

## Final Annual Accounts, 2019-20

### Annual General Meeting 24 November 2020

**Report to** Annual General Meeting  
**Subject** Annual Accounts for 2019-20  
**By** Mike Brown, Treasurer

#### Purpose

The purpose of this report is to present the attached audited Annual Accounts for 2019-20, and also to provide a summary and analysis to assist members to understand the Association's financial position.

#### Recommendations

Members are asked to:

1. Note the attached *Annual Report and Financial Statements* for 2019-20, prepared by the Association's accountants MHA Henderson Loggie.
2. Note that the Annual Accounts were approved by the Board of Directors on 16<sup>th</sup> October for submission, following any discussion at the AGM, to Companies House as required by 31 December 2020.
3. Note the more detailed account of the Association's finances presented for members' information in this covering report.

#### 1. Background and summary

Social Work Scotland's revised Articles of Association, agreed last year, require the final Annual Accounts to be approved by the Board of Directors and thereafter be made available to members at the Annual General Meeting<sup>1</sup>. The 2019-20 Accounts have now been audited and discussed by the Treasurer and Director in emails and online meetings with the Association's accountants, MHA Henderson Loggie, and were agreed by the Board of Directors on 16<sup>th</sup> October. Following any discussion at this meeting, the signed Accounts require to be submitted to Companies house by the end of this calendar year.

As noted in previous years, Social Work Scotland's expenditure exceeded its income in the three financial years to 2017-18 with a consequential reduction in its reserves. The current position for 2019-20 builds on the improvement in financial sustainability achieved in 2018-19, and adds a further surplus of £68,031 (7% of income) to the reserves:

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Income	893,019	666,440	550,887	656,947	877,060	936,699
Expenditure	735,984	718,900	626,363	668,755	860,173	868,668
<b>Net Balance</b>	<b>157,035</b>	<b>-52,460</b>	<b>-75,476</b>	<b>-11,808</b>	<b>16,886</b>	<b>68,031</b>
As % of income	18%	-8%	-14%	-2%	2%	7%
<b>Reserves</b> at 31 March	<b>426,842</b>	<b>374,382</b>	<b>298,906</b>	<b>287,098</b>	<b>303,984</b>	<b>372,015</b>

<sup>1</sup> Social Work Scotland Articles of Association 2019, paragraphs 87c, 118, and 125.

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While some of this increase in reserves is due to an accounting change, discussed later, the positive outturn for 2019-20 was largely due to the efforts of our Director and staff-group as a whole to bear down on core costs and achieve savings (also discussed later).

The reserves at 31 March 2020 are £372,000, which is sufficient to:

- (a) cover essential contingencies and liabilities, defined as the costs that would need to be incurred were the organisation to cease (currently estimated at under £200k);
- (b) meet foreseeable additional costs arising from Covid-19, depending on their scale; and
- (c) provide some limited funds for any strategic spending requirements, should such need arise.

We are half-way through the current financial year, 2020-21, and while the measures necessary to suppress Covid-19 entail some loss of income – for example, as a result of the cancellation of the 2020 Annual Conference – there have also been savings on office rental, venue hires for meetings, and travel costs. The 2020-21 Budget mid-year position was reported to the Board on 16<sup>th</sup> October and is currently projected to deliver an annual surplus of around £70k, although some of this depends on discussions with the Scottish Government on funded projects, which might affect projections of the management fee income.

Social Work Scotland is a non-profit making voluntary organisation. Nevertheless, in order to sustain our financial viability, especially in a period of increasing economic uncertainty, we should continue to manage our budgets reasonably tightly.

## 2. 2019-20 SWS Income and expenditure by summary budget heading

Social Work Scotland's core activity includes the work of the Standing Committees and sub-groups, the CSWO Committee, the Board of Directors, the Annual Conference and other events, the regular bulletins and information provided to members, and the ongoing work to respond to Scottish Government and Parliament consultations, and engage with all stakeholders to represent social work interests and improve care services and the wellbeing of Scotland's people.

The table below shows that this core activity accounted for expenditure of nearly £408,700 in 2019-20, just over half of the Association's total expenditure. Core income was £476,700, resulting in a net surplus of £68,000 (14%) on the core budget – continuing the improvement in the Association's finances begun in 2018-19. There was no surplus (or deficit) on the Scottish Government funded projects as unspent grant was carried over to fund the continuation of these projects in 2020-21 (or later, if deferred due to Covid-19).

Budget Summary	Income		Spend		Net Balance	
	£	% of column total	£	% of column total	£	% of row income
SWS Core budget	476,720	51%	408,688	47%	68,031	14%
SG Funded projects	459,979	49%	459,979	53%	0	0%
<b>2019-20 Total</b>	<b>936,699</b>	<b>100%</b>	<b>868,668</b>	<b>100%</b>	<b>68,031</b>	<b>7%</b>

Social Work Scotland continues to support national developments in social policy, social work and social care, both in its core activities, as mentioned above, and also in the work it is wholly or partly funded to do by the Scottish Government. In 2019-20 these funded projects included: facilitating the production of the 2019 and 2020 Social Services Awards (£60,000); supporting implementation of self-directed support (SDS) (£86,500); and ongoing projects on Joint Investigative Interviewing of Child Witnesses (£230,200), and Health & Social Care in Prisons (£82,000). In late 2019 Social Work Scotland agreed to host the programme office for the Social Work Education Partnership,

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established by the Scottish Government and key stakeholders to ensure continued improvement in the quality of social work education in Scotland (£1,300). [Figures in brackets are the rounded totals spent in 2019-20].

Together, these projects accounted for expenditure of nearly £460,000 in 2019-20, over half (53%) of the Association's total spend.

### 3. Income analysis, 2019-20

The Association's core budget of £476,700 (or £333,000 if we treat the Annual Conference income as net of spend) funds the staff and premises, and the work of the Board, Committees and sub-groups.

Income Source for 2019-20	Core		Projects		Total
	£	%	£	%	£
SG Capacity Building & Workforce Development grant	145,000	39%	0		145,000
Other SG grants	2,462	1%	579,622		582,084
Project grant management fees	119,643	32%	-119,643		0
<b>Total Scottish Government</b>	<b>267,105</b>	<b>72%</b>	<b>459,979</b>	<b>100%</b>	<b>727,084</b>
Individual membership	18,270	5%	0		18,270
Corporate membership	59,500	16%	0		59,500
Sponsorship <sup>2</sup>	-5,000	-1%	0		-5,000
Annual Conference - profit only	18,654	5%	0		18,654
Other income <sup>3</sup>	14,381	4%	0		14,381
<b>Total Non-SG income</b>	<b>105,805</b>	<b>28%</b>	<b>0</b>	<b>0%</b>	<b>105,805</b>
<b>TOTAL INCOME</b>	<b>372,910</b>	<b>100%</b>	<b>459,979</b>	<b>100%</b>	<b>832,889</b>
Annual Conference Gross (less profit above)	103,810		0		103,810
<b>TOTAL INCOME as per Final Accounts</b>	<b>476,720</b>		<b>459,979</b>		<b>936,699</b>

The **Scottish Government** remains the Association's main source of income, both for the funded projects and for the core activities. Well over half (72%) of the Association's **core income** was provided by the Capacity Building & Workforce Development grant (39%) and the grant management fees<sup>4</sup> (32%) from the grant-funded project work. **Membership** accounts for just over one-fifth (21%) of core income, and much the largest part of this is **corporate** (£59,500) rather than **individual membership** (£18,270).

It is useful to compare changes between sources of the Association's core income for 2019-20 compared to the previous year – see table on next page. Of the two sub-totals, income derived from the Scottish Government went up, reflecting our strategic decision to host more government-funded change projects, while most of the independent sources of income went down.

<sup>2</sup> Sponsorship ended in 2018-19. The -£5,000 shown is the net accrual from 2019-20 to the previous year.

<sup>3</sup> Combination of income from the ASP Conference and an accounting entry to balance an expenditure item required to take an asset off the balance sheet (a grant-funded special chair for a former disabled employee which we donated to his new employer).

<sup>4</sup> In 2019-20 agreed management fees were applied to the following grants: Self Directed Support (15%), Joint Investigative Interviewing of Child Witnesses (15%), Heath & Social Care in Prisons (10%), and the new SW Education Partnership Project (8% on original grant, excluding £20k supplement).

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Core income	2018-19	2019-20	Change	
	£	£	£	%
SG Capacity Building & Workforce Development grant	145,000	145,000	0	
Other SG grants	0	2,462	2,462	
Project grant management fees	30,990	119,643	88,653	286%
<b>Total Scottish Government</b>	<b>175,990</b>	<b>267,105</b>	<b>91,115</b>	<b>52%</b>
Individual membership	27,510	18,270	-9,240	-34%
Corporate membership	53,790	59,500	5,710	11%
Sponsorship	74,833	-5,000	-79,833	
Annual Conference - profit only	272	18,654	18,382	
Other income	3,063	14,381	11,318	
<b>Total Non-SG income</b>	<b>159,469</b>	<b>105,805</b>	<b>-53,664</b>	<b>-34%</b>
<b>TOTAL INCOME</b>	<b>335,458</b>	<b>372,910</b>	<b>37,452</b>	<b>11%</b>
Annual Conference Gross (less profit above)	116,914	103,810	-13,104	-11%
<b>TOTAL INCOME as per Final Accounts</b>	<b>452,372</b>	<b>476,720</b>	<b>24,348</b>	<b>5%</b>

In 2018-19 **sponsorship** accounted for £75,000, a fifth of core income in 2018-19; the Board decided not to pursue sponsorship for 2019-20 and the effective income was zero (-£5,000 is shown for 2019-20 but this is an accounting accrual). **Individual membership** income is also shown as down on the previous year – however, this is largely due to changes in accrual methods which previously benefited 2018-19, thus skewing the comparison<sup>5</sup>. The 2019 **Annual Conference** made a profit of £18,654, an improvement on the 2018 Conference which broke even. But even with increases in **corporate membership** and other income, the “non-Scottish Government income” total decreased by 34%.

The largest single increase in income (£88,650) came from the increase in **grant management fees**. Over half (£47k) of this increase was due to a change in the timing of the management fee, from being deducted after the event when the grant was spent, to being deducted on receipt of the grant, thus improving the project budget management<sup>6</sup>.

#### 4. Expenditure analysis, 2019-20

Staffing remains the largest expenditure item for the **core budget** (49%); when combined with premises and staff overheads this increases to over half the core budget (55%). The Annual Conference (and other events) is the second largest spend at 27% of the core budget., but of course normally pays for itself or delivers a profit for the Association.

Core Expenditure	2018-19	2019-20		Change	
	£	£	%	£	%
Direct Staff costs	179,593	199,393	49%	19,800	11%
Office & staff overheads	37,362	26,191	6%	-11,171	-30%
Business costs	73,869	46,641	11%	-27,228	-37%
Committee expenditure	22,968	21,342	5%	-1,626	-7%

<sup>5</sup> In 2017-18, £20,717 of membership income received that year was deferred to 2018-19, but in 2018-19 the amount deferred to 2019-20 was much smaller, £7,232, due largely to a change in the accrual calculation methods.

<sup>6</sup> Under the previous accounting practice, this £47k would not have appeared as core income until the deferred grant was spent in the following year - a practice which added unnecessary complexity to the management of the project budgets.

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Core Expenditure	2018-19	2019-20		Change	
	£	£	%	£	%
Annual Conference and event costs	124,236	109,932	27%	-14,304	-12%
Other expenditure	4,902	5,190	1%	288	6%
<b>TOTAL EXPENDITURE</b>	<b>442,929</b>	<b>408,688</b>	100%	<b>-34,241</b>	<b>-8%</b>

Overall, **total core expenditure** fell by 8% in 2019-20, despite an increase in direct staff costs of 11%. In my opinion, that is an impressive achievement on the part of our Director and staff-group: non-staff costs fell by £54,000 or -21%.

The savings were achieved in office and staff overheads (-30%), business costs (-37%), Annual Conference and other events costs (-12%), and Committee expenditure (-7%). This was before all Board and most Committee Meetings moved online due to Covid 19, and office costs were reduced.

Project expenditure increased by 10% in 2019-20, compared to the previous year. The biggest increases were for staff and office overheads.

Project Expenditure	2018-19	2019-20		Change	
	£	£	%	£	%
Direct Staff costs	226,415	357,716	78%	131,301	58%
Office & staff overheads	10,335	36,103	8%	25,768	249%
Business costs	160,015	4,684	1%	-155,331	-97%
Committee expenditure	80	21	0%	-59	-74%
Event costs	20,370	60,343	13%	39,973	196%
Other expenditure	30	1,112	0%	1,082	
<b>TOTAL EXPENDITURE</b>	<b>417,244</b>	<b>459,979</b>	100%	<b>42,735</b>	<b>10%</b>

I have not included details on individual project income and expenditures, which I am happy to provide to Social Work Scotland members on request, as well as answer any other queries.

## 5. Conclusion

My conclusion is that the Association's finances are healthy, and sufficient to support its programme of work. Give the wider economic uncertainty, it would be prudent to continue to manage our budgets reasonably tightly.

Mike Brown, Treasurer, 22 October 2020