	200
Unity Trust Bank	–	92
Venezuela Solidarity Campaign	240	–
Wales TUC	1,695	2,013
War on Want	500	–
Women's Federation of England	285	–
	<u>732,942</u>	<u>737,378</u>

Public and Commercial Services Union

Appendices to the accounts

For the year ended 31 December 2017 (continued)

H Equities

	Nominal holding 2017	Cost 2017 £	Market value 2017 £	Market value 2016 £
3I Infrastructure PLC ord NPV	6,750	6,977	14,016	12,585
International Public Partnership Ltd 0.01p ordinary shares	6,000	6,681	9,399	9,234
		<u>13,658</u>	<u>23,415</u>	<u>21,819</u>

I Bonds and interest bearing stock

	Nominal holding 2017	Cost 2017 £	Market value 2017 £	Market value 2016 £
iShares GBP Corporate Bond	–	–	–	53,522
Sarasin Responsible Corporate Bond – I Inc	52,174	53,878	54,209	–
		<u>53,878</u>	<u>54,209</u>	<u>53,522</u>

J Unit trusts and investment funds

	Nominal holding 2017	Cost 2017 £	Market value 2017 £	Market value 2016 £
BH Macro Ltd Ordinary	450	7,900	8,937	9,565
Lyxor Gold Bullion Securities SEC UND Zero CPN NTS	–	–	–	3,117
Source Physical Gold	97	9,212	9,072	–
Sarasin CI Real Estate Equity Income	974	8,880	16,750	17,151
Sarasin Equisar – UK Thematic	–	–	–	78,670
Sarasin Equisar – Global Thematic	10,409	75,000	105,344	91,687
Sarasin Sterling Bond	277,598	298,660	319,515	318,127
Sarasin Global Dividend-I Inc	43,153	60,383	64,729	–
Sarasin IE Systematic	653	6,322	5,828	–
Jupiter Absolute Return – IA	11,069	6,358	6,228	–
ICS – INC Sterling Heritage Account (Blackrock)	271	28,000	28,018	–
		<u>500,715</u>	<u>564,421</u>	<u>518,317</u>

K Money market

	Nominal holding 2017	Cost 2017 £	Market value 2017 £	Market value 2016 £
Sarasin & Partners LLP Money Market		69,215	69,215	68,561
		<u>69,215</u>	<u>69,215</u>	<u>68,561</u>

Public and Commercial Services Union

Appendices to the accounts

For the year ended 31 December 2017 (continued)

L Miscellaneous holdings

	Nominal holding 2017	Cost 2017 £	Market value 2017 £	Market value 2016 £
Members portfolio				
Accenture Ltd Class A common shares	40	744	4,528	3,792
Atos Origin SA €1 common stock	25	781	2,693	2,140
Babcock International Group PLC 60p ordinary shares	105	401	742	1,000
Balfour Beatty PLC 50p ordinary shares	250	915	741	671
Banco Santander SA	51	1,185 a	248	216
Cap Gemini SA €8	25	830	2,195	1,711
Capita Group PLC 2p ordinary shares	126	781	505	668
DXC Technology	30	477	2,105	1,443
CRSA Inc	30	354	664	773
Eurocorp	200	722	186	642
G4S PLC	400	946	1,066	939
Groupe Steria SCA	80	774	2,767	1,842
Grupo Ferrovial SA €1	60	813	1,008	871
IBM Corporation common stock	15	750	1,702	2,015
Lonmin PLC	1	1,378	1	1
MITIE Group PLC 2.5p ordinary shares	400	852	771	899
Osran Licht AG	1	15	67	42
Siemens AG no-par-value registered shares	15	710	1,546	1,489
Total Members' Portfolio		13,428	23,535	21,154
Miscellaneous holdings				
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	398,075	349,397
		704,269	798,182	747,123

PCS **Financial report** **2018**

Financial outlook 2018–2020

PCS annual budget 2018

INTRODUCTION

This section of the Financial Report sets out the detailed budget for 2018 agreed by the NEC and the outline budgets for 2019 and 2020.

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.

As a result of effective financial planning and budgetary control we have turned a potential crisis into an opportunity. By making changes to our structure and ways of working. It is now possible to consider ambitious objectives, to grow the Union in terms of size and influence over the next three years. The successful delivery of the new 3 year plan will take us back into achieving annual surpluses and complete the long journey of full financial stability by 2020.

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

2017 was the most challenging year in the 3 year budget reduction programme launched in 2015. Whilst significant savings were achieved on some budgets we did not succeed with our goal of an overall balanced budget as we ran into overspends on others. Excluding pension and investment adjustments, we ended the year in a deficit position.

Our task for 2018 is twofold. Firstly to ensure that there is a better balance between our income and expenditure and that will require further budget cuts in some areas. Secondly, an adjustment of certain key budgets which were set at unrealistic levels in 2017. As some of our budgets are more 'fixed' than others it means some 'flexible' budgets may have to be reduced further.

Unavoidably, this will mean a further set of tough calls on expenditure again this year. However, as long as we maintain good budget discipline and deliver on our organising objectives set out in the new plan, the future financial prospects of the Union are far more positive.

Cash Reserves

As our expenditure on 'spend-to-save' projects intensifies

during the year, notably the HQ refurbishment which we hope will generate an additional £1m per annum in rental income for the Union, we are having to keep a close eye on our cash reserves.

We have taken the precaution of taking out an overdraft facility with Unity Bank to ensure we have sufficient cash resources to get us through the period before the anticipated inward flow of additional rental income.

The Union believes it is a going concern going forward and has put in place an NEC agreed budget policy. The delivery of this policy will be supported by cash flow analysis and budget monitoring. We shall review the cash position on a regular basis and, if required, take appropriate action on spending decisions during the year in line with the policy.

This report details the main features and issues surrounding the budget for 2018 as well as providing the underlying assumptions on income projections.

FORMAT

The budget presented includes the following statements:

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

OVERVIEW

The 2018 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 £21.0 million. An assumption has been made that our membership will remain stable in 2018 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 £0.7 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 £20.5 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, and the filling of vacant posts in the new staff structure.

The Union has now recruited new staff to previously vacant positions, mainly in our regional and national hubs. Most have been appointed to support our organising programme. The additional cost of new staff will be largely offset by departures of, mainly London based staff at the end of 2017 on voluntary severance.

Staff Costs (Pay + Pension + NI)	£10.1m
Pensions deficit recovery payment	£3.1m
Non-staff costs	£7.3m
	<hr/>
Total	£20.5m
Campaign and Political fund	£0.7m

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 2017, mainly relating to triennial valuation costs and additional work linked to the deficit funding position. However, the budget has not been increased as we expect to reduce expenditure through a combination of tighter budget control and a new contract with our main pension provider linked to governance reform measures. Payments to the Pension Protection Fund (PPF) are expected to rise in 2018.

- **Computer systems:** Budgets are being increased due to the enhanced security requirements of the General Data Protection Regulation, additional server needs and maintaining existing running costs alongside the digital project. Once the project has been fully rolled out, it is anticipated that savings will be achieved in this area.
- **Office and Accommodation:** Budgets are being set at a more realistic level taking into 2017 spend and inflation increases.
- **Telephone:** The budget has been reduced as a new cloud based telephony system has been installed as part of the IT upgrade.
- **Printing:** The demand for printing in 2017 was much higher than expected and the 2018 budget has been revised upwards accordingly.
- **Travel and Subsistence:** The T&S budgets for 2017 across the board were set too low in 2017 and did not properly allow for an increase in workplace organising activity. The budgets have been adjusted for 2018. Some savings will be made from a change in a lower cost travel operator. In addition, budget holders have been instructed to monitor budgets closely.

Decrease from 2017 spend. £169,751

MEMBERS REPRESENTATIVES COSTS

- **National Elections:** We are able to set a lower budget in 2018 through a combination of changes in election material design, leading to lower postage cost and a greater use of e-balloting.
- **Branch and Group funding:** Is being reduced in line with the reduction in membership and actual expenditure in the previous year.
- **Annual Conference:** The budget for ADC has been reduced arising from cost efficiencies applied.

Decrease from 2017 Spend. £166,136

BENEFITS AND COMMUNICATION COSTS

- **The PCS People budget:** is being halved 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.

PCS annual budget 2018 (continued)

- **The Death & Personal Accident:** budget is being reduced based on 2017 patterns of expenditure.
- **Helplines:** a newly negotiated contract has reduced costs and so the budget has been reduced.
- **Legal Services:** There was a major overspend in 2017. This was demand led with a 25% increase on cases referred compared to 2016. We are screening some two thirds of requests for advice as not being necessary to send for formal legal advice but the remainder are needing referral either because of the complexity of the case and claims requiring representation at employment tribunal level. Measures have been agreed with budget holders to monitor committed expenditure, referral rates, monthly costs, any early action required and with the Finance Committee, to benchmark the range of legal costs.

Decrease from 2017 Spend. £95,342

AFFILIATIONS AND DONATIONS

We have increased the affiliation costs by a small amount.

Increase from 2017 spend. (£3,034)

CAMPAIGN AND POLITICAL FUND

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

Increase from 2017 spend. (£137,373)

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 £0.47million a reduction of £0.10 million compared to 2017.

An estimated amount of £1.78 million for further refurbishment costs for improvements to London HQ has

been planned. This expenditure is required to bring the property to London rental standards in order to optimise income potential.

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 2017.

Reserves and funds

Expenditure on campaigns and political activities is budgeted at £0.7 million 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 balance sheet position of £1.4 million net assets at December 2017 has been included in the balance sheet as this is the current known position.

OVERVIEW AND CONCLUSION

The 2018 budget has been set at the tail end of a financial storm arising from the check off controversy. We can be proud of our efforts over the past 3 years to stabilise Union finances. We are grateful for the support from groups and branches on what has been a long and painful budget reduction journey.

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
Deputy President

19 March 2018

PCS budget 2018

General fund projected income and expenditure account

For the year ended 31 December 2018

	Notes	2018 £	£
INCOME			
Subscription income			
Members subscriptions		21,288,281	
Collection costs		(246,000)	
			21,042,281
Other income			
Investment income	1	23,200	
Commercial activities	2	652,900	
			676,100
Total income			21,718,381
EXPENDITURE			
General fund expenditure			
Network administration	3	(14,793,482)	
Members representative costs	4	(2,075,078)	
Members benefits	6	(1,143,249)	
Members communications	5	(1,700,113)	
Affiliations and donations	7	(749,400)	
TOTAL			(20,461,321)
Subscriptions allocated to campaign and political funds			(737,883)
Depreciation			
Depreciation on freehold properties		(85,279)	
Depreciation on leasehold properties		(29,710)	
Depreciation on other fixed assets		(813,989)	
			(928,978)
Transfer to Property Fund			254,154
Total expenditure			(21,874,028)
Budgeted general fund deficit			(155,647)

PCS budget 2018

General fund projected balance sheet

As at 31 December 2018

	2018 £
Fixed Assets	
Freehold property	3,570,581
Leasehold property	612,123
Investment property	10,070,000
Other fixed assets	3,471,191
	<u>17,723,894</u>
Cash / Investments	1,519,147
Current assets	
Debtors and Prepayments	2,366,000
Creditors and accrued charges	(1,836,000)
Net current assets	<u>530,000</u>
Total assets less current liabilities	<u>19,773,041</u>
Total net assets	<u>19,773,041</u>
Pension adjustments	
Pension assets	22,600,000
Pension Liabilities	(21,200,000)
	<u>1,400,000</u>
Total net Asset at 31 December 2018	<u><u>21,173,040</u></u>
Represented by:	
Funds	
General	7,557,746
Property	11,342,056
Campaign and political funds	656,656
Fighting Fund	72,208
Designated reserves	
Voluntary Selective and early retirement	144,375
Pension adjustment	
Pension reserve	1,400,000
Total budgeted reserves and funds at 31 December 2018	<u><u>21,173,040</u></u>

PCS budget 2018

Notes supporting the budget

For the year ending 31 December 2018

	2018 £
1 Investment income	
Dividends	23,000
Interest from investment managers	200
	<u>23,200</u>
2 Commercial activities	
Advertising income	48,000
Commission received	52,000
Rent	492,900
Vat recovered	60,000
	<u>652,900</u>
3 Network administration summary	
Superannuation fund running costs	(550,000)
Pension protection levy	(66,899)
Legal and professional fees	(38,000)
Audit fees	(42,000)
Bank charges	(34,000)
Staff Recruitment Costs	(6,000)
Staff development costs	(17,000)
Computer system running costs-ITT	(506,680)
Computer system running costs-campaigns	(100,000)
Vehicle running costs	(3,000)
Employment costs	(11,406,839)
Accommodation running costs	(1,117,645)
Printing, stationery & photocopying	(198,880)
Postage	(95,300)
Research	(52,700)
Telephone	(104,492)
Office running costs	(150,865)
Subsistence	(115,714)
Travel	(181,468)
Miscellaneous	(6,000)
	<u>(14,793,482)</u>

PCS budget 2018

Notes supporting the budget

For the year ended 31 December 2018 (continued)

	2018 £
6 Members benefits	
Death & personal accident	(300,000)
Benevolence service	(55,000)
Legal services	(368,100)
Ex IR group members' sickness benefit	(2,000)
Employment costs	(370,109)
Helplines	(47,040)
	<u>(1,143,249)</u>
7 Affiliations and donations	
Affiliation fees	(740,000)
PCS in the community fund	(4,400)
Donations	(5,000)
	<u>(749,400)</u>
8 Campaign and Political funds – planned expenditure	
Greenwich resource centre	(3,000)
Group campaigns	(20,000)
Industrial action ballots	(200,000)
Jobs campaign	(122,000)
Strategic legal cases	(100,000)
Strike pay	(80,000)
Anti-racism / fascism	(4,000)
Greening the workplace	(10,000)
Scottish campaigns	(1,500)
Parliamentary Work	(54,000)
	<u>(594,500)</u>

PCS financial outlook 2018–2020

INTRODUCTION

At the end of last year, we concluded a 3 year financial plan. Launched in those dark days of 2015, at a time when the serious consequences of the check-off removal by a hostile government were unfolding, the ADC plan was hastily prepared to enable the Union to survive the impending crisis. At the time, most of our income was reliant on check-off collection by employers and we were not certain of how successful we would be in moving members to direct debit.

Thanks to the efforts of our reps and staff, we were able to move 80% of members on to Direct Debit in a short time frame. However, in doing so, we took a significant financial hit. Our income today is £6m lower than it was in 2014.

The 2015 plan placed us on a course to navigate through troubled waters to survive the storm and restore relative financial stability, and that is what we have achieved.

The stabilisation of the Union, supported by changes to our structure and ways of working, has meant that it is now possible to consider ambitious objectives, to grow the Union in terms of size and influence over the next three years in the form of the new 3 year PCS Plan.

A reminder of the objectives for 2018–2020.

- 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.

Whilst the worst of the storm has passed, we have unfinished business to fully restore financial stability. We have not yet reached a point whereby membership loss has been fully halted, although the increasing recruitment rates supported by the new PCS staffing structure and a new organising drive, has meant we are on that path.

This means that the prudent and cautious approach has to continue until our membership income stabilises which we hope to achieve during this year.

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 ongoing strategic review. Successful implementation will lead to better organised workplaces, strengthening union leverage and protecting union income.

As a consequence, for financial planning purposes, we taking a cautious approach on projected membership.

Taking into account improved joiner rates in the past year, we are able to revise upwards the membership loss predictions as set out in the 2017 Finance Report.

For financial planning purposes, we have assumed that membership will fully stabilise in 2018 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.

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 2019 and 2020, we also incorporate the agreed 2018 budget.

As you will note, when you apply the estimated membership projection described above and factor in projected rental income from letting out 2 floors of our HQ building, as long as we maintain a control over spending and restrict expenditure increases, there is the potential of surpluses being realised in 2019 and 2020.

Gross income is estimated to raise from £21.29m in 2018 to £21.50m in 2019 & £21.72 in 2020, an increase of 1%.

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 3 years but, despite everything the UK government has thrown at us, we are standing strong. Thanks to ADC endorsement of the NEC 3 year budget in 2015, we have reduced costs and the plan has delivered financial stability in adopting the new 3 year plan, we shall ensure financial stability going forward. This will place us in the best possible position to grow again with stronger workplaces and more members, enhancing our bargaining leverage and achieving wins for our members.

Chris Baugh
National Treasurer

Kevin McHugh
Deputy President

19 March 2018

Notes supporting the PCS financial outlook 2018 – 2020

3 YEAR BUDGET PLAN 2018 – 2020

	2018 Budget	2019 Budget	2020 Budget
INCOME			
Gross Subscriptions	£21.29m	£21.50m	£21.72m
Less Collection Costs	(£0.25m)	(£0.25m)	(£0.25m)
Net Subscriptions	£20.04m	£21.25m	£21.47m
Other Income*	£0.68m	£1.38m	£1.38m
TOTAL INCOME	£21.72m	£22.63m	£22.85m
EXPENDITURE			
Staff Costs (Pay + Pension + National Insurance)	£10.14m	£10.27m	£10.40m
Pensions Deficit Recovery Payment	£3.10m	£3.10m	£3.10m
Non-Staff Costs	£7.22m	£7.36m	£7.51m
Campaign and Political fund	£0.74m	£0.75m	£0.76m
Depreciation	£0.93m	£0.86m	£0.90m
Property Fund Transfer	(£0.25m)	(£0.30m)	(£0.30m)
TOTAL EXPENDITURE	£21.88m	£22.04m	£22.37m
SURPLUS / DEFICIT	(£0.16m)	£0.59m	£0.48m

PCS financial outlook 2018–2020

General fund projected income and expenditure account

For the year ended 31 December

	2018 £	2019 £	2020 £
INCOME			
Net Subscriptions	21,042,281	21,255,000	21,470,000
Other Income	676,100	1,385,500	1,385,500
Total Income	<u>21,718,381</u>	<u>22,640,500</u>	<u>22,855,500</u>
EXPENDITURE			
General fund expenditure	(20,461,321)	(20,738,127)	(21,019,145)
Subscriptions allocated to campaigns and political funds	(737,883)	(750,510)	(763,370)
Depreciation	(928,978)	(862,066)	(901,749)
Property fund transfer	254,154	304,155	304,155
Total expenditure	<u>(21,874,028)</u>	<u>(22,046,548)</u>	<u>(22,380,109)</u>
Planned general fund overall surplus / (deficit)	<u>(155,647)</u>	<u>593,952</u>	<u>475,391</u>

PCS financial outlook 2018–2020

General fund projected balance sheet

As at 31 December

	2018	2019	2020
Fixed Assets		£	£
Freehold	3,570,581	3,485,302	3,400,023
Leasehold	612,123	582,412	552,702
Investment Property	10,070,000	10,070,000	10,070,000
Other fixed assets	3,471,191	3,218,835	2,896,796
	17,723,894	17,356,548	16,919,520
Cash / Investments	1,519,147	2,339,673	3,111,320
Current assets			
Debtors and Prepayments	2,366,000	2,366,000	2,366,000
Creditors and accrued charges	(1,836,000)	(1,836,000)	(1,836,000)
Net current assets	530,000	530,000	530,000
Total assets less current liabilities	19,773,041	20,226,221	20,560,840
Long term creditors	–	–	–
Total net assets	19,773,041	20,226,221	20,560,840
FRS 102 adjustments			
Pension assets	22,600,000	22,600,000	22,600,000
Pension Liabilities	(21,200,000)	(21,200,000)	(21,200,000)
	1,400,000	1,400,000	1,400,000
Total net Asset at 31 December	21,173,040	21,626,221	21,960,840
Represented by:			
Funds			
General	7,557,746	8,151,698	8,627,088
Property	11,342,056	11,037,901	10,733,747
Campaign and political funds	656,656	800,039	943,422
Fighting Fund	72,208	92,208	112,208
Designated reserves			
Voluntary Selective and early retirement	144,375	144,375	144,375
FRS102 adjustments			
Pension reserve	1,400,000	1,400,000	1,400,000
Total budgeted reserves and funds at 31 December	21,173,040	21,626,221	21,960,840

PCS **Financial report** **2018**

Supporting appendices

Appendix I

PCS financial objectives

PCS has the following financial objectives:

Result for 2017

<ul style="list-style-type: none"> • Meet general fund expenditure from net subscription income, after allowing for VAT recovered. 	Met.
<ul style="list-style-type: none"> • All expenditure to be budgeted for in advance of being incurred. 	Partly met.
<ul style="list-style-type: none"> • Operate a devolved budgeting system with no budgets allowed to remain overspent without prior agreement of the Finance Committee of the NEC. 	Partly met.
<ul style="list-style-type: none"> • Budget for an operating surplus of around 5% of net subscription income. 	Not met.
<ul style="list-style-type: none"> • Maintain employment costs, before employer's NI and superannuation contributions, at approximately one third of subscription income. 	These were 38% of subscription income.
<ul style="list-style-type: none"> • Only create reserves for purposes which will occur within a reasonable period and can be reasonably accurately quantified, or where accounting standards require. 	Met.
<ul style="list-style-type: none"> • Maintain the general fund at around six months subscription income. 	The General Fund stands at just below 4.4 months subscription income, as at December 2017.
<ul style="list-style-type: none"> • 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.
<ul style="list-style-type: none"> • 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.

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.

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).

Appendix III

PCS pay scales

With effect from 1 August 2017

Grade Description	Number in Grade at 31.12.17	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		
Total FTE	196.0				

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.

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.

- 2016–17 NEC Subscriptions policy.
- PCS Finance Report - 2017.
- 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 Redfern 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

Group Funding: Telephone 0113 2005318 or email funding@pcs.org.uk

Expenses: Telephone 0113 2005300 or email LeedsFinance@pcs.org.uk

Redfern Travel: Telephone 0330 0082 000 email corporate@redfern-travel.com

Credit Union: Telephone 0207 924 2727 or email creditunion@pcs.org.uk

Public and Commercial Services Union

160 Falcon Road

London

SW11 2LN

Telephone: 020 7929 2727

Fax: 020 7924 1847