



NEU Accounts

Financial Statements
Eight Months to August 2019

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This publication contains the following documents:

Report of the National Treasurer on the financial statements for the eight month period to 31st August 2019.

Financial statements of the National Education Union for the eight month period to 31st August 2019.

Report of the National Treasurer on the financial statements for the eight month period to August 2019.

I am pleased to present the financial statement of the National Education Union for the 8-month period from the 1st January 2019 to the 31st August 2019. This is a shorter than usual accounting period and is a result of the Conference decision to align the Union's financial and subscription periods with the academic year.

The accounts presented to Conference 2019 were a consolidation of the financial records and transactions maintained by the separate sections of the NEU and covered a 16-month period. Figures have been included to allow some comparisons to be made however this is not a like for like comparison. Going forward we will be able to show a fair and accurate picture that allows us to compare outcomes with previous years, but we will still have an issue with uneven accounting periods for the next set of financial statements which will cover a 12-month period.

The Union's income was £39.6m and operating costs were £40.1m giving an outturn that shows an operating loss of £0.54m. This is an improvement on the forecasted deficit of £0.67m and a significant improvement on the reported operating loss of £2.9m for the previous 16-month accounting period. This is a good move in the right direction and has been the result of a robust budget setting process which will need to continue if we are to get to the position where our expenditure does not significantly exceed our income.

National subscription income for the 8-month period was £33.4m which is 49% of the combined subscription incomes reported in the consolidated accounts for the previous 16-month period (£70m).

As reported last year, there are still some duplication of costs associated with the amalgamation, most notably, the cost of maintaining two headquarters buildings. A major refurbishment programme is underway to consolidate all head office functions in Hamilton House by the end of 2020.

A priority has been to develop a robust ethical investment and procurement policy which has been agreed by the Executive and a sub-committee has been established to review this important area of work.

A significant challenge remains the funding of the Union's two final salary pension schemes for staff. The Union has reported the financial position of the schemes based on the requirements of Financial Reporting Standard 102 which shows a combined deficit of £43m. The deficit is being addressed through a recovery plan as required by the Pensions Regulator. A full explanatory note is included in the accounts.

Overall, the National Education Union is financially healthy with net assets of £61.4m even allowing for the pension scheme deficits. However, our expenditure has again exceeded our income, albeit by a reduced amount. It is important that we get to a position where our operational activities and expenditure do not exceed our income as soon as possible to ensure our long-term financial stability and enable us to deliver the highest level of service to members in line with our strategic plan.

I would like to acknowledge the tremendous work of our local lay treasurers and thank them for their patience and help in preparing the local returns and providing the information we needed to include in the national financial statements. I fully appreciate the difficulties that have arisen out of the changes in timings and deadlines for returns and the introduction of new systems.

Finally, I would like to thank the Auditing Team from BDO and all the staff in our Finance Department for their help, support and professional advice. Staff have worked incredibly hard to ensure the financial health of the Union and to develop training and dedicated support for our Branches and Districts. Getting this right at the start takes time and isn't without difficulties but it does mean we will be in the best financial position as our Union develops and grows.

Hazel Danson
Treasurer, National Education Union
January 2020

National Education Union

Financial Statements

Eight Months Ended

31 August 2019

National Education Union
Report and Financial Statements
for the 8 months ended 31 August 2019

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National Education Union

Statement of Executive Committee's Responsibilities

Trade union law requires the Executive Committee to prepare an annual report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice for each financial year, which give a true and fair view of the state of affairs of the union and of the surplus or deficit of the union for that period. In preparing those financial statements, the executive committee is required to:

- A) Select suitable accounting policies and then apply them consistently;
- B) Make judgements and estimates that are reasonable and prudent;
- C) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- D) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the union will continue to operate.

The Executive Committee is also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the union and to enable them to ensure that the financial statements comply with relevant United Kingdom Generally Accepted Accounting Practice and the Trade Union and Labour Relations (Consolidation) Act 1992. It is also responsible for safeguarding the assets of the union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and must also establish and maintain a satisfactory system of control over its accounting records, its cash holdings and all its receipts and remittances.

National Education Union

Independent auditor's report

Independent Auditor's Report to the Members of National Education Union

Opinion

We have audited the financial statements of the National Education Union (the 'Union') for the period ended 31 August 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Union's affairs as at 31 August 2019 and of its result for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Trade Union and Labour Relations (Consolidation) Act 1992.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

National Education Union

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Executive Committee

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our Report

This report is made solely to the National Education Union, as a body, in accordance with the provisions of the Trade Union and Labour Relations (Consolidation) Act 1992. Our audit work has been undertaken so that we might state to the Union 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.

BDO LLP
Chartered Accountants Statutory Auditor
55 Baker Street, London, W1U 7EU

Date: 3 February 2020

National Education Union
Statement of Comprehensive Income
for the 8 months ended 31 August 2019

	Note	8 months to 31 August 2019 £	16 months to 31 December 2018 £
INCOME			
Subscription income	2	37,166,006	75,503,221
Rents and service charges		1,131,416	1,985,855
Investment income	3	537,711	847,549
Donations	4	1,396	84,324
Other income	5	754,811	2,259,054
		<u>39,591,340</u>	<u>80,680,003</u>
EXPENDITURE			
Staff costs	6	20,575,341	43,630,947
Grants to local districts	7	416,415	860,174
Property costs	8	2,244,542	4,198,853
Subscriptions	9	1,966,719	3,245,454
Campaigns and action	10	2,090,476	4,389,747
Publications	11	1,352,920	3,478,469
Travel and subsistence	12	1,386,086	3,319,189
Other members' services	13	1,948,841	6,164,601
Other administration costs	14	4,370,097	8,781,842
Local District/Branch Expenditure		3,778,528	5,531,489
		<u>40,129,965</u>	<u>83,600,765</u>
OPERATING LOSS		(538,625)	(2,920,762)
Financial expenses	15	(129,858)	(100,723)
Depreciation	17	(794,178)	(1,200,029)
Profit on sale of regional office		-	394,347
Unrealised gain(loss) in fair value of investments	18	2,484,992	(1,801,142)
Revaluation of investment property	17	(100,000)	5,500,000
PROFIT / (LOSS) BEFORE TAXATION		922,331	(128,309)
Taxation	16	659,000	(1,486,868)
PROFIT / (LOSS) AFTER TAXATION		1,581,331	(1,615,177)
Transfer from / (to) Political Fund	27	146,624	(140,030)
Transfer from / (to) Benevolent Fund	27	170,604	(41,792)
Transfer (to) / from International Solidarity Fund	27	(64,869)	77,642
Transfer to Professional Sustentation Fund	27	(483,391)	(23,664)
Transfer from District/Branch Fund	27	(75,105)	30,775
GENERAL FUND PROFIT / (LOSS)	28	1,275,193	(1,712,246)

National Education Union
Statement of Comprehensive Income (continued)
for the 8 months ended 31 August 2019

	8 months to 31 August 2019	16 months to 31 December 2018
	£	£
PROFIT / (LOSS) AFTER TAXATION	1,581,331	(1,615,177)
Actuarial (losses) / gains on Pension Scheme liability	(5,498,000)	8,847,000
	<hr/>	<hr/>
COMPREHENSIVE (LOSS) / GAIN FOR THE PERIOD	(3,916,669)	7,231,823
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 31 form part of these financial statements

National Education Union
Statement of Financial Position
at 31 August 2019

	Note	2019 £	2018 £
Fixed Assets			
Tangible assets	17	52,550,651	51,670,741
Investments	18	26,195,710	23,783,577
		<u>78,746,361</u>	<u>75,454,318</u>
Current Assets			
Receivables	19	1,432,608	1,720,769
Short term loans	20	171,644	323,457
Short term deposits	21	16,307,180	23,093,197
Local Districts/Branches		7,189,891	7,114,786
Cash at bank and in hand	21	7,409,278	2,556,169
		<u>32,510,601</u>	<u>34,808,378</u>
Creditors: amounts falling due within one year	22	(2,041,447)	(2,459,640)
Deferred income	23	(82,690)	(550,304)
NET CURRENT ASSETS		<u>30,386,464</u>	<u>31,798,434</u>
Provision for liabilities	24	(4,645,161)	(5,307,419)
Net Assets excluding pension liability		<u>104,487,664</u>	<u>101,945,333</u>
Pension liability	30	(43,046,000)	(36,587,000)
NET ASSETS		<u>61,441,664</u>	<u>65,358,333</u>
Designated Reserves			
	27		
Sustentation Fund		7,648,295	7,164,904
International Solidarity Fund		235,859	170,990
Political Fund		(6,594)	140,030
Benevolent Fund		348	170,952
District Fund		7,209,891	7,134,786
		<u>89,399,865</u>	<u>87,163,671</u>
General Reserve Excluding Pension Reserve		89,399,865	87,163,671
Pension Reserve		(43,046,000)	(36,587,000)
TOTAL RESERVES		<u>61,441,664</u>	<u>65,358,333</u>

Hazel Danson
Honorary Treasurer
Date: 3 February 2020

The notes on pages 8 to 31 form part of these financial statements

National Education Union
Cash flow statement
for the 8 months ended 31 August 2019

	Note	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Cash used in operations	31	(789,598)	(9,040,271)
Financial expenses	15	(129,858)	(100,723)
Taxation paid		-	(232,690)
Cash flow used in operating activities		(919,456)	(9,373,684)
 Cash flows from investing activities			
Payments to acquire tangible fixed assets	17	(1,774,086)	(870,567)
Payments to acquire investments		(1,381,138)	(7,794,202)
Receipts from sales of investments		1,679,166	2,414,422
Investment income	3	537,711	847,549
Receipt from sale of Regional office		-	463,209
		(938,347)	(4,939,589)
 Decrease in cash and cash equivalents		(1,857,803)	(14,313,273)
 Cash and cash equivalents at the beginning of the period		32,764,152	39,962,639
Inclusion of local districts funds on amalgamation		-	7,114,786
 Cash and cash equivalents at the end of the period	32	30,906,349	32,764,152

The notes on pages 8 to 31 form part of these financial statements

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019

1 Accounting Policies

(a) Basis of preparation of financial statements

The National Education Union was formed on the 1 September 2017 following the amalgamation of the National Union of Teachers and the Association of Teachers and Lecturers. The assets and liabilities of the two unions were transferred to the National Education Union to form the opening position for the National Education Union. The Union's activities of the former unions have continued without interruption. The financial statements have therefore been prepared on a going concern basis and the Executive Committee consider that there are no material uncertainties about the Union's ability to continue as a going concern.

The financial statements have been prepared under the historical cost convention, as modified by revaluation of fixed assets investments, and in accordance with Financial Reporting Standard 102.

(b) Income recognition

The financial statements are prepared on an accruals basis, whilst commissions are accounted for when the Union is notified of the sum due. Grants receivable for specific purposes are credited to the income statement to match the expenditure incurred on these projects to date. The balance is deferred into the following accounting period. Subscription income is accounted for on a receivable basis for the current year with income received in advance being deferred into the following year.

(c) Designated funds

All income and expenditure is credited/(charged) to the statement of comprehensive income. Transfers to/(from) designated funds are made for investment income earned on each fund's assets together with specific donations and, where relevant, apportionment of subscription income due to the funds net of any expenditure attributable to the funds.

Reserves which are earmarked by the Union for specific purposes are termed Designated Reserves (note 27).

Subscribing members, who have not opted out, contribute 1% of the full subscription fee to the Political Fund. Expenditure in connection with Political activities must be charged against this Fund.

(d) Defined benefit pension scheme

The surplus or deficit arising on the Union's defined benefit Pension Scheme is disclosed on the Union's statement of financial position. Movements on the Pension Scheme, asset or liability, are reflected through the statement of comprehensive income to the extent that they relate to employer's current service costs (which is reflected as a component of Staff Costs) or movements arising from expected returns on Pension Scheme assets net of interest on Pension Scheme liabilities which is disclosed as a component of Other Income). Movements arising from changes in actuarial assumptions, including differences between the actual returns on Scheme assets and the expected returns and experience gains/ (losses) arising on the Scheme's liabilities are reflected through the statement of comprehensive income.

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019

1 Accounting Policies *(continued)*

(e) Corporation taxation

As an unincorporated association, the National Education Union 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.

(f) Deferred tax

Deferred tax is provided on all material reversing timing differences which arise from transactions reflected through the statement of comprehensive income.

(h) Operating leases

Rentals payable on operating leases are reflected in their entirety through the statement of comprehensive income.

(i) Fixed assets

Fixed assets are initially recognised at cost. Depreciation is calculated to write down the cost of fixed assets to estimated realisable values on a straight-line basis over the expected useful lives of the assets concerned.

The principal annual rates are:

Freehold property		2% on cost excluding land
Leasehold improvements	-	Over the balance of the property's expected useful life
Leasehold property	-	Over the period of the lease (or 50 years if shorter)
Plant and machinery	-	10%
Furniture and office equipment	-	At varying rates of between 10% and 33 $\frac{1}{3}$ %

The value of the investment property is provided as an accounting estimate.

(j) Investments

Listed investments are disclosed at mid-market values at the statement of financial position date. Unquoted investments are disclosed at fair value. Realised and unrealised gains or losses on listed investments are reflected in the Professional Sustentation Fund or the General Fund as appropriate. Realised gains or losses on disposals of investments are calculated by reference to the carrying value of those investments reflected at the amalgamation date.

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019 (*continued*)

(k) **Critical accounting assumptions and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continuously evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable. Revision to accounting estimates are recognised in the period in which the estimates are revised, and any future period affected.

In preparing these financial statements, the Union has made the following judgements:

- Determine whether leases entered by the Union either as lessor or a lessee are operating lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are any indicators of impairment of the Union's tangible fixed assets or investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 17)
- Pension Costs (see note 30)

Valuations of the pension schemes are based on estimates provided by the actuary for each scheme and the value of the investment property is based on the assumptions provided through a professional valuation.

National Education Union

Notes forming part of the Financial Statements
for the 8 months ended 31 August 2019 (*continued*)

2 Subscription Income

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
National subscriptions	33,387,124	69,940,958
Local District/Branches subscriptions	3,778,882	5,562,263
	<hr/>	<hr/>
Total Subscriptions from members	37,166,006	75,503,221
	<hr/> <hr/>	<hr/> <hr/>

3 Investment Income

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
General Fund	452,533	743,759
Sustentation Fund	85,178	103,790
	<hr/>	<hr/>
	537,711	847,549
	<hr/> <hr/>	<hr/> <hr/>

4 Donations

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
General Fund donations	1,048	1,487
Sustentation Fund donations	-	1,500
NUT Benevolent Fund donations	348	81,337
	<hr/>	<hr/>
	1,396	84,324
	<hr/> <hr/>	<hr/> <hr/>

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019 (*continued*)

5 Other Income

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Union Magazine advertising	296,369	405,482
Commissions	35,734	440,804
Legal income	22,437	342,829
Profit on the sale of investments	225,170	556,066
Other income	175,101	513,873
	<u>754,811</u>	<u>2,259,054</u>

6 Staff Costs

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Salaries	15,219,310	31,253,327
Staff honoraria	-	1,322
Social security costs	1,541,631	3,190,914
Childcare vouchers	27,400	60,384
Superannuation contributions (note 30)		
- current service cost	3,787,000	8,970,000
- benefit change	-	155,000
	<u>20,575,341</u>	<u>43,630,947</u>

	8 months to 31 August 2019 Number	16 months to 31 December 2018 Number
Average number of employees	<u>532</u>	<u>569</u>

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Key personnel compensation	<u>363,591</u>	<u>864,214</u>

During the period 4 (2018: 5) staff were considered key management.

National Education Union

Notes forming part of the Financial Statements
for the 8 months ended 31 August 2019 (*continued*)

7 Grants

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Division grants	38,981	52,548
Membership grants	302,219	214,296
Other grants	75,215	593,330
	<u>416,415</u>	<u>860,174</u>

8 Property Costs

	Headquarters 8 months to 31 August 2019 £	Nations/ Regions 8 months to 31 August 2019 £	Total 8 months to 31 August 2019 £	Total 16 months to 31 December 2018 £
Consultants' fees	1,454	19,396	20,850	178,846
Heating, lighting and water	197,592	54,521	252,113	479,804
Repairs, maintenance and decorations	255,614	158,540	414,154	870,695
Rates	514,425	159,292	673,717	1,330,555
Insurance	185,796	-	185,796	216,213
Telephone	148,977	34,154	183,131	427,366
Cleaning, laundry and sundries	155,212	71,764	226,976	440,572
Rent	153,755	134,050	287,805	254,802
	<u>1,612,825</u>	<u>631,717</u>	<u>2,244,542</u>	<u>4,198,853</u>

National Education Union

Notes forming part of the Financial Statements
for the 8 months ended 31 August 2019 (*continued*)

9 Subscriptions

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
TUC	853,406	1,697,662
EI/ETUCE	685,308	934,902
Other subscriptions and donations	428,005	612,890
	<hr/>	<hr/>
	1,966,719	3,245,454
	<hr/> <hr/>	<hr/> <hr/>

10 Campaigns and Action

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Publicity, projects and campaign expenditure	1,877,763	3,446,648
LA Merchandise	33,595	17,150
Other expenditure	179,118	925,949
	<hr/>	<hr/>
	2,090,476	4,389,747
	<hr/> <hr/>	<hr/> <hr/>

11 Publications

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Union Magazine	1,352,920	3,478,469
	<hr/> <hr/>	<hr/> <hr/>

National Education Union

Notes forming part of the Financial Statements
for the 8 months ended 31 August 2019 (*continued*)

12 Travel and Subsistence

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Conference	35,599	219,226
Executive travel	186,033	608,762
Regional/Nations and Headquarters	484,938	750,838
Secretaries	127,169	159,000
Car costs	347,755	742,257
General	203,249	462,225
Advisory Committee	1,343	59,963
National Educational Conference and Other	-	316,918
	<hr/>	<hr/>
	1,386,086	3,319,189
	<hr/>	<hr/>

13 Other Members' Services

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Training	652,439	3,390,641
Insurance for members	280,000	589,022
Recruitment	115,881	496,286
Conferences	195,666	343,843
Countdown	46,500	192,520
Research fees	176,702	166,227
Printing, postage and stationery	294,555	443,581
Web site	149,267	255,109
Other costs	28,820	111,324
Regional Councils	9,011	51,102
Benevolent Fund Grants	-	124,946
	<hr/>	<hr/>
	1,948,841	6,164,601
	<hr/>	<hr/>

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019 (*continued*)

14 Other Administration Costs

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Professional fees		
Audit and accountancy	63,735	81,600
Actuarial and other professional fees	363,973	705,504
	<hr/>	<hr/>
	427,708	787,104
Staff recruitment and training	367,936	1,212,290
Computer support and systems maintenance	1,280,412	1,911,841
Office expenses	125,718	332,931
Printing, postage and stationery	387,040	1,256,046
Books and publications	8,154	330,966
Conference expenses	846,096	1,214,427
Health and Safety	13,583	31,770
Executive IT grants	-	7,610
Executive costs	-	49,470
Other costs	235,450	145,387
Net interest cost	678,000	1,502,000
	<hr/>	<hr/>
	4,370,097	8,781,842
	<hr/> <hr/>	<hr/> <hr/>

Auditors' remuneration is £58,935 (2018: £69,550) for audit services, £4,800 (2018: £6,600) for tax compliance and £Nil (2018: £5,450) for other services.

15 Financial Expenses

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Bank charges	129,858	100,723
	<hr/>	<hr/>

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019 (*continued*)

16 Taxation

	8 months to 31 August 2019 £	16 months to 31 December 2018 £
Corporation Tax		
UK Corporation tax at 19%	-	-
Adjustment in respect of amounts brought forward on amalgamation	-	(19,494)
	-	(19,494)
Deferred Tax		
Deferred Tax on the fair value of investments	60,000	(383,961)
Deferred Tax on revalued investment property	(700,000)	1,893,000
Deferred Tax on accelerated capital allowances	-	(2,677)
Deferred Tax on revalued freehold property	(19,000)	-
	(659,000)	1,506,362
Tax (credit) / charge	(659,000)	1,486,868
	(659,000)	1,486,868
 Reconciliation of Tax Charge		
Profit / (loss) before taxation	922,331	(128,310)
	922,331	(128,310)
Tax on profit / (loss) on ordinary activities at standard CT rate of 19 %	175,243	(24,379)
Effect of:	(7,205,220)	(14,790,854)
Income not chargeable to taxation		
Expenses not deductible for tax Purposes	7,307,559	15,345,799
Deferred tax – overprovision in prior periods	(753,582)	-
Deferred tax – difference in tax rates	(183,000)	956,302
	(659,000)	1,486,868
Current tax charge for the year	(659,000)	1,486,868

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019 (*continued*)

17 Tangible Fixed Assets

	Freehold properties £	Investment property £	Leasehold properties £	Plant and machinery £	Furniture and office equipment £	Total £
Cost/revaluation						
At 1 January 2019	29,143,221	20,500,000	4,918,717	1,685,775	2,672,238	58,919,951
Additional items from amalgamation	49,524	-	-	-	-	49,524
Additions	1,323,737	-	-	10,157	440,192	1,774,086
Revaluation	-	(100,000)	-	-	-	(100,000)
Disposals	-	-	-	-	(803,216)	(803,216)
At 31 August 2019	30,516,482	20,400,000	4,918,717	1,695,932	2,309,214	59,840,345
Depreciation						
At 1 January 2019	3,113,124	-	716,796	1,426,105	1,993,185	7,249,210
Additional items from amalgamation	49,522	-	-	-	-	49,522
Charge for the period	392,505	-	137,021	25,306	239,346	794,178
Disposals	-	-	-	-	(803,216)	(803,216)
At 31 August 2019	3,555,151	-	853,817	1,451,411	1,429,315	7,289,694
Net book value						
At 31 August 2019	26,961,331	20,400,000	4,064,900	244,521	879,899	52,550,651
At 31 December 2018	26,030,097	20,500,000	4,201,921	259,670	679,053	51,670,741

The NEU headquarters is disclosed at deemed cost. The freehold and leasehold properties of the ATL were transferred at fair value on the amalgamation last year. These properties were valued by CBRE and Wells McFarlane in June 2017. All other freehold and leasehold properties are disclosed at original cost. The investment property is disclosed at market value. The last valuation was performed by Knight Frank LLP as at 31 August 2019.

The freehold property used as Union Headquarters is subject to a first legal charge in favour of the National Union of Teachers' Staff Superannuation Fund. Details of the current scheme position is shown in note 30. The open market value of this property in existing use as at February 2018 amounted to £46.5m.

National Education Union
Notes forming part of the Financial Statements
for the 8 months ended 31 August 2019 (continued)

18 Investments

	2019 £	2018 £
Listed investments at market value	25,590,588	23,178,455
Other investments at cost	605,122	605,122
	<u>26,195,710</u>	<u>23,783,577</u>
Listed Investments at Fair Value Sustentation Fund		
Brought forward	4,007,505	-
Transfer from NUT	-	4,005,048
Additions	378,056	1,556,562
Disposal proceeds	(446,050)	(1,321,767)
Realised gain on disposals	171,235	489,926
Unrealised gain/(loss) on revaluation	262,100	(722,265)
Carried forward	<u>4,372,846</u>	<u>4,007,505</u>
Listed investments at historic cost	<u>3,735,252</u>	<u>3,630,583</u>
Listed Investments at Fair Value - General Fund		
Brought forward	19,170,950	-
Transfer from NUT	-	9,568,537
Transfer from ATL	-	5,470,165
Additions	1,003,081	6,237,640
Disposal proceeds	(1,233,116)	(1,092,655)
Gain on disposal	53,935	66,140
Unrealised gain/(loss) on revaluation	2,222,892	(1,078,877)
Carried forward	<u>21,217,742</u>	<u>19,170,950</u>
Listed investments at historic cost	<u>17,692,027</u>	<u>17,654,366</u>

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019 (continued)

18 Investments (continued)

Other Investments at Fair Value - General Fund

	£
Unquoted securities at cost as at 1 January 2019 and 31 August 2019	605,120
Investment in subsidiaries as at 1 January 2019 and 31 August 2019: -	
The Teacher Publishing Co. Ltd (i)	1
Stoke Rochford Management Ltd (ii)	1
	<u>605,122</u>

(i) The Teacher Publishing Co. Limited has been dormant for several years and has no net assets.

(ii) The holding in Stoke Rochford Management Limited represents a 100% beneficial holding in the Company at 31 August 2019. Stoke Rochford Management Limited did not trade in the accounting period represented by these financial statements.

Stoke Rochford Management Limited and The Teacher Publishing Company Limited are both incorporated in England.

19 Receivables

	2019 £	2018 £
Teacher Publishing Co. Limited		
Loan	206,200	206,200
Provision	(206,199)	(206,199)
	<u>1</u>	<u>1</u>
VAT recoverable	-	74,846
Prepayments and accrued income	329,481	551,988
Sundry receivables	1,103,126	1,093,934
	<u>1,432,608</u>	<u>1,720,769</u>

The Teacher Publishing Company Limited has remained dormant during the year. Full provision has been made in respect of sums due from this company.

National Education Union

Notes forming part of the Financial Statements
for the 8 months ended 31 August 2019 (*continued*)

20 Short Term Loans

	At 1 January 2019	Loans Granted	Interest	Repaid in year	At 31 August 2019
	£	£	£	£	£
Season ticket loans	205,672	37,982	-	(163,526)	80,128
Car and cycle loans	92,065	21,558	-	(41,052)	72,571
House deposit and removal loans	15,455	-	-	(1,682)	13,773
Other employee loans	10,265	3,110	-	(8,203)	5,172
	<u>323,457</u>	<u>62,650</u>	<u>-</u>	<u>(214,463)</u>	<u>171,644</u>

All loans are to employees and are provided interest free.

21 Short Term Deposits/Cash at Bank and In Hand

	2019 £	2018 £
Short term deposits	<u>16,307,180</u>	<u>23,093,197</u>

Short term deposits consist of high interest deposits, which mature several months after the statement of financial position date whilst the balance matures within one year that date.

Cash at Bank and In Hand	2019 £	2018 £
Bank balances	7,372,054	2,522,380
Cash in hand	37,224	33,789
	<u>7,409,278</u>	<u>2,556,169</u>

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019 (*continued*)

22 Creditors: Amounts Falling Due within One Year

	2019 £	2018 £
Trade creditors	26,423	489,806
Corporation tax payable	-	124,529
Taxation and social security	699,794	239,171
Other creditors and accruals	1,315,230	1,606,134
	<hr/>	<hr/>
	2,041,447	2,459,640
	<hr/> <hr/>	<hr/> <hr/>

23 Deferred Income

	2019 £	2018 £
Subscriptions received in advance	-	272,161
Rent and other received in advance	82,690	278,143
	<hr/>	<hr/>
	82,690	550,304
	<hr/> <hr/>	<hr/> <hr/>

24 Provisions for Liabilities and Charges

	2019 £	2018 £
Deferred tax liability	4,401,000	5,060,000
Unfunded pension	244,161	247,419
	<hr/>	<hr/>
	4,645,161	5,307,419
	<hr/> <hr/>	<hr/> <hr/>

The Union has provided for unfunded pension costs payable to certain employees and former employees, where the Union has agreed to fund the differential between the pension payable under the Association of Teachers & Lecturers pension scheme and the Teachers Superannuation Scheme.

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019 (continued)

Deferred tax liability	At 1 January 2019	Charged/ (released)	At 31 Aug 2019
	£	£	£
Ex ATL premises	1,219,000	(19,000)	1,200,000
Provision relating to the increase in fair value of the investment property	3,500,000	(700,000)	2,800,000
Provision relating to the Increase in the fair value of Investments	341,000	60,000	401,000
	<u>5,060,000</u>	<u>(659,000)</u>	<u>4,401,000</u>

Full provision has been made in respect of all material reversing timing differences which impact on the statement of comprehensive income.

25 Operating Leases

Motor Vehicles, Furniture and Equipment, Plant and Machinery

The Union and its wholly owned subsidiaries are committed to the following payments under operating leases:

	Property 2019 £	Other 2019 £	Property 2018 £	Other 2018 £
Expiry:				
Within one year	175,932	317,510	133,932	398,254
Between one and two years	174,932	242,822	138,432	281,897
Between two and five years	163,680	172,936	200,578	349,040
	<u>514,544</u>	<u>733,268</u>	<u>472,942</u>	<u>1,029,191</u>

26 Financial Commitments

The Union has entered into a commitment to refurbish Hamilton House for £2,770,790 (2018: £850,000 to purchase a freehold property in the East Midlands). Both values are excluding VAT.

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019 (continued)

27 Designated Reserves

	Sustentation Fund £	International Solidarity Fund £	Political Fund £	Benevolent Fund £	District Fund £	Total 2019
Balance at 1 January 2019	7,164,904	170,990	140,030	170,952	7,134,786	14,781,662
From Subscription Income	267,097	226,315	7,126	-	3,778,882	4,279,420
Investment Income	85,178	-	-	-	-	85,178
Donations	-	-	-	348	-	348
Other income	-	-	-	-	74,751	74,751
Sale of investments	171,235	-	-	-	-	171,235
Campaign expenditure	-	-	(153,750)	-	-	(153,750)
Grants	(302,219)	-	-	-	-	(302,219)
International solidarity	-	(161,446)	-	-	-	(161,446)
Assoc./District Expenditure	-	-	-	-	(3,778,528)	(3,778,528)
Payment to NEU Trust Fund	-	-	-	(170,952)	-	(170,952)
Transfer from Income Statement	221,291	64,869	(146,624)	(170,604)	75,105	44,037
Unrealised gain in market value of listed investments	262,100	-	-	-	-	262,100
Balance at 31 August 2019	7,648,295	235,859	(6,594)	348	7,209,891	15,087,799

The Sustentation Fund, under the Rules of the Union, may be utilised to make sustentation payments to members involved in industrial action. It may also be utilised to defray the costs of certain campaigns undertaken by the Union to protect the salaries and conditions of service of members.

The International Solidarity Fund was established to allow the Union to fund future international solidarity work. The Union contributed 1% of NUT legacy membership income into this Fund during the period ended 31 August 2019.

The Benevolent Fund was established to provide grants of funds to NUT legacy members in times of financial need. A member needs to meet certain criteria to be eligible to be assisted. This has been transferred into the NEU Trust Fund during the period.

The Political Fund was established to allow the Union to undertake campaigning of a political nature.

The District Fund represents the sum of funds held by local districts for local union work.

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019 (continued)

28 Reconciliation of Movement in Total Funds

	2019 £	2018 £
General Fund surplus / (deficit) for the period	1,275,194	(1,712,246)
Designated funds surplus for the period	306,137	98,014
Other recognised gains and losses relating to the period: Actuarial (loss) / gain on Pension Schemes	(5,498,000)	8,847,000
	-----	-----
Net (reduction) / additions to funds	(3,916,669)	7,232,768
Opening funds	65,358,333	-
Transfer from NUT	-	50,257,554
Transfer from ATL	-	20,681,000
Adjustments in respect of pre-amalgamation financial statements		
ATL - FRS 102 pension valuation	-	(19,917,000)
NUT – Inclusion of local district funds	-	7,104,011
	-----	-----
	61,441,664	65,358,333
	=====	=====

29 Related Party Transactions

There were no related party transactions for the 8 month period to 31 August 2019 (2018: nil).

National Education Union

Notes forming part of the Financial Statements for the 8 months ended 31 August 2019 (*continued*)

30 Employers' Pension Costs

Defined Benefit Pension Schemes

The Union operates two final salary pension schemes, National Union of Teachers Staff Superannuation Fund the and ATL Pension Scheme. Both schemes are open to new entrants. With effect from the 1 November 2018, new joiners were auto enrolled into the ATL Pension Scheme and provided with the option to elect to join the National Union of Teachers Staff Superannuation Fund.

The schemes are administered by trustees and are independent of the Union's finances. Contributions are paid to the schemes in accordance with the Schedule of Contributions agreed between the trustees and the employers at each actuarial valuation. The funding target is for the schemes to hold assets equal in value to the accrued benefits based on projected salaries. If there is a shortfall against the target, then the Union and trustees will agree on deficit contributions to meet the deficit over a period.

The most recent actuarial valuation of the National Union of Teachers Staff Superannuation Fund was carried out as at 31 December 2017 and revealed a funding deficit of £8.8m. The Union agreed to pay 8.5% of pensionable salaries per annum from 1 January 2019 to 31 December 2026 in respect of the deficit.

The most recent actuarial valuation of the ATL Pension Scheme was carried out as at 30 September 2016 and revealed a funding surplus of £2.3m.

The actuarial valuations have been updated to 31 August 2019 by independent qualified actuaries in accordance with FRS102. As required by FRS102, the value of the defined benefit liabilities has been measured using the project unit method.

The key FRS 102 assumptions used for the schemes are set out below along with the fair value of the assets, a breakdown of the assets into the main asset classes, the present value of the FRS 102 liabilities and the deficit of assets below the FRS 102 liabilities (the net pension liability).

The principal assumptions used by the actuaries to calculate the present value of the Scheme's liabilities were:

	At 31 August 2019 (per annum)	At 31 December 2018 (per annum)
Rate of increase in salaries	2.60%	2.80%
Rate of increase of pensions in payment	2.10%	2.30%
Discount rate	1.90%	2.80%
Retail price Inflation assumption	3.10%	3.30%
Consumer price Inflation assumption	2.10%	2.30%

National Education Union

Notes forming part of the Financial Statements
for the 8 months ended 31 August 2019 (continued)

The current allocation of the schemes' assets are as follows:

	NUT SSF		ATL PS		Total		Total	
	Value at 31 Aug 2019 £'000	%	Value at 31 Aug 2019 £'000	%	Value at 31 Aug 2019 £'000	%	Value at 31 Dec 2018 £'000	%
Diversified growth	70,989	68	25,540	85	96,529	72	83,360	74
Liability Driven							26,610	23
Investments	31,825	31	-	-	31,825	24		
Private Equity	-	-	4,371	15	4,371	3	2,724	2
Cash	606	1	43	-	649	1	1,325	1
Total value of assets	103,420	100	29,954	100	133,374	100	114,019	100

	NUT SSF 31 Aug 2019 £'000	ATL PS 31 Aug 2019 £'000	Total 31 Aug 2019 £'000	Total 31 Dec 2018 £'000
Present value of funded obligations	126,756	49,664	176,420	150,606
Fair value of Scheme assets	(103,420)	(29,954)	(133,374)	(114,019)
Net liability	23,336	19,710	43,046	36,587

	NUT SSF 31 Aug 2019 £'000	ATL PS 31 Aug 2019 £'000	Total 31 Aug 2019 £'000	Total 31 Dec 2018 £'000
Change in the present value of the defined benefit obligation				
Opening defined benefit obligations	110,644	39,962	150,606	156,797
Employer' part of current service cost	2,531	1,256	3,787	8,970
Interest on obligation	2,050	750	2,800	5,540
Employees' contributions	20	159	179	408
Actuarial gain	14,325	7,941	22,266	(15,625)
Benefits paid	(2,814)	(404)	(3,218)	(5,639)
Loss due to benefit changes	-	-	-	155
Closing defined benefit obligation	126,756	49,664	176,420	150,606

National Education Union

Notes forming part of the Financial Statements
for the 8 months ended 31 August 2019 (continued)

	NUT SSF 31 Aug 2019 £'000	ATL PS 31 Aug 2019 £'000	Total 31 Aug 2019 £'000	Total 31 Dec 2018 £'000
Change in the Fair Value of Plan Assets				
Opening fair value of plan assets	87,508	26,511	114,019	113,882
Interest on scheme assets	1,623	499	2,122	4,038
Actuarial gains / (losses)	14,367	2,401	16,768	(6,778)
Contributions by employer	2,716	925	3,641	8,342
Running costs	-	(137)	(137)	(234)
Contributions by employees	20	159	179	408
Benefits paid	(2,814)	(404)	(3,218)	(5,639)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing fair value of plan assets	<u>103,420</u>	<u>29,954</u>	<u>133,374</u>	<u>114,019</u>

The following amounts have been included within operating profit under FRS102:	NUT SSF 31 Aug 2019 £'000	ATL PS 31 Aug 2019 £'000	Total 31 Aug 2019 £'000	Total 31 Dec 2018 £'000
Current service cost	2,531	1,256	3,787	8,970
Running costs	-	137	137	234
Interest expense	427	251	678	1,502
Benefit change	-	-	-	155
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Pension cost	<u>2,958</u>	<u>1,644</u>	<u>4,602</u>	<u>10,861</u>

The deficit under FRS 102 would have moved as following during the period:	NUT SSF 31 Aug 2019 £'000	ATL PS 31 Aug 2019 £'000	Total 31 Aug 2019 £'000	Total 31 Dec 2018 £'000
Deficit in the scheme at 1 Jan 2019	(23,136)	(13,451)	(36,587)	(42,915)
Expense included in the profit & loss	(2,958)	(1,644)	(4,602)	(10,861)
Contribution by the employer	2,716	925	3,641	8,342
Actuarial gain	42	(5,540)	(5,498)	8,847
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deficit in Schemes as at 31 Aug 2019	<u>(23,336)</u>	<u>(19,710)</u>	<u>(43,046)</u>	<u>(36,587)</u>

National Education Union
Notes forming part of the Financial Statements
for the 8 months ended 31 August 2019 (continued)

31 Reconciliation of Operating Deficit to Net Cash Flow from Operating Activities	2019	2018
	£	£
Profit / (Loss) before taxation	922,331	(128,309)
Cash Flows Disclosed Separately		
Less: Investment income	(537,711)	(847,549)
Add: Financial expenses	129,858	100,723
Charges/(Credits) not Involving Cash Flows		
Depreciation charges	794,178	1,200,029
Revaluation of investment property	100,000	(5,500,000)
(Increase) / decrease in the fair value of investments	(2,484,992)	1,801,142
Gain on sale of investments	(225,169)	(556,066)
Profit on sale of investments	-	(394,347)
Interest on net pension scheme liabilities	678,000	1,502,000
Employer's current pension service costs	3,787,000	8,970,000
Pension scheme running costs (ATL pension scheme)	137,000	234,000
Benefit changes	-	155,000
Cash Flow Not Recognised in the Income Statement		
Payments to the Pension Scheme	(3,641,000)	(8,342,000)
Movement in Working Capital		
Decrease in receivables	288,161	144,100
Decrease / (increase) in short term loans	151,813	(16,981)
Decrease in creditors	(418,195)	(49,738)
Decrease in deferred income	(467,614)	(7,286,694)
Decrease in provisions for liabilities	(3,258)	(25,581)
	(789,598)	(9,040,271)
	(789,598)	(9,040,271)

National Education Union
Notes forming part of the Financial Statements
for the 8 months ended 31 August 2019 (continued)

32 Cash and cash equivalents

	2018 £	Movement £	2019 £
Cash at bank and in hand	2,556,169	4,853,109	7,409,278
Short term deposits	23,093,197	(6,786,017)	16,307,180
Local Districts/Branches	7,114,786	75,105	7,189,891
	<u>32,764,152</u>	<u>(1,857,803)</u>	<u>30,906,349</u>

National Education Union
Notes forming part of the Financial Statements
for the 8 months ended 31 August 2019 (continued)

33 Analysis of Net Assets by Fund

	General Fund £	Sustentation Fund £	International Solidarity Fund £	Political Fund £	Benevolent Fund £	District Fund £	Total 2019
Fixed assets							
- Tangible assets	52,530,651	-	-	-	-	20,000	52,550,651
- Investments	21,822,864	4,372,846	-	-	-	-	26,195,710
Net current assets	19,691,511	3,275,449	235,859	(6,594)	348	7,189,891	30,386,464
Pension liability	(43,046,000)	-	-	-	-	-	(43,046,000)
Provisions for liabilities and charges	(4,645,161)	-	-	-	-	-	(4,645,161)
	<u>46,353,865</u>	<u>7,648,295</u>	<u>235,859</u>	<u>(6,594)</u>	<u>348</u>	<u>7,209,891</u>	<u>61,441,664</u>

