



CENTRAL EXECUTIVE COUNCIL

FINANCE REPORT

Stability and Accountability

**ANNUAL CONGRESS 2010
FLORAL HALL & CONVENTION CENTRE
SOUTHPORT**

**SUNDAY 6 JUNE 2010 to WEDNESDAY 9 JUNE 2010
9.30 am - 12.30 pm, 2.00 pm - 5.30 pm**

Stability and Accountability

Finance Report to GMB Congress 2010

The CEC is pleased to report that the Financial Accounts which will this year be presented to Congress by the General Secretary once again tell a story of steady progress. For the sixth year in a row, GMB achieved an operating surplus. What this means is that the Union is living within its means and not spending more than members' contributions; not having to rely on investments or the sale of assets to square the books.

During the year 2009, contribution income continued to rise, a result which reflects marvellously on the efforts of all organisers and activists across the Union, given the background of economic turmoil which has put intense pressure on our members' wages and jobs. The CEC's policy of close financial monitoring by the Senior Management Team meant that once again all budgets were tightly managed, and the CEC continued, through a gradual and controlled increase in the officer force, to follow its strategy of moving resources away from back-office administration into organising and producing results that the members can see and feel.

Many Congress delegates may not recall a period when financial surpluses were not an annual occurrence. The fact is that for twenty years up to 2004, the Union was never able to produce an operating surplus. For all those years, GMB was caught in a plunging spiral of making losses, paying out redundancy money to cut costs, still having to sell assets to keep afloat and, with a weakening membership base, heading inevitably towards a fatal takeover by another Union. Seen in that context, the achievement of recent years has been immense. But Congress delegates will also be aware that complacency is not an option. Political and economic attacks on our members' jobs and terms and conditions are bound to increase over the coming months and years. Maintaining and growing membership will take a supreme effort and a rigorous application of GMB@Work strategies from everyone involved in our Union. To continue our modern record of financial success will call for firm financial decision-making, careful spending control and even more accountability at all levels.

In 2010 many GMB members are facing a battle to get any wage increase at all; more are suffering tight wage restraint. When the CEC was considering its financial proposals to Congress, these facts were at the forefront of the debate. Any contribution increase in these circumstances is unwelcome. Our own history does tell us, however, that the long-standing policy of Congress to set an increase in line with inflation has proved the wisest course over the years. The last time contributions were frozen, the result was a deficit of £3 million and Congress had to raise the rates by 25% to mend the financial damage.

The CEC is recommending an increase of 5p per week to the grade 1 rate and 2p per week to the grade 2 rate. This represents an increase of roughly half the level of the retail price index at the time of writing. There would be no

increase to promotional and other rates. The CEC strongly believes that this increase is the minimum required to maintain our financial stability and to ensure that a healthy and strong GMB is going to be able to give full support to our members in the difficult times to come.

The normal practice of Congress is to increase the political fund levy in line with any increase in contributions. Because this year's proposed increase is relatively small, the CEC is recommending that the full amount of the increase should be retained in the general funds of the Union. At a time of heightened political uncertainty and attacks on the Union's freedom to spend money to gain political advantages for our members, the CEC feels that an increase on the rates of the political fund levy would send a message which would be unpopular with many of our members who feel let down by the political establishment. Therefore the CEC is recommending no change to the political levy rate in 2010/11.

In 2008, Congress agreed to a 92% increase in Funeral Benefit. The CEC has long accepted that Funeral Benefit has for years ceased to reflect the cost of a funeral, and this increase kick-started a plan by the CEC gradually to restore the value of the benefit. This year, the CEC proposes a further increase of £25 to the benefit, and the level will continue to be kept under review. The cost of the increase is entirely borne by the Union, as the benefit has no significant impact on recruitment or contribution levels, but the CEC recognises its value to existing members and sees this increase as a way for older members in particular to benefit from our financial stability.

Alongside these adjustments to rates and benefits, the CEC is aiming for a big improvement in branch accountability and openness about how our members' money is spent. Each year, £7 million of GMB funds go to branches. At any one time, £4 million is in branch accounts. This money allows GMB at local level to build and maintain organising and servicing work and cover the day-to-day expenses of branch work. The CEC is in no doubt that the overwhelming majority of these funds are well-managed and spent on essential GMB activities. However, the CEC believes that accountability can and should be improved, to protect the union's funds but, as importantly, to protect the many lay members who are obliged to account for these funds by providing them with robust accounting systems and guidelines.

In his speech on finance to Congress 2008, Paul Kenny, as General Secretary and Treasurer, pointed out that the our current branch accounting returns were out of date and lacked precision. This meant that the standard of accountability to members, and sometimes our ability to deal with statutory authorities was less than satisfactory. As accepted by Congress that year, the Union has now issued revised reporting documents. Manuals and training support are being provided so that all branch secretaries are fully comfortable with the new requirements. Paul also proposed that we move towards electronic submission of branch returns. The establishment of the GMB@Work section, accessible only to activists, in the new GMB website is the first step on that road. Phase 2 of the website development will enable branch secretaries to gain secure access via the website to view membership

reports and to complete branch accounting returns on-line. The CEC aims to report back on the completion of this project at Congress 2011.

The need for better branch accountability has also been highlighted by the results of recent audits and investigations in parts of the Union. Some years ago, the CEC had to report on events and abuse in the old Lancashire region, It is now clear that events following Audits in certain areas have produced major concerns for our senior officers. This process is ongoing at the time of producing this report and more up to date information will be available in due course.

The Union is legally obliged to report on all balances held by branches to the Certification Officer. The new accounting returns make it clear that branches must include details of all the bank accounts they hold, including deposit accounts. Where these balances are lying unused, the CEC will ensure that the funds are put to organising use in consultation with the branch.

Next year, Congress 2007 decisions on branch accounting and payments will come into effect. As well as the new accounting reports, these changes will require updated procedures to ensure that braches continue to make best use of funds and to ensure all payments are properly authorised at Regional level. Payments in reimbursement of properly authorised and receipted expenses will continue as at present, but the CEC will be issuing guidelines to ensure that branches are fully aware of what types of expenditure are acceptable, and, so as to avoid unnecessary embarrassment, what types may need Regional approval. As well as giving Regional Committees guidance as to when additional branch funds can be made available, the CEC will ensure that Regional Committees have oversight of all honoraria or special payments, so that the appropriate reporting mechanisms can be set up.

The branches of GMB are the bedrock of our organisation. These improvements in accountability will mean that the tiny number of examples of inappropriate expenditure can be weeded out openly, and that the hundreds of conscientious and enthusiastic branch secretaries have the tools to get on with the job.

The CEC believes that the contributions and benefit changes and the financial management principles included in this report give our Union a strong platform to face the challenges of the coming year. The rule amendments necessary to give effect to the proposals are recommended as follows:

Rule amendments

CECRA10.

Rule 46 Clause 1,

Line 3: Delete “£2.55”, insert “£2.60”

Line 8: Delete “£1.43”, insert “£1.45”

Clause will now read:

1 Once they join the union, members will pay a contribution in line with this rule.

Members will pay £2.60 a week and be classed as grade-1 members, **unless** they are:

- part-time members employed for 20 hours or less;
- young people under 18; or
- recruited as being unemployed;

in which case, they will pay £1.45 a week and be classed as grade-2 members. However, grade-2 members can choose to pay the contribution rate for, and be classed as, a grade-1 member.

The above grades are only used for deciding what contributions members should pay and the benefits they may receive

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CECRA11.

Rule 46, Clause 2,

Line 4: Delete “£2.55”, insert “£2.60”

Line 5: Delete “£1.43”, insert “£1.45”

Clause will now read:

2 Branch committees will have the power to fix the amount lapsed members (members who joined but later stopped paying contributions) need to pay to rejoin. This amount will be between £2.60 and £10 for grade-1 members and between £1.45 and £5.50 for grade-2 members, except in particular circumstances when we may increase the amount with the approval of the regional committee.

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CECRA12

Rule 55, Clause 1

Line 5: Delete “£250”, Insert “£275”

Clause will now read

1 If a full financial member, who has been a continuous member for 8 years dies, the regional secretary will, having been given a copy of the death certificate, pay the widow, widower, member of the family or nominated person a funeral grant of £275. (This person will need to show that they are responsible for paying funeral expenses.)

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