

## **Vice- Chair (Finance) Presentation**

### **Annual accounts Year – BUDGET 2024/25 and Indicative Plan year 25/26**

#### **Background to the numbers**

- National Assembly members historically were provided with a verbal update on the financial position of the NALC on a quarterly basis with a detailed report provided at the year-end of the trading year's outcome, including the budgets for the next year and indicative projections for the plan years.
- National Assembly members requested a greater insight into the trading position of the NALC as the year progresses to better understand both the income and expenditure of the Association whilst being able to raise if necessary the relevant questions on the numbers and emerging trends. We therefore introduced a detailed quarterly financial update (Profit and Loss) to the National Assembly Members, in the form of a budget summary report, complete with Management Notes.
- The NALC operates a policy of transparency across the sector and we hope this positive response to our members has been seen as further evidence of this approach.
- An annual 'deep dive' by our external auditors in addition to the standard year-end audit also provides the association with a scrutiny review, in addition to the work that the Finance and Scrutiny committee do during the year.
- There has been an extensive discussion about what the scrutiny function of the committee is and how it should be undertaken. Views considered are whether scrutiny should be a separate function in the committee structure, who it should report to, and extent of scope. This is an ongoing initiative.
- The finances of the NALC have been further strengthened by the introduction of weekly cashflow analysis year on year, quarterly risk management assessment, and annual governance reviews.

## Year-End Accounts

- The 2022/23 affiliations fees were increased by just 1% although membership growth took that to 1.6%
- In 2022 we replenished our reserves provisions for project expenditure to £60,000 for IT and website development and £25,000 for our contribution to the Civility and Respect project although there was still a cost of £8k and £4k respectively not covered by the reserves.
- After expenditure on each of these was transferred from these Reserves for £18,922 and £25,000 respectively the total use of reserves was £43,922 against the over spend of £56,721, resulting in a trading loss of £12,799 for the year, as reported to National Assembly on the 3 October 2023 and within £4k of our forecast to National Assembly in July 2023.
- So effectively we used £44,000 from previous years (from reserves created from previous surpluses specifically to support these important projects) towards work through drawdown reserves and paid £12,000 in 2022/23 which contributed to the loss.
- Expenditure on the unfinished website project in 2022/23 has been carried forward and is covered by the Reserve balance left. It is expected that a large part of this project may be capitalised as an asset when complete.
- Last year there were savings against budget on the staffing costs, democracy, and promotion costs as the restrictions and subsequent reduction of face to face meetings and events continued. But this year we recruited most of the vacancies and saw a higher than budgeted national pay settlement.
- Last year we were pleased to be able to reinstate the valuation for the freehold property at Great Russell St to £2.5m after agents' advice. This was borne out by the sale of the property for £2.75m in April 2023. This will be shown in the accounts ending March 2024 next year and currently the interest on the net money received is enabling us to support the revenue budget and keep the affiliation recommendation down. This of course is not sustainable in the long term and will be subject to a more detailed investment strategy in due course.
- The auditors gave a clean audit report and found no issues of concern as included in the annual report.

## Reserves

- Our Reserves policy targets not less than 3 months expenditure.
- At year end we were around 10-11 weeks which is manageable, but due to timing of some expenses, is tight.
- The need for this reserve level, and especially for cash flow, is that the rules for the first instalment of 80% of affiliation fees allow payment to be left until the 30 June of each year.
- It still remains, as I have raised before, that through the continuation of some counties paying earlier this enables us to manage the cash position until that time, although it is made more difficult when there are late payers. My thanks go out to those associations that paid earlier in Q1 which made a significant difference to our cash position.
- So whilst it might seem that we have a good reserves position it is still a challenge in the early part of the financial year.
- Since April we have had the benefit of the deposit balance of the surplus from the sale of the property which has relieved the risk of running out of cash but the Reserve policy should be maintained to avoid eating into this Capital which is necessary to maintain the strength of the balance sheet.
- I would like to thank Steve Walker, Head of finance and administration, and the Finance and Scrutiny committee members for their support during the last 12 months in what has been a challenging year.

**Thank you.**

## **Annual report and Accounts move to Vote- Keith Stevens to move for the motion**

- To receive the audited annual accounts for 2022/2023 and approve the Annual Report

## **Income & expenditure Pie Charts**

- A few years ago it was decided that there was too much reliance on external income. The charts in the annual report show that back in 2012 the affiliations were less than 73% of total income with over 20% of total income from one other source which was declining rapidly.
- Today affiliations are about 90% which is risk averse.

- It has been agreed that there will be a change to the policy of allocating a sum for staffing to some activities. In future this will show both as an increase to staffing and gross profit as they net out.
- Management accounts for Q1 indicate that we are on track to meet the 2023/24 budget ( £8597) this year.
- In the face of a difficult economic climate we have recommended a 3% increase to the affiliation fees to 7.94p this time for the coming year 2024/25, which, as you can see, is planned to give a near breakeven budget. I have also included the indicative projections for the plan year 2025/26 for your reference only.

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### **Affiliation Fee Motion**

#### **Affiliation Fee Proposal**

The proposal therefore is to consider a recommendation from the National Assembly that NALC's affiliation fee for 2024/25 is 7.94 pence per elector, capped at £2,037 for larger councils, which is a %3 increase. This year 2023/24 is 7.71 pence per elector capped at £1978 so this is an increase of 0.23p per elector for the year. The maximum any council will increase by is therefore £59 for the year.

**Can we go to the vote please.**

**Presentation Ends**