2012

PCS
ANNUAL
DELEGATE
CONFERENCE

Financial report

PCS Financial report 2012

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PCS Financial report 2012

Accounts to 31 December 2011

Overview of 2011

INTRODUCTION

We present the PCS accounts for 2011. This narrative report highlights the most important aspects of the financial results of the union for 2011. In addition to this overview, the financial report includes a review of the annual budget for 2012, and a review of the medium term financial outlook across 2013 to 2015. These accounts will be presented to the annual delegate conference in May 2012.

OVERVIEW

Income and expenditure account

2011 financial results present a mixed picture for the union: successful continuing reduction in operational costs, mitigated by the need to fund extensive campaign activity, and the significant impact on membership income of membership losses.

There was an overall deficit (before FRS 17) on the general fund of £1.9 million for 2011 (2010: deficit £252,000), after transfers to the campaign and disputes and political funds. The deficit comprises an operating deficit of £1.7 million and a transfer to the early retirement reserve of £200,000.

The overall general fund income and expenditure account presents a surplus of £723,122 due to the outcome of the 2009 actuarial valuation.

The operating deficit is lower than predicted by the budget for 2011. The 2011 budgeted deficit was £1.8 million, revised to £1.9 million at mid year review. The deficit has reduced, due to a combination of factors, principally changes in greater control over expenditure, both employment and non payroll costs.

Key variances:

Income

- Gross membership income has reduced from 2010 levels by £457,000.

Investment markets and activities

- Gains on in-year investment transactions amounted to £239,000, compared to £505,000 in 2010.

Management of costs

- Total employment costs were £900,000 above 2010 actual cost, though £300,000 below budget, due to increased pension costs and the impact of staff departures.
- Non payroll costs were £500,000 below budget for 2011 and £400,000 below actual 2010.

Campaign activities

- £2 million was spent on campaign activities compared to £1.2 million in 2010.

IMPACT OF THE FINANCE REVIEW

As reported in the 2011 Financial Report, a finance review was initiated across the union to manage the financial pressures facing the union, both internal and external, in the short to medium term. As a result of the deficit for the year to 31 December 2011 of £1.9 million, the union therefore continues to engage in an extensive review of the allocation of, and efficient use of its resources to mitigate the pressures.

Significant work has been carried out in the reduction of employment numbers, introduction of pension contributions for all staff, expansion of electronic communication tools and a review of the use of our property portfolio.

The review has not been exclusive to these areas of activity; all budget holders have been requested to challenge their use of resources for all activities. The savings to date in employment costs and non pay costs can be attributed to this work. The review will continue into 2012.

Balance sheet

The balance sheet shows net assets at the end of 2011 of £687,000 compared to net assets at December 2010 of £13.8 million. This is attributable to adjustments totalling £9.5 million increasing the net liabilities for

pensions, required by FRS 17 at the end of each year to reflect our commitment to our pension schemes, and the deficit of £1.9 million

INCOME

Membership income

Membership subscription income, after collection costs, has reduced to £30.8 million compared to £31.3 million in 2010. This 1.6% drop in income reflects the drop in membership from 292,091 at the end of 2010 to 280,547 at December 2011.

Detailed statistics that give a profile of the union and recommendations on how we manage membership levels and plan to organise to reduce membership loss in 2012, will be covered separately in the National Organising Strategy.

Investment and commercial income

Unbudgeted gains in the management of investments amounted to £239,000. However dividend receipts from investments have dropped by over 50%, reflecting market conditions. Interest rates have reduced the interest income of the union to less than £3,000 despite management of cash balances by our investment managers.

Advertising income has dropped by 30%, to £137,000. Although efforts will be made to mitigate the sharp decline in income, activity is unlikely to be recovered in 2012 onwards due to the general economic outlook.

The membership benefits package, PCS+, provides a range of products and services to members and the commission generated is significant. The latest edition of the PCS+ Essential Guide gives details of the extensive range of services available and was issued with the February edition of PCS view. PCS + income levels are down by 6%, but commission on insurance products has increased 16%.

Miscellaneous income

£179,000 consists of receipts in connection with the disbandment of the Council of Civil Service Unions in 2011.

EXPENDITURE

Total general fund expenditure amounted to £31.1 million, compared to a budget of £31.9 million and actual cost in 2010 of £30.6 million. This variance can be attributed as follows (excluding FRS 17):

	2011 actual £m	2011 budget £m	2010 actual £m
Total employment costs	17.3	17.6	16.4
Non payroll costs	13.8	14.3	14.2
	---	---	---
	31.1	31.9	30.6
	====	====	====

Total employment costs

Total general fund employment costs were £17.3 million, £900,000 more than 2010 but £300,000 below budget for 2011. This encompasses gross salary costs of £12.4 million, employer's national insurance of £1 million and pension fund contributions of £3.9 million.

The increase in costs relates solely to pension costs. This increase is entirely attributable to increased costs arising from the completion of the actuarial triennial review as at December 2009, which was completed following discussion with the Trustees of the pension schemes in March 2011, and anticipated in the budget for 2011.

The union has continued to take steps, as part of the senior management review and the finance review, to more closely align employment costs with our current financial objectives.

VSER

A Voluntary Selective and Early Retirement (VSER) programme was instigated mid year. This programme was in accordance with current VSER agreements with the GMB. Under this programme, 10 staff have been offered and accepted VSER.

Staff levels have fallen, from 318 full time equivalent (FTE) staff at December 2010, to 305.5 FTE staff at December 2011.

Introduction of employee pension contributions for all staff

Consultations were held on management proposals to introduce employee contributions for all staff. Although some individuals contribute to a pension, almost 75% of employees receive a non contributory pension from the PCS. The rise in pension costs in 2011 places an increasing burden on the union, and the proposal introducing contributions will assist the employer in managing the commitments to support members with its commitments to its staff pension arrangements.

The plan is to introduce employee contributions from February 2012 for an 80th accrual, and the rate of contribution will rise gradually to reach 8% of salary by 2015. The impact of these costs will be mitigated by a three year pay deal. The proposal was overwhelmingly supported by staff in a GMB ballot.

Non payroll costs

Non payroll costs are under budget by £500,000 across a variety of budget areas:

This is largely attributable to the following items, though a large number of budget areas are under spent, demonstrating increased management control of costs in 2011.

- Group and branch expenditure were below budget by £185,000 (groups £64,000, branches £121,000).
- Members communication costs are down by £194,000 compared to budget, including under spends on PCS View, national and group publications.

BALANCE SHEET

Fixed assets

The freehold property at 160 Falcon Road is shown currently at £6.65 million in the balance sheet. This is market value at 31 December 2011.

£1.2 million was budgeted for 2011 to facilitate the property review and develop IT. However, only £527,000 was spent. Capital additions in 2011 included £159,000 office equipment and reorganisation of accommodation at head office, and £289,000 on computer equipment. Commix developments include the development of PCS Reporter, a tool for analysis of Commix data and bulk email and text messaging functionality. 2011 also saw the extensive roll out of PCS Lyncs video conferencing tool across staff and lay structures.

Investments and cash balances

Investment holdings have dropped in value from £7.5 million to £5.1 million. This reflects a release of £2.3 million from fund managers to general fund cash balances, plus a rise in market value of remaining holdings. The release in funds was due to the continuing need for greater liquidity to manage the day to day cash commitments of the PCS in early 2011.

The investments of the PCS remain managed by Sarasins Fund Managers. Cash balances stood at £1.2 million, down by £900,000 from 2010.

The PCS ethical investment policy

Full details of the ethical criteria are shown at Appendix II, including the results of the annual "Sustainability Audit" of the PCS portfolio carried out in December 2011. All investments failing to meet the Sustainability index have now been sold. The separate portfolio of small holdings of shares in companies in which PCS members work is not subject to the Ethical Investment Policy but enables members in the commercial sector to participate at these companies AGMs.

FRS 17

The FRS17 adjustment for 2011 to the balance sheet has increased the pension scheme liabilities position from £5.4 million in 2010 to £14.9 million net liabilities as at December 2011.

The large increase in net liabilities is due to:

- The net asset value of the CPSA pension scheme has decreased from £9.6 million to £8.5 million.
- The net liability position of the PTC pension scheme has increased from £15 million to £23.4 million.

These reductions are the result of two significant factors.

- A significant drop in investment values of the investments of each scheme, and
- An increase in the value of scheme liabilities. Liabilities are valued using strict criteria, the yield on AA-rated

corporate bonds. This fell significantly in the year increasing the deficits for both schemes.

In contrast, the FRS 17 adjustment to the general fund income and expenditure account is a credit of £2.6 million. This reflects:

- The increased contributions by the employer in 2011 towards pensions costs, compared to the average cost per annum of pension provision over the entire service life of a scheme member.
- An increase in the expected long term net return on pension assets

Campaign and disputes fund

The balance on this fund stands at £5,302 at 31 December 2011, a drop from £502,507 at 2010.

Further significant demands on the fund are expected in 2012 which need to be met almost entirely from the general fund.

Political fund

The political fund has over 260,000 members contributing each month.

In addition to the union's Make Your Vote Count campaign, incurring £124,000, the NEC has agreed that it should meet the costs of our work in the areas of:

- Jobs campaign
- Green issues
- Anti-fascism
- Scottish parliament
- International campaigns

Total costs incurred were £305,000 in 2011 (2010: £376,000). The fund stands at £305,000 at December 2011 (2010: £294,000).

PCS early retirement reserve

Costs in connection with the VSER scheme have been charged to this fund. These amounted to £983,000 (2010: £45,000). The balance available for future schemes at December 2011 is £89,992.

OUTLOOK

The accounts present a deterioration of the PCS finances for 2011, with an operational deficit of £1.7 million and a balance sheet with net assets of less than £700,000. Predicted pension cost increases combined with the faster than predicted reduction in membership levels, and essential campaigning activity, have all added to the ongoing pattern of expenditure exceeding income of recent years, reducing available financial resources. Cash withdrawals of £2.3 million and FRS17 adjustments have heavily impacted the balance sheet,

The finance review has succeeded to date in controlling expenditure:

- Non payroll costs have reduced by £1.2 million since 2009
- Payroll costs would have exceeded £18.4 million without VSER programmes, the introduction of pension contributions and the continuing work undertaken under the strategic management review. Total payroll costs are currently £17.3 million

However:

- Gross payroll costs remain at £12.4 million as for 2010. Total payroll costs represent 40% of subscription income, compared to an objective of 33%
- The impact of the Comprehensive Spending Review has been swifter in its impact on our income levels than planned and further significant reductions in income are expected in 2012 onwards.
- The full benefit of the introduction of employee contributions will not be fully achieved until 2015.
- Cash and investment balances continue to fall each year.

OVERVIEW

The 2012 budget reflects the pressure on the organisation to meet our policy commitments to members as the cuts and pay constraints continue to reduce subscriptions income.

The anticipated reduction in income is covered in more detail on the PCS annual budget 2012 section later in this report.

The recruitment and organising priorities for the year ahead are set out in the National Organising Strategy for 2012 presented to branches and Annual Delegate Conference. While there remains considerable scope for increasing membership and density levels across most Civil Service departments, non-departmental public bodies and the commercial sector, the 2012

budget anticipates a loss of 20,000 in total membership representing a £1 million reduction in subscription income by the end of 2012. This is based on an assessment of CSR plans and the pattern of reduction in each month of 2011 and early 2012.

The budget for 2012 sets out a breakeven budget by 31 December 2012 (with a midyear deficit of £656,000) with a balance sheet of net assets of just under £700,000 and fixed assets of 8.9 million and investments of 5.1 million.

Projected loss of income and additional policy and financial costs in 2012 has meant all budgets have been carefully assessed to identify the reduction in expenditure needed to balance income and expenditure. Reaching this point by the end of the financial year (31 December 2012) is necessary to consolidating the union's finances and meeting our commitment to members now and in the longer term.

To achieve this we will:

- Resource the union's organising, bargaining and campaigning priorities;
- Continue to monitor and reduce employment costs as a proportion of subscriptions income;
- Under the lead of the General Secretary and subject to Conference decision, to carry out a further stage of the Strategic Review to assess all areas of union expenditure and balance income and expenditure;
- To explore the options for increasing income by an amended subscriptions formula and subscriptions maximum rate. The NEC to review and make recommendations to Conference;
- Expand the PCS Commix database and the use of electronic communication/media to improve communication with reps and members at a time of facility restrictions;
- Improve budgetary control by implementing a new system for recording all committed expenditure/purchases;
- Review all contracts with suppliers and carry out value for money studies and tendering exercises;
- Continue to apply the union's ethical/tax justice/sustainability policies to procurement, PCS+ Suppliers and investments;
- Consult groups and branches on producing further guidelines for meeting policy demands within group and branch rebates;
- Continue to provide the training and support to budget holders and treasurers at branch and group level;
- Promote membership of the PCS Credit Union in order to build funds and provide an important savings and loan benefit to PCS members and their families;
- Develop our national organising strategy to strengthen our membership and financial base.

CONCLUSION

The impact of government cuts on union income and the need to maintain and step up our campaigning in the year ahead poses a serious challenge. Our income is largely derived from the subscriptions of our members. We will need to maximise membership levels by linking recruitment/organising message to all the strands of our work. Any change to subscriptions rates will need to balance an assessment of potential extra income with its impact on recruitment and retention. This will require conference decision.

Successive financial reports have detailed the extensive work undertaken to control and prioritise expenditure as part of 3 year financial planning. Further measures set out in this report can help us consolidate our financial base and continue to fund the organising, bargaining and campaigning activities that PCS members expect.

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

Dave Bean
Deputy President

Christine Grant
Director of Finance

8 March 2012

Public and Commercial Services union

Independent audit report

For the year ended 31 December 2011

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 for the year ended 31 December 2011 which comprise the General Fund Income and Expenditure account, the Balance Sheet, the Statement of Funds, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of officers and auditors

As explained more fully in the statement of officers' responsibilities, the officer's are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. We report to you our opinion as to whether the financial statements gives a true and fair view and have been properly prepared in accordance with the Trade Union and Labour Relations (Consolidation) Act 1992.

We also report to you if, in our opinion, the overview of 2011 is not consistent with the financial statements, if the union has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, if the union has not established and maintained a satisfactory system of control over its accounting records, its cash holdings and all its receipts and remittances, if we have not received proper returns, adequate for our audit, from branches not visited by us and if the balance sheet and income and expenditure account are not in agreement with the accounting records and returns. We read the overview of 2011 and consider the implications for our report if we become aware of any apparent misstatements within it.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the union's affairs as at 31 December 2011 and of its deficit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Trade Union and Labour Relations (Consolidation) Act 1992.

BDO LLP
Chartered accountants & Registered auditors
Gatwick
United Kingdom

Date: 8 March 2012

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

Public and Commercial Services union

Statement of officers responsibilities

Under the Trade Union and Labour Relations (Consolidation) Act 1992 a trade union is required to:

- keep proper accounting records which give a true and fair view of the state of affairs of the PCS and explain its transactions;
- establish and maintain a satisfactory system of control of the accounting records, cash holdings and all the receipts and remittances;
- prepare an Annual Return for the Certification Officer giving a true and fair view of the income and expenditure account and balance sheet;
- provide members of the PCS with an income and expenditure statement for the period, and
- prepare the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

PCS Rule 9.17(a) requires the NEC of the union to present audited accounts to the annual delegate conference for approval and adoption.

Public and Commercial Services union

General fund income and expenditure account

For the year ended 31 December 2011

	Note	2011 £ Before FRS 17 Adjustment	2011 £ FRS 17 Adjustment	2011 £ Total	2010 £ Before FRS 17 Adjustment	2010 £ FRS 17 Adjustment	2010 £ Total
Subscription income							
Members subscriptions		30,842,212	–	30,842,212	31,300,177	–	31,300,177
Collection costs		(41,321)	–	(41,321)	(38,347)	–	(38,347)
		30,800,891	–	30,800,891	31,261,830	–	31,261,830
Subscriptions allocated to:							
Campaign and disputes fund							
Standard		(450,000)	–	(450,000)	(475,523)	–	(475,523)
Additional		(1,032,130)	–	(1,032,130)	(600,000)	–	(600,000)
Political fund		(315,867)	–	(315,867)	(329,917)	–	(329,917)
		29,002,894	–	29,002,894	29,856,390	–	29,856,390
Other income							
Investment income	3	349,889	1,700,000	2,049,889	666,623	(300,000)	366,623
Commercial activities	4	303,776	–	303,776	377,903	–	377,903
Miscellaneous income	5	178,538	–	178,538	284,278	–	284,278
VAT recovered		128,172	–	128,172	114,444	–	114,444
		960,375	1,700,000	2,660,375	1,443,248	(300,000)	1,143,248
Total net income		29,963,269	1,700,000	31,663,269	31,299,638	(300,000)	30,999,638
Expenditure							
Network administration	6	(19,392,581)	900,000	(18,492,581)	(18,671,669)	(1,200,000)	(19,871,669)
Members representative costs	7	(5,927,049)	–	(5,927,049)	(6,158,627)	–	(6,158,626)
Members benefits	8	(2,047,446)	–	(2,047,446)	(2,081,855)	–	(2,081,855)
Members communications	9	(2,550,731)	–	(2,550,731)	(2,446,711)	–	(2,446,711)
Affiliations and donations	10	(1,135,601)	–	(1,135,601)	(1,252,641)	–	(1,252,641)
Total expenditure		(31,053,408)	900,000	(30,153,408)	(30,611,503)	(1,200,000)	(31,811,502)
Total net income less expenditure		(1,090,139)	2,600,000	1,509,861	688,135	(1,500,000)	(811,865)
Depreciation							
Freehold property	11	(110,078)	–	(110,078)	(114,778)	–	(114,778)
Leasehold property	11	(28,206)	–	(28,206)	(27,686)	–	(27,686)
Furniture and equipment	11	(448,455)	–	(448,455)	(454,895)	–	(454,895)
		(586,739)	–	(586,739)	(597,359)	–	(597,359)
Operating surplus/(deficit)		(1,676,878)	2,600,000	923,122	90,776	(1,500,000)	(1,409,224)
		(1,676,878)	2,600,000	923,122	90,776	(1,500,000)	(1,409,224)
Transfers (to)/from provisions							
Investments		–	–	–	537,652	–	537,652
		–	–	–	537,652	–	537,652
Appropriation (to)/from reserves							
Early retirement reserve		(200,000)	–	(200,000)	(880,000)	–	(880,000)
		(200,000)	–	(200,000)	(880,000)	–	(880,000)
Net (deficit)/surplus for the year		(1,876,878)	2,600,000	723,122	(251,572)	(1,500,000)	(1,751,572)

All operations are continuing

Public and Commercial Services union

Balance sheet

As at 31 December 2011

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible fixed assets:					
Freehold property	11	6,650,000		6,770,555	
Leasehold property	11	952,449		975,979	
Equipment	11	968,823		894,694	
			8,571,272		8,641,228
Investments	12		5,116,618		7,458,281
			13,687,890		16,099,509
Current assets					
Debtors	13	3,718,225		3,055,548	
Cash at bank and in hand	14	1,029,312		1,995,944	
		4,747,537		5,051,492	
Current liabilities					
Amounts falling due within one year					
Creditors	15	(2,697,256)		(1,914,382)	
Net current assets			2,050,281		3,137,110
Total assets less current liabilities			15,738,171		19,236,619
Amount falling due over one year					
Creditors – Unity Bank Plc	15		(150,382)	–	–
Provisions:					
Pension assets	20	8,500,000		9,600,000	
Pension liabilities	20	(23,400,000)		(15,000,000)	
			(14,900,000)		(5,400,000)
Net assets			687,789		13,836,619
Represented by:					
Funds and reserves					
General fund			7,402,237		9,588,062
Property fund			7,602,449		7,746,534
Campaign and disputes fund			5,302		502,507
Political fund			305,406		294,314
Accommodation renovations reserve			126,877		165,349
Early retirement reserve			89,992		873,327
PCS modernisation			55,526		66,526
Pension reserve			(14,900,000)		(5,400,000)
Total funds and reserves			687,789		13,836,619

Approved on 8 March 2012

Chris Baugh
National Treasurer

Christine Grant
Director of Finance

Public and Commercial Services union

Statement of funds

For the year ended 31 December 2011

General fund	2011 £ Realised	2011 £ Unrealised	2011 £ Total
Brought forward at 1 January 2011	9,143,739	444,323	9,588,062
Reversal of opening balance	–	(444,323)	(444,323)
Surplus from income and expenditure account	723,122	–	723,122
Actuarial (losses) on defined benefit pension schemes	(12,100,000)	–	(12,100,000)
Transfer from property fund	133,607	–	133,607
Transfer from pension reserve	9,500,000	–	9,500,000
	7,400,468	–	7,400,468
Potential gain on investments	–	1,769	1,769
Carried forward at 31 December 2011	7,400,468	1,769	7,402,237
Property fund			
Brought forward at 1 January 2011	6,422,251	1,324,283	7,746,534
Transfer from general fund	–	(133,607)	(133,607)
Transfer to revaluation reserve	–	(10,478)	(10,478)
Carried forward at 31 December 2011	6,422,251	1,180,198	7,602,449

Pension fund	2011 £
Brought forward at 1 January 2011	(5,400,000)
Transfer to general fund	(9,500,000)
Carried forward at 31 December 2011	(14,900,000)

Rule book funds	Appendix	Campaign and disputes fund 2011 £	Political fund 2011 £
Income			
Allocation from general fund	A/B		
Standard		450,000	315,867
Additional		1,032,130	–
Other income		12,655	–
Expenditure	A/B	(1,991,990)	(304,775)
Brought forward at 1 January 2011	A/B	502,507	294,314
Carried forward at 31 December 2011		5,302	305,406

Designated reserves	Accommodation renovation 2011 £	Early retirement 2011 £	Modernisation 2011 £
Income			
Allocation from general fund	–	200,000	–
Expenditure			
Dilapidations on office moves	–	–	–
Net costs of early retirement programme	–	(983,335)	–
Expenditure on modernisation projects	(38,472)	–	(11,000)
Brought forward at 1 January 2011	165,349	873,327	66,526
Carried forward at 31 December 2011	126,877	89,992	55,526

Public and Commercial Services union

Statement of recognised gains and losses

For the year ended 31 December 2011

Statement of total recognised gains and losses – total funds and reserves

	Before FRS17 adjustment £	FRS17 adjustment £	2011 Total £	2010 Total £
Surplus/(deficit) for the financial year – all funds	(3,206,276)	2,600,000	(606,276)	(1,234,311)
Unrealised gains on investments	1,769	–	1,769	444,323
Actuarial gains/(losses) on scheme assets	–	(9,600,000)	(9,600,000)	7,800,000
Actuarial (gains)/losses on scheme liabilities	–	(2,500,000)	(2,500,000)	10,600,000
Total recognised gains/(losses) for the year	(3,204,507)	(9,500,000)	(12,704,507)	17,610,012

Reconciliation of total funds and reserves

Members funds at 1 January 2011	19,236,619	(5,400,000)	13,836,619	(2,486,120)
Reversal of unrealised opening gain on investments	(444,323)	–	(444,323)	(987,272)
Surplus/(deficit) for the financial year	(3,206,276)	2,600,000	(606,276)	(1,234,312)
Unrealised gain in investments	1,769	–	1,769	444,323
Other recognised (losses)/gains for the year	–	(12,100,000)	(12,100,000)	18,100,000
Members funds at 31 December 2011	15,587,789	(14,900,000)	687,789	13,836,619

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 2011

	Note	2011 £	2011 £	2010 £	2010 £
Net cash outflow from operating activities	19		(2,688,368)		(924,512)
Returns on investments and servicing of finance					
Interest received		2,775		2,214	
Dividends received		108,050		159,043	
Net cash inflow from returns on investments and servicing of finance			110,825		161,257
Capital expenditure					
Purchase of tangible fixed assets		(527,260)		(639,614)	
Sale of tangible fixed assets		–		–	
			(527,260)		(639,614)
Net cash outflow before the use of liquid resources and financing			(3,104,803)		(1,402,869)
Management of liquid resources					
Sale of quoted investments and current account investments		2,626,062		2,296,695	
Purchase of quoted investments and current account investments		(487,891)		(1,258,306)	
			2,138,171		1,038,389
(Decrease)/increase in cash			(966,632)		(364,480)
Cash at 1 January 2011			1,995,944		2,360,424
Cash at 31 December 2011			1,029,312		1,995,944

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011

1 Accounting policies

Basis of Accounts

The accounts have been prepared under the historical cost convention, as modified by revaluation of land and buildings and investments, and are in accordance with applicable accounting standards. The accounts do not include any autonomous group or branch funds and related financial transactions, although total advances are incorporated plus an estimated balance of funds in hand at the end of the period. Information relating to those groups and branches will be included in the annual return for 2011 and will be submitted to the Certification Officer for trade union and employers' associations.

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) Branch and office secretaries.
(iii) Members directly to headquarters.

Amounts deducted by pay centres at 31 December 2011 but not received 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. No account is taken of sundry stocks.

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.

d Depreciation

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

(i) Freehold property was revalued at 31 December 2011. Depreciation is charged, on a reducing balance basis, at 2% per annum.
(ii) Leasehold property is being depreciated 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.

e Property

Freehold property is included at open market valuations, less depreciation as detailed above, and in accordance with FRS15 'Tangible fixed assets' is subject to a full revaluation every five years, with an interim valuation every three years. Leasehold property is stated at cost less depreciation.

f Investments

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

g Operating leases

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

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

h Liquid resources

For the purposes of the cashflow statement, liquid resources are defined as short term deposits.

i Pension costs

Contributions to the Union's defined benefit pension schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' expected working lives with the union. Variations to pension costs caused by differences between the assumptions used and actual experience are spread over the average remaining working lives of the current employees at each actuarial valuation date. The present values of obligations are measured using the projected unit credit method. Actuarial gains and losses have been recognised in the period in which they occur, through the statement of recognised gains and losses.

2 Purpose of the funds and reserves

a General fund

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

b Campaign and disputes fund

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

c Political fund

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

d Property fund

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

e Accommodation renovations reserve

Established to meet the identifiable costs of refurbishing 160 Falcon Road and other union buildings accommodating staff.

f Early retirement reserve

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

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

	2011 £	2011 £	2010 £	2010 £
3 Investment income				
Unity Trust money market interest		–		54
Dividends and credits		108,050		159,043
Exchange rate gains		–		10
Net capital gains/(losses)		239,064		505,356
Interest from investment managers		2,775		2,160
Other interest		–		–
		349,889		666,623
FRS17 adjustment				
Expected return on pension scheme assets	8,900,000		7,400,000	
Interest on pension scheme liabilities	(7,200,000)		(7,700,000)	
		1,700,000		(300,000)
		2,049,889		366,623
4 Commercial activities				
Advertising income		136,892		198,356
Rent		10,530		10,080
Commission received:				
Liverpool Victoria		70,082		60,520
BDS Mortgage Group		300		1,976
HBOS credit card		61,881		78,003
Personal accident scheme		12,363		14,096
Travel insurance		5,673		8,739
Union Income Benefit		461		2,667
BHSF		5,004		2,746
Autodrive		590		720
		303,776		377,903
5 Miscellaneous income				
Rates refund		–		199,000
Other		178,538		85,278
		178,538		284,278

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

	2011 £	2011 £	2010 £	2010 £
6 Network administration (summary) (See appendix C)				
Superannuation fund running costs		257,148		333,904
Pension Protection Fund Levy		44,249		47,357
Legal and professional fees		290,047		247,067
Audit fees		34,417		36,919
Bank charges and interest		12,258		9,064
Exchange rate losses		18		58
Staff development costs		142,894		106,836
Staff recruitment costs		75,950		64,121
Computer running costs		631,225		635,303
Vehicle running costs		12,273		13,490
FRS17 adjustment				
Current service costs of defined benefit schemes	3,300,000		3,400,000	
Past service costs of defined benefit schemes	500,000		600,000	
Pension contributions paid in year	(4,700,000)		(2,800,000)	
		(900,000)		1,200,000
Employment costs		15,061,656		14,604,972
Accommodation running costs*		1,439,558		1,356,144
Maintenance of buildings		22,407		42,537
Printing, stationery and photocopying		127,573		95,364
Postage		174,371		155,926
Research		113,798		83,136
Telephone		185,053		188,415
Office costs		211,270		147,759
Subsistence		168,810		144,967
Travel		334,976		323,478
Miscellaneous		48,134		32,309
Hospitality		4,496		2,543
		18,492,581		19,871,669

* Includes rent paid £390,440 (2010: £419,137)

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

	Appendix	2011 £	2011 £	2010 £	2010 £
7 Members representative costs					
Organising and learning					
Recruitment publicity		7,592		9,001	
National organising forums		2,972		–	
Group organising forums		688		674	
Regional organising forums		5,508		1,346	
TUC organising academy		146		982	
Youth work		42,757		32,852	
National courses		25,577		29,604	
Group and associations courses		70,607		113,131	
Branch courses		139,243		166,322	
Lifelong learning projects		22		22	
Learning representatives		–		(1,000)	
Organising and learning publicity		60,652		73,931	
Employment costs		725,329		705,365	
			1,081,093		1,132,230
Other meetings					
International meetings		19,484		15,513	
Seminars		213,290		191,045	
National meetings		81,447		112,581	
			314,221		319,139
National representatives					
Annual delegate conference		852,969		859,173	
Facility time costs		25,704		24,202	
Subsistence		65,101		64,061	
Travel		117,288		111,874	
			1,061,062		1,059,310
Elections					
National		277,475		274,798	
Groups, associations and branches		256,795		356,821	
			534,270		631,618
Local representatives					
Group and occupational associations	D	1,898,921		1,942,776	
Branch grants		869,031		877,774	
Branch IT support		16,384		35,234	
Geographical and other structures	E	152,067		160,546	
			2,936,403		3,016,330
			5,927,049		6,158,627

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

	Appendix	2011 £	2010 £
8 Members benefits			
Death and personal accident		542,793	691,442
Benevolence service		133,368	137,134
Legal Services		377,620	336,752
PCS Care		242,543	254,165
Ex IR group sickness benefit		9,401	31,182
Diaries		112,050	113,358
Helplines		94,827	93,371
Shopping guide		40,062	38,382
Gold badges		8,001	10,017
Employment costs		486,781	376,052
		2,047,446	2,081,855
9 Members communications			
PCS View		1,071,398	1,106,119
Public relations		22,721	35,418
National publications		135,060	206,095
Group publications		322,801	384,033
Employment costs		998,751	715,046
		2,550,731	2,446,711
10 Affiliations and donations			
Affiliation fees	G	1,114,987	1,222,952
PCS in the community fund		18,698	15,238
Donations	F	1,916	3,350
Scholarships		–	11,101
		1,135,601	1,252,641

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

11 Tangible fixed assets

	Freehold market value £	Leasehold cost £	Total property £
PROPERTY			
Market value/cost			
Brought forward at 1 January 2011	8,326,939	1,166,457	9,493,396
Additions	–	4,676	4,676
Disposals	–	–	–
Revaluation in year	(1,676,939)	–	(1,676,939)
Carried forward at 31 December 2011	6,650,000	1,171,133	7,821,133
Depreciation			
Brought forward at 1 January 2011	(1,556,384)	(190,478)	(1,746,862)
Depreciation for year	(110,078)	(28,206)	(138,284)
Disposals	–	–	–
Depreciation on revaluation	1,666,462	–	1,666,462
Carried forward at 31 December 2011	–	(218,684)	(218,684)
Net book value at 31 December 2011	6,650,000	952,449	7,602,449
Net book value at 31 December 2010	*6,770,555*	*975,979*	*7,746,534*

The unions freehold property, 160 Falcon Road, London, was revalued by Cluttons, an external valuer, on the basis of open market value using standard RICS terms, as at 31 December 2011. The property is secured. At 31 December 2011 the PTC pension scheme had a charge over the property of £7.825 million.

EQUIPMENT	Office equipment £	Computer equipment £	Company cars £	Total £
Cost				
Brought forward at 1 January 2011	2,821,623	1,610,075	51,408	4,483,106
Elimination of fully depreciated assets	(372,089)	(200,906)	–	(572,995)
Additions in year	187,140	335,444	–	522,584
	2,636,674	1,744,613	51,408	4,432,695
Disposals	–	–	–	–
Carried forward at 31 December 2011	2,636,674	1,744,613	51,408	4,432,695
Depreciation				
Brought forward at 1 January 2011	(2,555,602)	(981,402)	(51,408)	(3,588,412)
Elimination of fully depreciated assets	372,089	200,906	–	572,995
Depreciation for year	(159,131)	(289,324)	–	(448,455)
Carried forward at 31 December 2011	(2,342,644)	(1,069,820)	(51,408)	(3,463,872)
Net book value at 31 December 2011	294,030	674,793	–	968,823
Net book value at 31 December 2010	*266,021*	*628,673*	–	*894,694*

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

	Equity £	Bonds and interest bearing stock £	Unit trusts and funds £	Money market £	Miscellaneous holdings at cost £	Total investment movemnet £
12 Investments						
Cost brought forward 1 January 2011	3,090,912	509,681	1,560,499	903,160	949,808	7,014,060
Unrealised gains/(losses)	399,261	(12,730)	57,690	–	–	444,221
Market value brought forward 1 January 2011	3,490,173	496,951	1,618,189	903,160	949,808	7,458,281
Movement in year						
Purchases	445,597	23,148	19,146	(487,891)	–	–
Disposals	(1,473,592)	(225,867)	(469,048)	2,168,507	–	–
Cash drawdown	–	–	–	(2,250,000)	–	(2,250,000)
Miscellaneous	–	–	–	349,540	1,222	350,762
Cost carried forward 31 December 2011	2,062,917	306,962	1,110,597	683,316	951,030	5,114,822
Unrealised gains/(losses) in year	47,161	19,912	(65,877)	–	600	1,796
Market value carried forward 31 December 2011	2,110,078	326,874	1,044,720	683,316	951,630	5,116,618

	Appendix	2011 £	2010 £
Equities	H	2,110,079	3,490,173
Bonds and interest bearing stock	I	326,873	496,951
Unit trusts and funds	J	1,044,720	1,618,189
Money market	K	683,316	903,160
Miscellaneous Holdings at cost	L	951,630	949,808
		5,116,618	7,458,281
13 Debtors			
Recoverable in less than one year:			
Membership subscription debtor		1,395,079	1,453,000
Other debtors		1,879,803	1,279,660
Prepayments		293,343	322,888
Recoverable in more than one year:			
Credit Union		150,000	–
		3,718,225	3,055,548
14 Cash at bank and in hand			
Cash		2,036	3,036
Bank		482,438	1,329,475
Unity trust money market		–	–
Balances in hands of groups and granches		544,838	663,432
		1,209,312	1,995,943

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

	2011 £	2010 £
15 Creditors: amounts falling due within less than one year		
Trade creditors	2,119,117	1,485,493
Accruals	578,139	428,888
	2,697,256	1,914,381
Creditors: amounts falling due after one year		
Creditors – Unity Bank Plc	150,382	–
	150,382	–

Included in long term creditors and debtors is a loan obligation and liability to Unity Trust bank signed on 15 June 2011. The loan was to assist in the initial set up costs of PCS Credit Union and is for a period not exceeding 13 years. The repayment is on an interest only basis for a period of three years with interest charged at 2.5% per annum over Unity's base rate (0.5% at time of loan approval). The interest incurred in 2011 has been charged to PCS income and expenditure account.

16 Commitments

The PCS has the following rental agreements net of VAT:

Property leased	Date of expiry	Annual commitment £
John Dobson St, Newcastle, NE1	24 March 2014	15,000
31 Stockwell St, Glasgow, G1	30 December 2014	20,200
46 Priestgate, Peterborough PE1	21 November 2015	18,250
35-37 Dale St, Liverpool, L2	1 April 2017	38,669
1 Islington, Liverpool, L3	Proposed lease June 2025	50,681
Quintana Gate, Exeter, EX4	26 January 2018	30,550
20 Union Street, Edinburgh, EH1	24 June 2018	56,000
16 Waterloo St, Birmingham, B2	19 August 2018	39,072
Towncentre House, Wood House Lane, Leeds LS2	24 May 2020	Rent free to May 2011. £85,253 per annum thereafter. Rent review at 5 years.
1 Cathedral Street, Cardiff, CF1	31 August 2025	Rent free to 30 June 2012. £40,253 per annum thereafter. Rent review at 3 years.
Equipment leased		
Computer	31 December 2013	146,000

17 Contingent liabilities

On 16 December 2004 the union gave its commitment to a charge over the freehold property (Note 11) 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.

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

18 Related party transactions

At 31 December 2011 PCS had prepaid under the current schedule of contributions to the PTC pension scheme, and was owed £400,000 by the PTC pension scheme (2010: £350,000).

At 31 December 2011 PCS had prepaid under the current schedule of contributions to the CPSA pension scheme and was owed £500,000 by the CPSA Pension Scheme (2010: £Nil).

At 31 December 2011 the PTC pension scheme had a charge over the Unions freehold property (Note 11).

At 31 December 2011 PCS had a long term creditor and debtor in relation to a loan obligation used to assist in the set up costs for PCS Credit Union (Note 15).

19 Reconcilation of operating deficit to net cash movement from operating activities

	2011		2010	
	£	£	£	£
(Deficit) for the year – General fund		723,122		(1,751,572)
Appropriation to campaign and disputes fund	1,482,130		1,075,523	
Campaign and disputes fund expenditure	(1,991,990)		(1,170,825)	
Donations	12,655		20,635	
		(497,205)		(74,667)
Political fund contributions	315,867		329,917	
Political fund expenditure	(304,775)		(376,799)	
		11,092		(46,882)
Allocation to designated reserves	200,000		880,000	
Expenditure from reserves	(1,032,807)		(241,191)	
		(832,807)		638,809
Depreciation		586,739		597,359
(Decrease)/increase in provisions		–		(537,652)
Pension costs	3,800,000		4,000,000	
Pension contributions paid in year	(4,700,000)		(2,800,000)	
		(900,000)		1,200,000
		(909,059)		25,396
Interest receivable	(2,775)		(2,214)	
Dividends	(108,050)		(159,043)	
Pension scheme finance costs/(income)	(1,700,000)		300,000	
(Gain)/loss on sale of investments	(239,064)		(505,356)	
Increase/(decrease) in creditors	933,257		(293,511)	
(Increase)/decrease in debtors	(662,677)		(289,784)	
		(1,779,309)		(949,908)
Net cash (outflow) from operating activities		(2,688,368)		(924,512)

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

20 Financial Reporting Standard 17

The union is required to comply fully with FRS17 in these accounts; this requires the following disclosures to be made.

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 for all schemes for the period was £3,900,000 (2010: £3,000,000).

The PTC pension scheme

PCS operates this 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 2006. The next review will be carried out at 31 December 2009.

Regular employer contributions to the scheme amounted to £2.9 million. Additional employer contributions are required for any redundancies or augumentations during the year.

The main actuarial assumptions were:

Rate of pay increases	3% pa
Rate of pension increases	3.25% pa
Investment return while an active member	3% pa
Investment return at all other times	4.7% 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 2011 for FRS 17 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 FRS17 are set out below:

Main financial assumptions

	at 31 December 2011 (% pa)	at 31 December 2010 (% pa)	at 31 December 2009 (% pa)
Inflation assumption – RPI	3.0	3.5	3.6
Rate of general long-term increase in salaries	3.3	4.5	4.6
Rate of increases to pensions in payment	3.0	3.5	3.6
Discount rate for scheme liabilities	4.7	5.5	5.7

The scheme rules link to RPI not CPI.

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

20 Financial Reporting Standard 17 (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 who retires in 2026 at age 60 will live on average for further 29.3 years after retirement if they are male and for a further 31.6 years after retirement if they are female.

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

	Long-term rate of return expected at 31 December 2011 (%pa)	Value at 31 December 2011 £m	Long-term rate of return expected at 31 December 2010 (%pa)	Value at 31 December 2010 £m	Long-term rate of return expected at 31 December 2009 (%pa)	Value at 31 December 2009 £m
Equities	8.7	43.4	8.5	49.2	8.1	40.3
Property	7.7	3.2	8.4	2.0	8.6	1.9
Government bonds	2.8	3.7	4.2	2.9	4.5	2.9
Sun Life annuity contracts	4.7	9.4	5.5	9.4	5.7	10.5
Corporate bonds	4.2	4.7	5.0	5.0	5.3	4.0
Other	1.8	2.0	1.5	0.9	0.9	2.0
Combined	7.25*	66.4	7.5*	69.4	7*	61.6

*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 2011 rounded to the nearest 0.25% per annum.

Reconciliation of funded status to balance sheet

	Value at 31 December 2011 £m	Value at 31 December 2010 £m	Value at 31 December 2009 £m
Fair value of scheme assets	66.4	69.4	61.6
Present value of funded defined benefit obligations	(89.8)	(84.4)	(83.7)
(Liability) recognised on balance sheet	(23.4)	(15.0)	(22.1)

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

20 Financial Reporting Standard 17 (continued)

The PTC pension scheme (continued)

Analysis of income and expenditure charge

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Current service cost	1.5	1.6
Past service cost	0.2	–
Interest cost	4.6	4.7
Expected return on scheme assets	(5.2)	(4.3)
Expenses recognised in income and expenditure	1.1	2.0

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

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Opening defined benefit obligation	84.4	83.7
Current service cost	1.5	1.6
Interest cost	4.6	4.7
Contributions by scheme participants	0.1	0.1
Actuarial losses/(gains) on scheme liabilities*	2.3	(2.6)
Net benefits paid out	(3.3)	(3.1)
Past service cost	0.2	–
Closing defined benefit obligation	89.8	84.4

*Includes changes to the actuarial assumptions

Changes to the fair values of scheme assets during the year

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Opening fair value of scheme assets	69.4	61.3
Expected return on scheme assets	5.2	4.3
Actuarial gains/(losses) on scheme assets	(7.9)	4.3
Contributions by the employer	2.9	2.5
Contributions by scheme participants	0.1	0.1
Net benefits paid out	(3.3)	(3.1)
Closing fair value of scheme assets	66.4	69.4

Actual return on scheme assets

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Expected return on scheme assets	5.2	4.3
Actuarial gain/(loss) on scheme assets	(7.9)	4.3
Actual return on scheme assets	(2.7)	8.6

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

20 Financial Reporting Standard 17 (continued)

The PTC pension scheme (continued)

Analysis of amounts recognised in statement of total recognised gains and losses (STRGL)

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Total actuarial gains/(losses)	(10.2)	6.9
Total gain/(loss) in STRGL	(10.2)	6.9
Cumulative amount of (losses) recognised in STRGL	(25.1)	(14.9)

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

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Fair value of scheme assets	66.4	69.4	61.6	51.1	61.4
Defined benefit obligation	(89.8)	(84.4)	(83.7)	(65.8)	(68.7)
(Deficit)/surplus in scheme	(23.4)	(15.0)	(22.1)	(14.7)	(7.3)

History of experience gains and losses

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Experience gains/(losses) on scheme assets	(7.9)	43.0	7.0	(14.9)	0.8
Experience (losses) gains on scheme liabilities*	0.2	4.0	(0.1)	0.1	(1.3)

* 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 2011 (continued)

20 Financial Reporting Standard 17 (continued)

The CPSA pension scheme

PCS operates this defined benefit scheme. A full actuarial valuation of the scheme was carried out as at 31 December 2009.

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

Rate of pay increases	3% pa
Rate of pension increases	3.25% pa
Investment return while an active member	2% pa
Investment return at all other times	4.7% pa

The pension fund meets expenses incurred in operating the scheme.

Regular employer contributions to the scheme amounted to £903,000. Additional employer contributions are required for any redundancies or augumentations during the year.

An interim valuation has been performed as at 31 December 2011 for FRS 17 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 FRS17 are set out below:

Main financial assumptions

	31 December 2011 (% pa)	31 December 2010 (% pa)	31 December 2009 (% pa)
Inflation assumption – CPI	3.0	3.5	3.6
Rate of general long-term increase in salaries	3.3	4.5	4.6
Rate of increases to pensions in payment	2.0	2.6	3.6
Discount rate for scheme liabilities	4.7	5.5	5.7

The scheme rules link inflation assumptions to CPI.

Mortality assumption

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2026 at age 60 will live on average for a further 29.3 years after retirement if they are male and for a further 31.6 years after retirement if they are female.

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

20 Financial Reporting Standard 17 (continued)

The CPSA pension scheme (continued)

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

	Long-term rate of return expected at 31 December 2011 (%pa)	Value at 31 December 2011 £m	Long-term rate of return expected at 31 December 2010 (%pa)	Value at 31 December 2010 £m	Long-term rate of return expected at 31 December 2009 (%pa)	Value at 31 December 2009 £m
Equities	8.7	31.9	8.5	30.5	8.1	28.3
Property	7.7	3.8	8.4	3.7	8.6	3.4
Government bonds	2.8	15.6	4.2	15.4	4.5	14.2
Corporate bonds	4.2	9.3	5.0	8.7	5.3	8.0
Other	1.8	0	1.5	0.2	0.9	(0.1)
Combined	6.5*	60.6	6.75*	58.5	6.75*	53.8

*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 2011 rounded to the nearest 0.25% per annum.

Reconciliation of funded status to balance sheet

	Value at 31 December 2011 £m	Value at 31 December 2010 £m	Value at 31 December 2009 £m
Fair value of scheme assets	60.6	58.5	53.8
Present value of funded defined benefit obligations	(52.1)	(48.9)	(53.7)
Asset recognised on balance sheet	8.5	9.6	0.1

Analysis of income and expenditure charge

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Current service cost	1.8	1.8
Past service cost	0.3	0.6
Interest cost	2.6	3.0
Expected return on scheme assets	(3.7)	(3.1)
Expenses recognised in income and expenditure	1.0	2.3

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

20 Financial Reporting Standard 17 (continued)

The CPSA pension scheme (continued)

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

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Opening defined benefit obligation	48.9	53.7
Current service cost	1.8	1.8
Interest cost	2.6	3.0
Contributions by scheme participants	–	–
Actuarial losses/(gains) on scheme liabilities*	0.2	(8.0)
Net benefits paid out	(1.7)	(2.2)
Past service cost	0.3	0.6
Closing defined benefit obligation	52.1	48.9

*Includes changes to the actuarial assumptions

Changes to the fair values of scheme assets during the year

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Opening fair value of scheme assets	58.5	53.8
Expected return on scheme assets	3.7	3.1
Actuarial gains/(losses) on scheme assets	(1.7)	3.5
Contributions by the employer	1.8	0.3
Contributions by scheme participants	–	–
Net benefits paid out	(1.7)	(2.2)
Closing fair value of scheme assets	60.6	58.5

Actual return on scheme assets

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Expected return on scheme assets	3.7	3.1
Actuarial (loss) on scheme assets	(1.7)	3.5
Actual return on scheme assets	2.0	6.6

Analysis of amounts recognised in statement of total recognised gains and losses (strgl)

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Total (loss)/gain in strgl	(1.9)	11.5
Total actuarial (loss)/gain in strgl	(1.9)	11.5
Cumulative amount of (losses) recognised in strgl	(5.6)	(3.7)

Public and Commercial Services union

Notes to the accounts

For the year ended 31 December 2011 (continued)

20 Financial Reporting Standard 17 (continued)

The CPSA pension scheme (continued)

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

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Fair value of scheme assets	60.6	58.5	53.8	48.0	57.8
Defined benefit obligation	(52.1)	(48.9)	(53.7)	(42.4)	(43.9)
Surplus in scheme	8.5	9.6	0.1	5.6	13.9

History of experience gains and losses

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Experience (losses)/gains on scheme assets	(1.7)	3.5	4.4	(12.0)	(0.8)
Experience gains on scheme liabilities*	0.2	2.7	(0.3)	0.1	0.9

* 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 executives 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 2011 along with disclosures required to fully comply with FRS 17 "Retirement 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 for the year was £280,712 (2010: £93,347).

Reserves

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Funds as stated excluding pension assets/(liabilities)	15.9	19.2
FRS 17 liability	(23.4)	(15.0)
FRS 17 asset	8.5	9.6
Adjusted funds figure including pension assets/(liabilities)	1.0	13.8

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011

A Campaign and disputes fund (detailed analysis)

	2011		2010	
	£	£	£	£
Balance at 1 January 2011		502,507		577,174
Transfer from subscription income		450,000		475,523
Exceptional transfer from income and expenditure		1,032,130		600,000
Donation from General Secretary		150		1,000
Hardship fund donations		11,743		19,594
Other donations		762		41
Refund of previous years expenditure		–		–
		1,997,292		1,673,332
Anti-jobs cuts campaign	(1,171,909)		(925,618)	
Strategic legal cases	(358,441)		97,027	
Pay campaign	(189,597)		(81,317)	
Industrial action ballots	(79,275)		(23,809)	
Credit Union	(48,267)		(28,998)	
Land Registry	(24,307)		(36,322)	
Pensions campaign	(18,800)		(18,407)	
DWP	(16,544)		(6,093)	
Revenue and Customs Group	(15,970)		(22,511)	
Health and safety	(7,124)		(4,868)	
National Pensioners Convention	(5,000)		(8,000)	
Home Office	(4,031)		(15,415)	
Banner Threatre Company Ltd	(2,000)		–	
UK UnCut	(2,000)		–	
Defend Yunus Bakhsh Campaign	(1,000)		(500)	
Maritime and Coastguards Agency	(640)		–	
Transfers to group hardship funds	(580)		(11,040)	
TUC Playfair	(500)		–	
Trade Union Co-ordinating Group	(400)		(5,000)	
Work life balance	(344)		(7,983)	
Public Guardian Office	(224)		–	
Shrewsbury 24 campaign	(45)		(500)	
Passport Agency	(25)		–	
Aid Haiti Earthquake Appeal	–		(5,000)	
EDS Group	–		(839)	
Fair Play Network	–		(3,000)	
Fire Brigades Union	–		(500)	
Gambling Commission	–		(567)	
Gibbs Green Residents	–		(500)	
HP Enterprise Services	–		(1,200)	
Leigh Folk Festival	–		(1,350)	
London Pride	–		(5,000)	
Ministry of Justice	–		(868)	
MITIE	–		(5,654)	
National Health Support Federation	–		(2,000)	
National Museums and Galleries	–		(354)	
Pay ballots	–		(4,594)	
Policy ballots	–		(18,397)	
Promoting public services	–		(5,000)	
Refugee Council	–		(500)	
TUC Aid to Zimbabwe Appeal	–		(500)	
UK Black Pride	–		(1,500)	
UK Border Agency	–		(602)	
Wales TUC	–		(2,243)	
Women Against Pit Closures	–		(500)	
York Disabled Workers Cooperative	–		(1,000)	
Youth Fight for Jobs	–		(500)	
Dept for Transport/ODPM	300		(8,661)	
Subtotal carried forward	(1,946,723)		(1,170,183)	

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

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

	2011		2010	
	£	£	£	£
Subtotal brought forward	(1,946,723)		(1,170,183)	
Coastguard Group	(14,730)		–	
Data Collection Exercise	(11,064)		–	
Swansea Valley Miners Appeal Fund	(5,000)		–	
Forestry Commission Group	(2,300)		–	
TGWU dispute	(2,000)		–	
Unite Against Racism	(2,000)		–	
Recognition campaign	(1,635)		–	
Culture Media and Sports Group	(1,176)		(255)	
Defend Council Housing	(1,000)		–	
Nat Shop Stewards N'Work	(1,000)		–	
Commercial Sector Group	(638)		–	
Barac campaign	(500)		–	
Right to protest	(500)		–	
Trade union of the State and Self Government Institution	(500)		–	
TUC Black Workers Conference	(500)		(247)	
Unite the Resistance	(500)		(40)	
Equality and Human Rights Commission	(103)		–	
Stop the War Coalition	(100)		–	
Court Service	(21)		–	
Tolpuddle rally	–		(100)	
		(1,991,990)		(1,170,825)
Balance at 31 December 2011		5,302		502,507

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

B Political fund

	2011		2010	
	£	£	£	£
Balance at 1 January 2011		294,314		341,196
Contributions from members		315,867		329,917
		610,181		671,113
Less:				
MYVC	(123,773)		(190,297)	
Parliamentary work	(57,975)		(50,335)	
Jobs campaign	(45,701)		(63,572)	
Greening The Workplace	(20,286)		(5,000)	
Unite Against Fascism	(17,497)		(23,211)	
Scottish Campaigns	(8,486)		(5,882)	
Love Music - Hate Racism Festivals	(7,100)		-	
Palestine Solidarity Campaign	(6,994)		(3,971)	
Taxation Advice	(3,812)		-	
TU Friends of Palestine	(3,000)		(850)	
International Board Game	(2,497)		–	
National Campaign Against Fees and Cuts	(2,000)		–	
Youth Fight For Jobs	(2,000)		–	
Woman in Leadership TU Exchange	(1,500)		–	
Miscellaneous	(1,303)		–	
ACTSA	(440)		(3,826)	
War on Want	(240)		–	
AFL-CIO	(171)		–	
Abdullah Muhsin Homing Fund	–		(750)	
Chagos Islands Campaign	–		(600)	
Compain for Fair Taxation	–		(191)	
Cuban Solidarity Campaign	–		(1,710)	
Fascist Free Zone	–		–	
Global Public Solutions	–		–	
Hope not Hate	–		–	
Jay Abatan Campaign	–		(23,968)	
Justice for Colombia	–		(500)	
Love Music – Hate Racism Carnival 2008	–		(1,636)	
TU aid Palestine Zimbabwe and Swaziland	–		(500)	
TUC Anti-Fascism Project	–		–	
UN Anti Racism Conference	–		–	
		(304,775)		(376,799)
Balance at 31 December 2011		305,406		294,314

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

C Network administration (detail)

	2011		2010	
	£	£	£	£
National costs				
Superannuation fund costs		257,148		333,904
Pension Protection Fund Levy		44,249		47,357
Legal and professional fees		290,047		247,067
Audit fees		34,417		36,919
Exchange rate losses		18		58
Bank charges and interest		12,258		9,064
Staff development costs		218,844		106,836
Staff recruitment costs		–		64,121
Computer running costs		631,225		635,303
Vehicle running costs		12,273		13,490
FRS17 adjustment				
Current service costs of defined benefit schemes	3,300,000		3,400,000	
Past service costs of defined benefit schemes	500,000		600,000	
Pension contributions paid in year	(4,700,000)	(900,000)	(2,800,000)	
				1,200,000
		600,479		2,694,119
London headquarters				
Employment costs		11,554,123		11,337,696
Accommodation running costs		764,270		673,579
Maintenance of buildings		22,407		42,537
Printing, stationery and photocopying		102,030		64,050
Postage		149,355		129,508
Research		100,718		83,078
Telephone		153,490		154,959
Office running costs		157,664		101,308
Subsistence		132,090		116,004
Travel		236,498		249,029
Miscellaneous		56,741		31,234
Hospitality		4,496		2,543
		13,433,882		12,985,525
ENGLISH REGIONS				
Yorkshire and Humberside				
Employment costs		437,069		441,082
Accommodation running costs		189,677		168,824
Printing, stationery and photocopying		6,079		6,438
Postage		5,620		2,994
Research		–		–
Telephone		7,041		6,641
Office running costs		15,482		13,855
Subsistence		2,037		2,588
Travel		3,816		8,305
Miscellaneous		1,192		(95)
		668,013		650,632

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

C Network administration (detail) (continued)

	2011 £	2010 £
ENGLISH REGIONS (continued)		
North West		
Employment costs	410,809	392,336
Accommodation running costs	86,445	100,157
Maintenance of buildings	–	–
Printing, stationery and photocopying	2,957	5,174
Postage	4,318	5,846
Telephone	1,441	4,767
Office running costs	7,158	6,360
Subsistence	4,954	6,442
Travel	10,012	10,020
Miscellaneous	68	180
	528,162	531,282
Eastern		
Employment costs	123,483	86,141
Accommodation running costs	44,007	45,882
Maintenance of buildings	–	–
Printing, stationery and photocopying	1,278	1,577
Postage	1,568	1,450
Telephone	2,655	2,225
Office running costs	1,423	944
Subsistence	691	507
Travel	3,374	1,397
Miscellaneous	53	112
	178,532	140,235
West Midlands		
Employment costs	332,268	278,855
Accommodation running costs	82,424	84,913
Printing, stationery and photocopying	4,900	5,566
Postage	2,668	3,678
Research	266	58
Telephone	6,921	5,676
Office running costs	3,957	4,051
Subsistence	3,456	3,795
Travel	10,678	12,594
Miscellaneous	111	171
	447,649	399,357
Northern		
Employment costs	168,339	146,032
Accommodation running costs	32,576	26,966
Maintenance of buildings	–	–
Printing, stationery and photocopying	2,099	5,375
Postage	1,533	2,645
Telephone	1,974	3,241
Office running costs	2,601	2,538
Subsistence	1,052	741
Travel	3,317	3,984
Miscellaneous	151	61
	213,642	191,583

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

C Network administration (detail) (continued)

	2011 £	2010 £
ENGLISH REGIONS (continued)		
South West		
Employment costs	204,827	180,683
Accommodation running costs	34,999	46,685
Maintenance of buildings	–	–
Printing, stationery and photocopying	1,187	1,238
Postage	3,307	2,913
Research	–	–
Telephone	3,421	3,277
Office running costs	1,329	1,755
Subsistence	1,131	2,850
Travel	4,252	4,751
Miscellaneous	–	400
	254,453	244,552
London and South Eastern		
Employment costs	657,310	1,011,968
Accommodation running costs	–	–
Maintenance of buildings	–	–
Printing, stationery and photocopying	–	378
Postage	–	–
Research	–	–
Telephone	–	–
Office running costs	–	–
Subsistence	1,088	3,773
Travel	5,732	12,192
Miscellaneous	–	–
	664,130	1,028,311
DEVOLVED		
Scotland		
Employment costs	437,565	356,179
Accommodation running costs	136,739	148,564
Maintenance of buildings	–	–
Printing, stationery and photocopying	4,257	3,316
Postage	2,853	4,121
Research	–	–
Telephone	4,621	4,630
Office running costs	18,276	10,956
Subsistence	3,925	3,973
Travel	11,124	12,376
Miscellaneous	53	–
	619,413	544,115
Wales		
Employment Costs	735,864	374,000
Accommodation running costs	68,420	60,575
Printing, stationery and photocopying	2,786	2,250
Postage	3,149	2,773
Telephone	3,204	2,998
Office running costs	3,272	5,992
Subsistence	17,704	4,293
Travel	41,244	8,830
Miscellaneous	2,530	247
	878,173	461,958

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

C Network administration (detail) (continued)

	2011 £	2010 £
DEVOLVED (continued)		
Ireland		
Employment costs	–	–
Postage	–	–
Telephone	286	–
Office running costs	107	–
Subsistence	682	–
Travel	4,923	–
Miscellaneous	55	–
	6,053	–
Total network administration	18,492,581	19,871,670

D Group and occupational associations

	2011 £	2010 £
Aviation Group	24,467	30,800
Business, Enterprise and Regulatory Reform	66,347	63,096
Commercial Sector Association	8,905	3,886
Communities and Local Government	8,400	27,326
Crown Prosecution Service	41,250	32,901
Culture, Media and Sport OA	8,261	6,402
Department for Children, Schools and Families	21,666	22,118
Department for Innovation, Universities and Skills	–	6,962
Department for Environment, Food and Rural Affairs	60,692	68,566
Department for International Development	–	–
Department for Transport	98,412	98,471
Department for Work and Pensions	465,168	424,041
Department of Health	7,500	22,632
EDS Group	–	–
Forestry Commission	8,166	13,074
Government Communications Group	69,657	53,841
Group 48	1,916	–
Home Office	82,451	70,249
HP Enterprise Services	13,009	8,750
Identity and Passport Service	59,357	51,105
Land Registry	100,000	113,069
Learning and Skills Council	–	5,369
Metropolitan Police	12,949	12,337
Ministry of Defence	154,123	129,674
Ministry of Justice (AMO)	150,000	139,537
Office of National Statistics	18,174	8,433
National Assembly for Wales	2,988	–
National Offender Management Service	72,993	72,664
Revenue and Customs	334,400	419,938
Scottish Government	2,766	4,253
Siemens Group	8,000	1,565
SOCA	–	28,721
Welsh Assembly Government	–	8,370
Funds Returned From Closed Groups/Sections	(3,096)	(5,374)
	1,898,921	1,942,776

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

E Geographical and other structures

	2011 £	2010 £
Proud	14,684	13,002
Public Services Group	19,477	36,539
Private and Commercial Sector Reps	27,468	32,403
Associate Members Section	28,751	24,416
Support and Related Grades OA	11,697	11,933
Professional Managers Association	7,873	5,721
Regional committees:		
Wales	12,583	8,197
Scotland	2,056	976
Ireland	1,191	3,341
Eastern	4,539	6,339
North West	1,279	561
Northern	2,340	3,163
Midlands	8,963	7,230
London and South East	1,202	990
South West	5,548	3,832
Yorkshire and Humberside	2.416	1,904
	152,067	160,546

F Principal donations

The donations over £100 are listed below

Ellie and Laurie Fund	500	–
Oxfam	500	–
Children's Safety Education Foundation	216	–
Water Aid	200	200
Rainbow Trust	100	100
Action for Children	100	100
Battersea Summer Scheme	100	50
Douglas Bader Foundation	100	–
Children's Heart Foundation	100	–
Working Class Movement Library	–	500
Transplant Sport UK	–	100
Stop the War Coalition	–	200
RNLI Lifeboats	–	100
Haiti Disaster	–	100
Make-a-Wish Foundation UK	–	100
Manchester Trades Union Council	–	150
J Bellingham	–	300
Gingerbread	–	500
The Genesis Appeal	–	100
Evelina Children's Hospital Appeal	–	100
Defend Council Housing	–	250
The Anthony Nolan Trust	–	100
Jimmy Reid Portrait	–	200
REACT	–	100
John Hastings	–	(100)
Donations not exceeding £100	–	100
	1,916	3,350

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

G Affiliation fees

	2011 £	2010 £
Abortion Rights	175	175
Action for Southern Africa	500	700
Amnesty International	500	500
Anti-Nazi League	500	500
Anti-Racist Alliance	250	250
Baby Milk Action	50	50
BARAC	100	–
British Youth Council	400	400
Campaign for Freedom of Information	600	600
Campaign for Nuclear Disarmament	250	–
Campaign for Press/Broadcasting Freedom	562	338
Campaign Against Domestic Violence	100	100
Child Poverty Action Group	78	78
Colombian Solidarity Campaign	60	60
Committee to Defend Assylum Seekers	250	250
Council of Civil Service Unions	–	78,577
Criminal Justice Alliance	73	147
Cuban Solidarity Campaign	200	200
Disability Alliance	280	280
European Federation of Food Agriculture	500	500
European Federation of Public Service Unions	63,107	77,608
Eurocadres	159	275
European Federation of Retired and Elderly Persons	491	485
European Social Forum	750	750
European Transport Workers Federation	1,344	1,059
Fabian Society	700	704
Friends of the Earth	21	21
General Federation of Trade Unions	13,705	13,345
Hands Off the People of Iran	200	–
Hands Off Venezuela	700	1,031
Hospitality	665	–
Howard League	333	67
ICTU	8,644	10,078
Industrial Society	300	317
Inquest	100	100
Institute of Employment Rights	1,150	400
International Broadcasting Trust	95	95
International Transport Workers Federation	2,886	2,779
Involvement & Participation Association	1,781	–
Jubilee Debt Campaign	250	250
Justice for Colombia	250	250
Justice Forum	11,321	1,500
Labour Research Department	4,081	2,554
Legal Fees	3,627	–
Lesbian and Gay Employment Rights	100	100
London Citizens	1,800	1,800
Maternity Alliance	250	250
Mind	50	50
National Pensioners Convention	1,500	1,000
Nicaragua Solidarity Campaign	375	375
No Sweat	400	400
One World Action	500	500
Subtotal carried forward	127,063	201,848

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

G Affiliation fees (continued)

	2011 £	2010 £
Subtotal brought forward	127,063	201,848
Public Services International	161,956	183,632
Public Transport	115	–
Refund	(3,759)	–
Right To Work	100	100
Repetitive Strain Injury Association	250	250
STUC	39,520	40,478
TUIREG	250	250
Tax Justice Network	453	891
Telephone	407	–
Trade Justice Movement	667	333
Trade Union Disability Alliance	100	100
Trade Union Research Unit	1,943	1,943
Trade Union Friends of Palestine	267	133
Trade Union Friends of Searchlight	150	150
TUC	733,149	741,843
UFE	5,175	5,012
UNI	42,580	31,301
Unite Against Fascism	208	10,492
United Campaign to Repeal the Anti TU Laws	650	650
United Nations Association	150	150
Wales TUC	2,143	2,243
War on Want	500	200
Woodcraft Folk	50	50
Women's Aid Federation of England	230	233
World Development Movement	150	150
Workers Education Association	420	420
Working for Childcare	100	100
	1,114,987	1,222,952

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

H Equities

	Nominal holding 2011 £	Cost 2011 £	Market value 2011 £	Market value 2010 £
3I Infrastructure PLC ord NPV	40,000	37,212	48,020	80,334
Aggreko PLC 20p ordinary shares	4,500	20,872	90,945	119,120
ARM Holdings PLC 0.05p ordinary shares	5,100	5,931	30,141	93,225
Astrazeneca PLC 25c ordinary shares	3,500	102,023	104,011	128,557
Barclays PLC 25p ordinary shares	–	–	–	118,204
BG Group PLC 10p ordinary shares	11,000	98,861	151,443	191,993
BHP Billiton PLC 50c ordinary shares	–	–	–	232,346
Blinkx Plc 1p ordinary shares	5,950	6,049	4,537	–
BP PLC USD 25c ordinary shares	35,850	197,702	164,964	187,575
British Land Co PLC 25p ordinary shares	–	–	–	105,097
BT Group PLC 5p ordinary shares	51,000	76,681	97,385	208,035
Cairn Energy PLC 8/13p ordinary shares	6,050	22,885	16,099	23,582
Central Rand Gold Ltd 1p ordinary shares	–	–	–	19,429
Centrica PLC 6 14/81p ordinary shares	25,700	64,017	74,337	106,448
Ceres Power Holdings PLC 5p ordinary shares	24,260	58,397	1,795	17,285
F&C Asset Management PLC 1p ordinary shares	75,000	53,187	48,956	91,116
Fenner PLC 25p ordinary shares	–	–	–	94,324
GlaxoSmithKline PLC 25p ordinary shares	9,000	107,792	132,413	210,842
HSBC Holdings PLC 50p ordinary shares	11,500	70,204	56,477	107,701
IMI Holdings PLC 50p ordinary shares	3,500	27,872	26,530	–
International Public Partnership Ltd 0.01p ordinary shares	53,100	59,127	64,012	62,260
Invensys PLC 10p ordinary shares	16,000	50,387	33,720	50,211
Invesco Perp UK Smaller Companies IT 20p ordinary shares	28,000	39,345	50,680	65,625
Jupiter Fund Management PLC 25p ordinary shares	6,397	10,555	13,875	19,188
Lloyds Banking Group PLC 25p ordinary shares	150,000	202,788	38,805	134,921
Lonmin PLC $1 ordinary shares	2,985	59,492	29,163	88,695
Marks & Spencer Group PLC 25p ordinary shares	25,200	92,339	78,233	76,646
Misys PLC 1p ordinary shares	5,600	16,237	13,017	–
Mothercare PLC 50p ordinary shares	3,000	13,464	5,006	–
Pearson PLC 25p ordinary shares	8,310	56,792	100,509	114,906
Pennon Group PLC 40.7p ordinary shares	12,500	67,253	89,156	105,352
Prudential Corp PLC 5p ordinary shares	10,500	43,890	66,990	100,163
Rotork PLC 5p ordinary shares	3,750	29,133	72,319	105,995
Royal Dutch Shell PLC €0.07 ordinary B shares	5,400	100,848	132,503	169,800
Schroders PLC £1 voting shares	–	–	–	57,100
St James's Place PLC 15p ordinary shares	6,600	17,246	21,434	21,775
Tesco PLC 5p ordinary shares	20,900	80,663	84,337	72,369
Travis Perkins PLC 10p ordinary shares	3,200	32,229	25,504	–
Unilever PLC 3 1/9p ordinary shares	2,800	56,519	60,983	–
United Utilities Group PLC 5p ordinary shares	–	–	–	43,604
Vodafone Group PLC 10p ordinary shares	45,700	84,926	81,780	66,350
		2,062,918	2,110,079	3,490,173

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

I Bonds and interest bearing stock

	Nominal holding 2011 £	Cost 2011 £	Market value 2011 £	Market value 2010 £
5.25% Treasury stock 2012	–	–	–	48,003
4% Treasury stock 2016	30,000	32,996	34,663	32,735
5% Treasury stock 2025	55,000	60,454	72,555	62,607
4.25% Treasury stock 2027	20,000	23,146	24,495	–
4.5% Treasury stock 2034	50,000	53,057	63,836	52,907
iShares GBP Corporate Bond	1,100	137,308	131,324	204,380
Kreditanstalt fur Wiederaufbau 5.5% 7/12/2015	–	–	–	96,319
		306,961	326,873	496,951

J Unit trusts and investment funds

	Nominal holding 2010	Cost 2010 £	Market value 2010 £	Market value 2009 £
BH Macro Ltd Ordinary NPV £ equity closed ended funds	3,300	57,932	67,568	54,532
Lyxor Gold Bullion Securities SEC UND Zero CPN NTS	180	19,144	17,629	87,813
Sarasin AgriSar Fund Class B Income	105,654	105,654	107,978	128,264
Sarasin CI Real Estate Equity Income	5,441	49,582	55,574	62,221
Sarasin OekoSar Equity Fund	9,140	878,285	795,971	1,285,359
		1,110,597	1,044,720	1,618,189

K Money market

	Nominal holding 2011	Cost 2011 £	Market value 2011 £	Market value 2010 £
Sarasin & Partners LLP Money Market		683,316	683,316	903,160
		683,316	683,316	903,160

Public and Commercial Services union

Appendices to the accounts

For the year ended 31 December 2011 (continued)

L Miscellaneous holdings

	Nominal holding 2011 £	Cost 2011 £	Market value 2011 £	Market value 2010 £
Members portfolio				
Accenture Ltd Class A common shares	40	744	1,370	1,238
Atos Origin SA €1 common stock	25	781	707	854
Babcock International Group PLC 60p ordinary shares	105	401	771	600
Balfour Beatty PLC 50p ordinary shares	250	915	662	781
Banco Santander SA	50	1,232	245	340
Cap Gemini SA €8	25	830	504	748
Capita Group PLC 2p ordinary shares	126	781	793	879
Computer Sciences Corporation common stock	30	831	458	950
Grupo Ferrovial SA €1	60	813	468	382
IBM Corporation common stock	15	750	1,775	1,406
MITIE Group PLC 2.5p ordinary shares	400	852	975	–
Siemens AG no-par-value registered shares	15	733	925	1,198
VT Group PLC ordinary 5p shares	–	–	–	–
Total Members' Portfolio		9,663	9,653	9,376
Miscellaneous holdings				
Unity Trust Bank PLC: 'A' ordinary shares of £1	171,844	172,092	171,844	171,844
: 'C' ordinary shares of £1	102,728	105,128	102,728	102,728
Civil Service Housing Association 25p ordinary shares	800	200	200	200
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	–
Trade Union British Trust	109,512	588,865	524,503	587,198
Trade Union European Trust	45,167	73,682	82,882	98,329
		951,630	893,810	970,675

PCS Financial report 2012

Financial outlook 2012–2015

PCS annual budget 2012

INTRODUCTION

The PCS budget for 2012 is attached to this report. This has been agreed by the National Executive Committee. This brief report highlights some of the main features and issues surrounding the budget for 2012.

FORMAT

The budget presented includes the following statements:

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

OVERVIEW

The budget for 2012 sets a breakeven budget by 31 December 2012 and a balance sheet with net assets of just under £700,000.

This budget has been established by the NEC in the context of the political and financial landscape that the union will continue to face in 2012.

2011 saw an operating deficit of £1.7 million, a depletion of the campaign fund, a drop in income and members, and a reduction in cash and investments from £9.3 million to £6.2 million. This financial outflow is not sustainable.

The budget for 2012 incorporates significant reductions in income of £1 million, and maintains an allocation to campaigns of £1 million, to reflect the industrial relations environment, but this is not sustainable without significant permanent reductions in the outgoings of the union to match. Pay and non pay budgets have been reduced by similar amounts to achieve a breakeven budget sustainable in the long term.

The budget has been approved with £656,000 on expenditure reductions unallocated to budget holders at present (see note 3). By mid year 2012, further specific reductions will be allocated to budget holders, to ensure breakeven on the general fund at year end.

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

INCOME

Membership income has been budgeted at £29.8 million, compared to £30.8 million actual for 2011.

Subscription income continues to be uncertain across the period of the Comprehensive Spending Review, and membership levels are anticipated to be 20,000 lower by the end of 2012.

Allocations have been made from subscription income to the campaign and disputes fund and political fund, of £1,000,000 and £315,000 respectively. The transfer to political fund reflects the rule book transfer. In 2011 savings at mid year were allocated to the campaigns fund and this approach will continue in 2012 to maintain the ability of the union to campaign.

The union will seek to maximise income on its cash balances wherever possible, but interest rates remain low.

No predictions concerning sales of assets have been included. Advertising income is budgeted at 32% lower than 2011 due to market conditions.

EXPENDITURE

General fund expenditure is budgeted at £28.6 million, compared to £31.1 million in actual cost for 2011 (excluding FRS17).

	2012 budget	2011 actual	2010 actual	2009 actual
	£m	£m	£m	£m
Total employment costs	16.9	17.3	16.4	16.2
Non payroll costs	11.7	13.8	14.2	15.0
	28.6	31.1	30.6	31.2

Non pay costs
At £11.7 million, these costs represent a reduction of £2.1 million over 2011 actual costs, and 22% below 2009 levels.

Payroll Costs
Payroll costs increased in 2011 due the anticipated increase in the cost of the union pension commitments to staff. However the budget reflects the impact of the continuing reduction of staffing levels across the union to 285 full time equivalents by the end of 2012, and the start of the impact of employee contributions in reducing employer costs.

BALANCE SHEET

Fixed Assets
Capital bids were carefully reviewed to ensure only essential expenditure will be incurred. Capital purchases of £164,000 for office furniture and £381,000 for computer equipment, software and commix development costs are included in the balance sheet. Provision has been made for property moves of £248,000. The refurbishment of the fourth floor at Clapham has been deferred. No disposals or revaluations of assets have been budgeted.

Investments and Cash
The balance sheet predicts investment holdings to £5.2 million and cash at bank of £284,000. The following cash withdrawals are anticipated across 2012, reflecting planned expenditure.

	£m
General Fund	1.8
Campaigns and Disputes	(1.0)
Political	(0.4)
Designated	(0.3)
Capital	(0.9)

Net cash outflow	(0.8)
	===

The above cash outflows reflect the fact that the union pays out from the balance sheet reserves and capital as well as the general fund income and expenditure account. A breakeven budget will substantially reduce the potential drain on our cash and investment resources.

Reserves and funds
Expenditure from campaigns and disputes fund is budgeted at £1 million to reflect continuing campaigning needs in the current climate. All allocated amounts from the General Fund are assumed to be expended in 2012, leaving £5,302 in balance at December 2012.

Expenditure from the political fund will be £424,000 reflecting increased activity on Make Your Vote Count. The fund will have a reduced balance of £196,000 by end of 2012.

No allocation has been made in the year to the early retirement reserve. Savings need to be made to pay for future voluntary redundancy programmes.

FRS 17
No assumptions can be made concerning FRS 17, as the pension liability created is a function of market conditions at the end of 2012, which cannot be predicted. The balance sheet position of £14.9 million net liabilities at December 2011 has been included in the balance sheet as this is the current known position.

OVERVIEW AND CONCLUSION

A break even budget will represent a considerable challenge for the union in the space of one year. But the union cannot sustain net cash outflows of £3 million per annum as in 2011 and income levels will fall further. Without setting this budget the union will be unable to refocus its resources, away from costs that have become routine in nature, towards organising and campaigning as membership falls.

The 2013-2015 outlook report details the three year financial outlook, and the benefits of a balanced budget in 2012 are reflected in the financial plan presented.

Chris Baugh
National Treasurer

Christine Grant
Director of Finance

8 March 2012

PCS budget 2012

General fund projected income and expenditure account

For the year ended 31 December 2012

	Notes	£	2012 £
Subscription income			
Members subscriptions		29,845,000	
Collection costs		(45,000)	
			29,800,000
Subscriptions allocated to campaign fund		(1,000,000)	
Subscriptions allocated to political fund		(315,000)	
			28,485,000
Other income			
Investment income	1	132,000	
Commercial activities	2	266,304	
VAT recovered/(paid)	2	110,000	
Miscellaneous	2	153,000	
Total net income			661,304
Total net income			29,146,304
General fund expenditure			
Network administration	3	(17,151,709)	
Members representative costs	4	(5,388,557)	
Members benefits	6	(1,958,505)	
Members communications	5	(3,005,506)	
Affiliations and donations	7	(1,071,000)	
Total			(28,575,277)
			571,027
Depreciation			
Depreciation on freehold properties		(110,485)	
Depreciation on leasehold properties		(54,587)	
Depreciation on furniture & equipment		(405,808)	
			(570,880)
Operating surplus/(deficit)			147
Gain on sale of properties			–
			147
Provisions/transfers to reserves			–
Budgeted general fund deficit 2012			147

PCS budget 2012

General fund projected balance sheet

As at 31 December 2012

	£	2012 £
Fixed Assets		
Freehold	6,539,515	
Leasehold	1,147,363	
Office equipment	1,240,499	
		8,927,377
Investments		5,116,618
Current assets		
Cash at bank and in hand	284,000	
Debtors and prepayments	3,800,000	
		4,084,000
Creditors and accrued charges		(2,414,248)
Net current assets		1,669,752
Total assets less current liabilities		15,713,747
Lond term creditors		(150,383)
Total net assets		15,563,364
FRS17 adjustments		
Pension assets	8,500,000	
Pension liabilities	(23,400,000)	
		(14,900,000)
Total net assets at 31 December 2012		663,364
Represented by:		
Funds		
General		7,402,384
Property		7,686,877
Campaign and disputes		5,302
Political		196,406
Designated reserves		
Accommodation renovations		126,877
Modernisation fund		55,526
Early retirement reserve		89,992
FRS17 adjustments		
Pension reserve		(14,900,000)
Total budgeted reserves and funds at 31 December 2012		663,364

PCS budget 2012

Notes supporting the budget

For the year ended 31 December 2012

	2012 £
1 Investment income	
Unity Trust money market	–
Dividends	130,000
Interest from investment managers	2,000
	132,000
2 Commercial activities	
Advertising income	133,000
Commission received	102,800
Rent	30,504
VAT recoverable	110,000
Miscellaneous	153,000
	529,304
3 Network administration summary	
Superannuation fund running costs	(150,000)
Pension protection levy	(35,000)
Legal and professional fees	(117,000)
Audit fees	(38,000)
Bank charges and interest	(9,500)
Staff development costs	(135,000)
Computer system running costs	(618,900)
Vehicle running costs	(12,300)
Employment costs	(14,373,494)
Accommodation running costs	(1,203,224)
Maintenance of buildings	(35,500)
Printing, stationery and photocopying	(117,073)
Postage	(107,930)
Research	(78,630)
Telephone	(172,350)
Office running costs	(164,455)
Subsistence	(137,615)
Travel	(277,130)
Miscellaneous	(21,050)
Hospitality	(3,558)
Mid year cost reduction	656,000
	(17,151,709)

PCS budget 2012

Notes supporting the budget

For the year ended 31 December 2012 (continued)

		2012
	£	£
4 Members representative costs		
Organising and learning		
Recruitment publicity	(7,592)	
National organising forum	(3,000)	
Group organiser meetings	(3,000)	
Regional organising forums	(4,000)	
Youth work	(36,000)	
National trade union course	(23,000)	
Group and occupational associations courses	(53,000)	
Regional courses	(110,000)	
Learn direct	(1,000)	
Learning representatives	(1,000)	
Organising and learning publicity	(50,000)	
Employment costs	(445,093)	
		(736,685)
Other meetings		
International meetings	(18,000)	
Seminars	(121,511)	
National meetings	(82,860)	
		(222,371)
National representatives		
Delegate conference	(840,000)	
Facility time costs	(25,000)	
Subsistence	(58,800)	
Travel	(107,230)	
		(1,031,030)
Elections		
National	(270,000)	
Groups, occupational associations and branches	(270,000)	
		(540,000)
Local representatives		
Group and occupational associations	(1,878,921)	
Branch grants	(849,000)	
IT support	(16,000)	
Geographical and other structures	(114,550)	
		(2,858,471)
		(5,388,557)
5 Members communications		
PCS View		(936,000)
Employment costs		(1,566,645)
Public relations		(45,000)
National publications		(135,060)
Group publications		(322,801)
		(3,005,506)

PCS budget 2012

Notes supporting the budget

For the year ended 31 December 2012 (continued)

	2012 £
6 Members benefits	
Death and personal accident	(629,000)
Benevolence service	(125,000)
Legal services	(204,705)
PCS care	(221,000)
Ex IR group members' sickness benefit	(9,401)
Employment costs	(526,037)
Diaries	(113,000)
Helplines	(84,000)
Essential guide	(40,362)
Gold badges	(6,000)
	(1,958,505)
7 Affiliations and donations	
Affiliation fees	(1,040,000)
NTUC	(10,000)
PCS in the community fund	(18,500)
Donations	(2,500)
	(1,071,000)
8 Campaign and disputes fund – planned expenditure	
Allocations to the following budgets subject to further discussion once pensions ballot results known	
Policy ballots	
Donations from campaigns fund	
Work life balance	
Promoting public services	
Group campaigns	
Strike pay	
Industrial action ballots	
NDC agreed group campaigns	
Health and safety	
Recognition campaign	
Pension campaign	
HMRC campaign	
Jobs campaign	
Pay campaign	
Strategic legal cases	
Credit union	
	1,000,000
9 Political fund – planned expenditure	
Make your vote count	(240,000)
Political campaign donations	(20,000)
Donations from political fund	(55,000)
Anti-racism/fascism	(30,000)
Greening the workplace	(30,000)
International campaigns	(40,000)
Parliamentary work	(9,000)
	(424,000)

PCS financial outlook 2013 – 2015

INTRODUCTION

The outlook for 2013-2015 presented is a plan not a projection. It reflects the outcome of the continuing action of the union in the strategic management review and the finance review to date in improving the union's finances. The breakeven budget set in 2012, and the long term restructuring of costs arising from the 2012 budget process, will improve the long term financial position to 2015.

The plan includes both a general fund income and expenditure account and a balance sheet for each year 2013 to 2015, to enable a complete overview of the impact on the finances of the union of current commitments across this period. The plan shows a small deficit in the result on the general fund, but surpluses thereafter and net assets at the end of each year.

Projected surpluses/ (deficits)	**2012 plan**	**2011 plan**
	£	£
2012	147	24,100
2013	(179,000)	(261,000)
2014	413,000	(1,251,000)
2015	364,000	n/a

Projected net assets/ (liabilities) at year ends	**2012 plan**	**2011 plan**
	£m	£m
2012	0.6	10.9
2013	0.4	10.4
2014	0.8	9.0
2015	1.2	n/a

Key components of the plan are detailed below

INCOME

The Comprehensive Spending Review will continue to reduce membership levels. The plan assumes a reduction of 10,000 members in 2013, to 250,000 members and no reduction in 2014 and 2015. £500,000 has been reduced from income in 2013 to £29.3 million per annum.

The actual impact will depend on which members we lose, when they leave, and any mitigation planning we undertake. The national organising strategy, management of subscription income policy, and the recruitment of members within the commercial sector will all assist in mitigating future losses and consolidate the union's financial position. An assumption of income loss is the only prudent planning response to the uncertainty about the future impact of the cuts upon membership levels.

Campaign and dispute fund

At the end of 2012, the above fund is projected to have £5,302 in balance. To ensure that campaign activities are maintained to the end of 2015, an allocation of £450,000 for each year has been planned. This has been the standard allocation to the fund before campaigning challenges and pressures increased in recent years. Any further allocations will need to be funded from savings in other costs or increases in membership income.

EXPENDITURE

Inflation assumptions

General inflation of non payroll costs has not been accounted for in the plans for 2013 to 2015. The union will have no other option with limited resources than to ensure activities are managed within available resources and absorb inflationary pressures.

The current three year pay agreement with the GMB ends on 31 July 2013. The pay rise assumptions included reflect the pay deal at 2.5% per annum to mid 2013, but afterwards 1% per annum has been included. An existing pay agreement informs negotiations on pay costs in 2014 and 2015. These will be the subject of negotiations with GMB representing staff.

Employment costs

Total employment costs, including pay awards are planned as follows:

Payroll and pension costs	2012 plan £m	2011 plan £m	From 2010 finance report projection £m
2011	n/a	17.5	18.4
2012	16.9	16.5	18.2
2013	17.1	16.3	18.8
2014	16.5	16.3	n/a
2015	16.5	n/a	n/a

The plan for staff costs across 2013 to 2015 reflects the reduced complement to be achieved in 2012, and lower anticipated pay rises.

The next actuarial valuation is due as at 31 December 2012 and the impact on costs on 2014 and subsequent years is uncertain at present. Consistent with union policy, PCS staff have been given a guarantee of no compulsory redundancies.

Non payroll costs

Total non pay costs are planned as follows:

Non pay costs	2012 plan £m	2011 plan £m	From 2010 finance report projection £m
2011	n/a	14.2	15.0
2012	11.7	12.8	16.7
2013	11.7	13.3	17.2
2014	11.7	13.9	n/a
2015	11.7	n/a	n/a

Non pay costs are planned to remain at 2012 levels.

Overall, the plan details continuing cost control across both pay and non pay.

BALANCE SHEET

Capital movements

No disposals have been included in fixed assets. Equipment purchases have been predicted to fall back from 2012 levels to approximately £500,000 per annum. In 2013 costs include routine IT and office equipment replacement. All major projects currently under discussion are budgeted in 2012. No budget has been included for the refurbishment of the fourth floor at Clapham.

Investments and cash

No assumptions can be made concerning future market movements on investments. Though market conditions for investments have improved, the union has used its assets over recent years to pay for operational expenditure.

Establishing a pattern of break even budgets from 2012 onwards impacts positively on cash flows and starts to reverse the significant cash outflows of recent years.

Cash and investments at year ending:	£m
2011	6.2
2012	5.5
2013	4.9
2014	5.3
2015	5.7

Cash and investments are expected to remain at least £5 million and start to rise by 2014.

FRS 17

No changes to the net liabilities have been made, as the FRS 17 movements across 2013 to 2015 cannot be predicted.

Reserves

No movements on designated reserves are planned at present.

CONCLUSION

The plan for 2013-2015 fundamentally depends on the management of income receipts from a lower membership base and the successful reorganisation of resources in 2012 to stall the outflow of resources.

Chris Baugh
National Treasurer

Christine Grant
Director of Finance

8 March 2012

PCS financial outlook 2013–2015

General fund planned income and expenditure accounts

For the year ended 31 December

	2013 £	2014 £	2015 £
Subscription income			
Net subscriptions	29,300,000	29,300,000	29,300,000
Subscriptions allocated to campaign fund – routine	(450,000)	(450,000)	(450,000)
Subscriptions allocated to campaign fund – additional	–	–	–
Subscriptions allocated to political fund	(300,000)	(300,000)	(300,000)
	28,550,000	28,550,000	28,550,000
Other Income	561,000	561,000	561,000
Total net income	29,111,000	29,111,000	29,111,000
General fund expenditure	(28,755,104)	(28,163,212)	(28,212,203)
	355,896	947,788	898.797
Depreciation	(535,000)	(535,000)	(535,000)
Operating surplus/(deficit)	(179,104)	412,788	363,797
Gain on sale of properties	–	–	–
	(179,104)	412,788	363,797
Provisions/transfers to reserves	–	–	–
Planned general fund surplus/(deficit)	(179,104)	412,788	363,797

PCS financial outlook 2013–2015

General fund planned balance sheets

As at 31 December

	2013 £	2014 £	2015 £
Fixed assets			
Freehold	6,929,515	6,819,515	6,709,515
Leasehold	1,080,633	1,015,633	950,633
Office equipment	1,281,000	1,421,000	1,561,000
	9,291,148	9,256,148	9,221,148
Investments/cash	4,855,897	5,303,685	5,702,482
Current assets			
Debtors and prepayments	3,800,000	3,800,000	3,800,000
	3,800,000	3,800,000	3,800,000
Creditors due in less than one year	(2,493,899)	(2,493,899)	(2,493,899)
Net current assets	1,306,101	1,306,101	1,306,101
Total assets less current liabilities	15,453,146	15,865,934	16,229,731
Creditors due in more than one year	(150,000)	(150,000)	(150,000)
FRS17 adjustments			
Pension assets	8,500,000	8,500,000	8,500,000
Pension liabilities	(23,400,000)	(23,400,000)	(23,400,000)
	(14,900,000)	(14,900,000)	(14,900,000)
Total net assets at 31 December	403,146	815,934	1,179,731
Represented by:			
Funds			
General	6,898,895	7,486,683	8,025,480
Property	8,010,148	7,835,148	7,660,148
Campaign and disputes	5,302	5,302	5,302
Political	196,406	196,406	196,406
Designated reserves			
Accommodation renovations	46,877	46,877	46,877
Modernisation fund	55,526	55,526	55,526
Early retirement reserve	89,992	89,992	89,992
FRS17 adjustments			
Pension Reserve	(14,900,000)	(14,900,000)	(14,900,000)
Total planned reserves and funds at 31 December	403,146	815,934	1,179,731

PCS Financial report 2012

Supporting appendices

Appendix I

PCS financial objectives

PCS has the following financial objectives:	Result for 2011:
● meet general fund expenditure from net subscription income, after allowing for VAT recovered	● there was an operating deficit of 5.4% of net subscription income
● all expenditure to be budgeted for in advance of being incurred	● met in full
● operate a devolved budgeting system with no budgets allowed to remain overspent without prior agreement of the Finance Committee of the NEC	● met in full
● budget for an operating surplus of around 5% of net subscription income	● there was an operating deficit of 5.4% of net subscription income
● maintain employment costs, before employer's NI and superannuation contributions, at approximately one third of subscription income	● these were 40% of subscription income
● only create reserves for purposes which will occur within a reasonable period and can be reasonably accurately quantified, or where accounting standards require	● met in full
● maintain the general fund at around six months subscription income	● the general fund stands at just under four months subscription income, as at December 2011
● 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. Expenditure exceeded allocation by £497,000
● maintain the property fund at around the value, as shown in the balance sheet, of the freehold and leasehold properties	● met in full

These objectives are kept under review.

Appendix II

PCS ethical investment policy

PCS has developed an ethical investment policy in line with conference decisions and campaigns around tax justice, environmental and international issues. Our investments are managed by Sarasins Fund Managers in line with the published PCS ethical investment policy.

The NEC have appointed a working group to carry out a review across all companies with whom PCS have a financial relationship (PCS+ suppliers, contractors and investment holdings) using a common criteria, to ensure compliance with our ethical, tax, and environmental policies. This review will be carried out in the course of 2012 and a report will be considered by the NEC for reporting back to ADC 2013.

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 portfolio. The "sustainability" of the portfolio is determined from two perspectives:

- **Negative screening:** The extent to which the different companies within the portfolio conform with a set of exclusion criteria (e.g. controversial business activities).
- **Positive screening:** The analysis of the extent to which the different companies invested in the portfolio achieve a minimum sustainability rating, which measures the environmental and social "performance" of a company and its peer group financial sector by using the Sarasin Sustainability-Matrix® methodology

Negative screening: exclusion criteria

Negative screening includes the screening for controversial activities, which shall be excluded from an investment. Here, the following exclusion criteria have been taken into account:

EXCLUSION CRITERIA

Criteria	Definition
Nuclear power	Electric utilities with more than 5% of sales originating from nuclear power plants; power plant engineering companies with more than 5% of sales in nuclear power
Defence business	More than 5% of sales with military contracts and/or the top 30 arms producers worldwide
Agrochemicals	Production of agrochemicals (pesticides, herbicides, fungicides), more than 5% of sales
Genetic engineering (agriculture)	Production of genetically modified seeds more than 5% of sales or top 10 producers of genetically modified seeds
Genetic engineering (medicine)	Application of Reproductive and Therapeutic Cloning, genetic manipulation of human germ cells
Tobacco	Production of tobacco products more than 5% of sales
Pornography	Production and distribution of pornographic products (more than 5% of sales)
Alcohol	Production and distribution of alcoholic products more than 5% of sales
Chlorine	Production of chlorine and organic chlorine compounds (more than 5% of sales)
Airplanes	Production of airplanes (more than 5% of sales)

Screening: the Sarasin Sustainability-Matrix®

Our environmental and social analysis of companies is based on a proprietary valuation method developed by Bank Sarasin. It incorporates two dimensions, which are combined in the Sarasin Sustainability-Matrix®:

- **Industry rating:** comparative assessment of industries using selected environmental and social criteria. These criteria are designed to measure the specific environmental and social risks of industry sectors, taking into account not just the sectors themselves but also the entire life cycles of their products (supply chains and product use).

● **Company rating:** comparative environmental and social analysis of companies within their industry, i.e. in comparison with the industry average. The assessment criteria are sector-specific. They include in general environmental and social aspects: Environmental strategies, environmental management systems and measures and programs to reduce environmental impact along the entire value chain (raw materials and suppliers, production, product use and end- of-life treatment), as well as strategies, management systems and measures and programs to take account of the interests and claims of stakeholders of the company (employees, suppliers, clients, investors, competitors and communities).

The rating is based upon a scoring system using different weightings for the individual environmental and social aspects. The weightings are sector-specific and depend on the sector-specific environmental and social impacts.

Sustainability rating of countries and institutions

The rating of countries and institutions which are relevant for bond investments follows a similar two-dimensional approach:

As the first dimension of the sustainability rating the "absolute" sustainability (absolute level of environmental and social impact) of a country and the sustainability of the mission of an institution respectively is equivalent to the industry rating of companies.

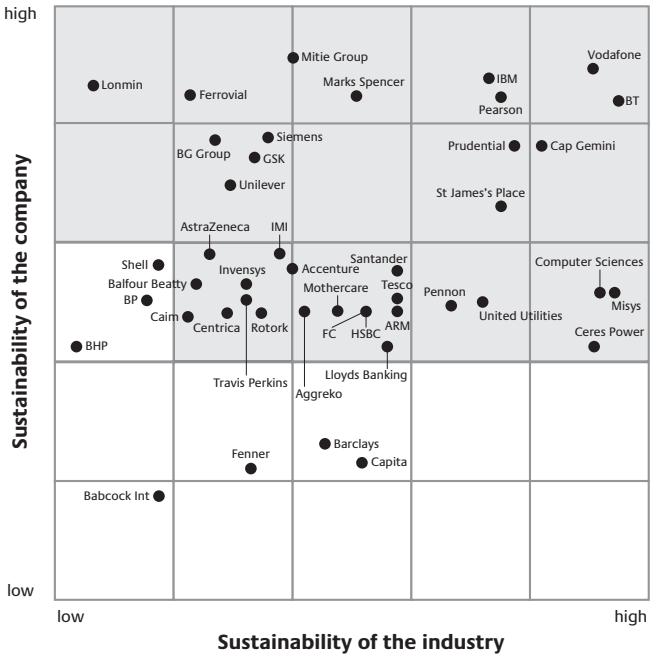
Equivalent to the company rating of companies, the second dimension of the country rating is the environmental and social efficiency of its economy. The second dimension of the institution rating is the efficiency of the institution in accomplishing its mission.

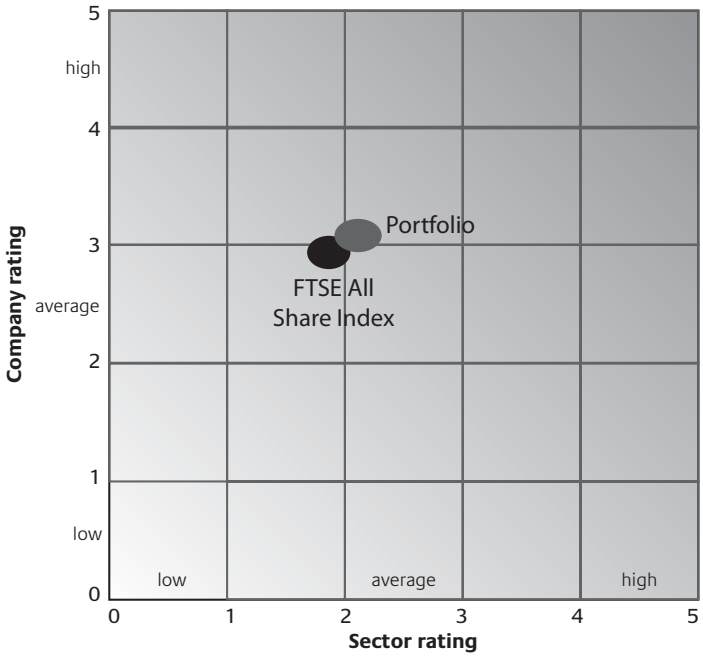
The combined industry and sector rating determines the position of a company in the Sarasin Sustainability-Matrix® (see figure). Those companies, countries or institutions which comply with the minimum standards, as defined by the shaded area in the figure below are the "sustainable" companies, which are eligible for an investment in Sarasin sustainability portfolios.

Investment policy in connection with Palestine

As an affiliate of the Trades Union Congress PCS supports TUC Congress policy passed in September 2010 to actively encourage people to "boycott the goods of companies who profit from illegal settlements, the Occupation and construction of the Wall".

The legal and moral reasons for not stocking such





This matrix shows the overall portfolio rating for sustainability compared to the FTSE All Share Index

goods are more compelling than ever. The settlements, which continue to expand, are illegal under international law, undermine Palestinian living and working conditions and remain arguably the biggest obstacle to restarting the Middle East Peace Process.

The following companies are profiting from the settlements: Carmel Agrexco (registered in the UK as Agrexco Agricultural Export Company), Ahava – Dead Sea Laboratories (registered in the UK as Ahava UK Ltd), Hadiklaim Date Growers Cooperative Ltd.

PCS will not have any direct dealings with the above companies and has acted to ensure that its pension and other funds are not invested in them.

Investment concerns

If any member has any concerns about the conduct of any company in which PCS hold shares, please raise concern in writing to the Assistant General Secretary/National Treasurer in the first instance (email chris.baugh@pcs.org.uk).

Appendix III

PCS pay scales

With effect from 1 August 2011

Grade description	Number in grade at 31.12.11 FTE	Value £	Spinal point	London grade maximum	Regional grade maximum
Band 7	3	89,847	1		
		86,015	2		
		82,166	3		
		79,360	4		
		76,908	5		
		75,271	6		
		72,427	7		
		71,392	8		
		69,444	9		
		67,789	10		
		64,985	11		
Band 6	10	63,492	12	Band 6	
		61,676	13		
		59,871	14		Band 6
		58,148	15		
		57,011	16		
Band 5	27	56,589	17	Band 5	
		54,832	18		
		53,057	19		Band 5
		51,287	20		
		49,523	21		
		47,760	22		
Band 4	93	45,996	23	Band 4	
		44,682	24		
		43,368	25		
		42,109	26		Band 4
		40,292	27		
		38,764	28		
Band 3	47	37,959	29	Band 3	
		37,155	30		
		35,598	31		
		34,597	32		
		33,846	33		Band 3
Band 2	121.5	33,142	34	Band 2	
		32,277	35		
		31,320	36		
		30,390	37		
		29,627	38		Band 2
Band 1	4	28,763	39	Band 1	
		27,999	40		
		27,106	41		
		26,336	42		
		25,413	43		
		24,549	44		
		23,981	45		
		23,241	46		
		22,199	47		Band 1
		21,542	48		
		20,595	49		
		19,234	50		
Total FTE	305.5				

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: **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.

- 2011 PCS financial report; PCS 2012 financial report
- PCS subscriptions policy 2011 (updated following 2012 Annual Delegate Conference)
- Sources of campaign funding and guidance on submissions 2011 (mab029-11)
- Group hardship funds – Guidance for their establishment, use and fundraising
- See mab006-12; BB11/12 – Use of Hardship Funds
- Expenses guidance
- Expenses forms
  Download PCS expenses forms
- Service Level Agreement
- Travel booking forms
  Download the Baxter Hoare travel booking form
- Branch treasurers toolkit
- Group treasurers toolkit
- Temporary suspension of £2.50 daily subsistence rate 0-5 hours
  See BB/12/12 issued to branches on 26 January 2012
- Baxter Hoare – Hotel Booking Pilot
- PCS + Members Benefits
- Credit Union (About PCS page)

CONTACTS FOR ADVICE

Branch funding: Telephone 020 7801 2672 or email funding@pcs.org.uk
Group funding: Telephone 020 7801 2672 or email funding@pcs.org.uk
Expenses: Telephone 020 7801 2673 or email finance@pcs.org.uk
Baxter Hoare/travel: Telephone 020 7940 6262/020 7403 5566 or email gl@baxterhoare.com
Credit Union: Telephone 0207 924 2727 or email creditunion@pcs.org.uk

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Public and Commercial Services Union
160 Falcon Road, London SW11 2LN
Tel: 020 7924 2727 Fax: 020 7924 1847
pcs.org.uk

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