

UNITE THE UNION (the "Union")

**STATEMENT TO MEMBERS ISSUED IN CONNECTION WITH THE UNION'S ANNUAL RETURN FOR
YEAR ENDED 31 DECEMBER 2013 AS REQUIRED BY SECTION 32A OF TRADE UNION AND
LABOUR RELATIONS (CONSOLIDATION) ACT 1992**

**Report of the General Secretary
YEAR ENDED 31 DECEMBER 2013**

Review of 2013 to Date

This report details the work undertaken by your Union since the last Policy Conference, held two years ago. They have been often challenging years, but Unite can show progress on almost every front.

Our paying membership has stabilised and is starting to rise, thanks to the outstanding work done by lay activists, officers and organisers in support of the 100 per cent campaign in workplaces the length and breadth of Britain and Ireland; and also to the new membership retention work being piloted by our central Membership team. Given the difficult economic climate, which continues to affect most of the sectors in which our members are employed, this is a signal achievement.

Standing up for Unite members when they need support and are willing to fight is a fundamental principle for our union. We have put that principle into practice in many areas with success in the last two years – London Buses, Crossrail and elsewhere. Sometimes we have had to face more complicated industrial situations, as at INEOS Grangemouth, dealing with an employer with a clear anti-union agenda. While the situation at Grangemouth remains difficult, Unite's actions were endorsed at every stage by the membership, and despite management attacks our organisation in the plant remains strong.

The Grangemouth episode was the excuse for the Tories and their media allies to launch a further ferocious attack on Unite, partly no doubt as a means of attacking the Labour Party by proxy. This included a lot of misguided commentary about "leverage", a legitimate campaigning tactic that we have used to secure victories in a number of recent disputes. The government announced the Carr Inquiry in response, designed to create the grounds for criminalising effective trade unionism still further. In coordination with the TUC, Unite will defend itself robustly against all these attacks.

It is fair to say that Unite's political activity has also been in the news. A priority over the next year must be to work to secure the defeat of the dreadful Conservative-Liberal Democrat coalition at the general election. Unite will work flat out to back the Labour Party under Ed Miliband's leadership to start the work of stitching our fractured society back together. The Union decided, after thorough debate, to support the proposals for change in the Party's constitutional structure recommended by Lord Collins; and the Executive Council also agreed to reduce the Union's affiliation to the Labour Party to a more realistic figure, corresponding more closely to actual support for Labour amongst the membership. I made it clear to the special Party conference called to consider the Collins proposals that Unite had done nothing wrong in the contest for selection of a parliamentary candidate in the Falkirk constituency, a position endorsed by both the Party itself and by Police Scotland, to whom the matter had unwisely been referred. Unite had to defend itself robustly against these shameful attacks, some of which, sadly, came from within Labour's own ranks, and contributed nothing to securing the Labour victory we all want. Despite these difficulties, Unite's political influence has extended and deepened over the last two years, as the Executive Council has put our multi-faceted political strategy into operation.

Unite's constitutional structures and procedures have now largely bedded down after the merger which created our Union. Last year, I was re-elected as your General Secretary by an overwhelming margin, for a term of office that runs to 2018. This year, the Executive Council was re-elected, and we have also gone through the regular triennial election of workplace representatives, branch officials and our network of constitutional committees. It is the thousands of men and women who serve these representatives who above all make Unite what it is, who deliver strength for working people, and who keep our organisation lively and democratic.

Our role outside the workplace has also been enhanced over the last two years – Unite’s Community Membership is now established and several thousand strong, generating real resonance within the wider labour movement and beyond. We have been at the forefront of campaigning against austerity and in support of the People’s Assembly movement, and we have strengthened our work amongst young people. The Unite in Schools initiative, explaining trade unionism to the rising generation, is also set to be moved up a gear.

The Executive Council has continued to give close supervision to Unite’s financial position, and the Union’s management has constantly sought to raise the efficiency of our administration. The Legal and Affiliated Services department has been energetic in exploring avenues to increase the Union’s revenues to compensate for the loss of legal income due to legislative changes, and closer cost control is now being implemented throughout the union. Substantial savings have already been either secured or identified, particularly in our IT management, in Education and in Communications. We continue to actively manage Unite’s property portfolio, investing in our offices and disposing of buildings the Union no longer has a use for.

Finally, the Executive Council and I would like to place on record its appreciation of the work done by the Union’s officers, staff and organisers in delivering outstanding service to the membership across Britain and Ireland.

2013 Financial Results

From a financial perspective, in 2013, Unite recorded a £10,059,000 surplus for the year before FRS 17 (the accounting convention for pensions which looks beyond what the Union has contributed to the pension schemes in a year) – a significant improvement versus the surplus of £3,657,000 in 2012 and on track with the Union’s financial strategy.

Total income for the year was £167,216,000, including £151,136,000 contributions from members. Income before investment income and branch surplus rose by £1,067,000 to £163,391,000 driven by Legal & affinity income rising to an all time record of £12,255,000. However, Legal income will start to be negatively impacted by the so-called Jackson legislation which came into effect on 1st April 2013. Total expenditure for the year (including FRS17 adjustments) was £131,149,000. Recurring expenditure was relatively flat (at £140,245,000) on the year. The net Operating Surplus of £23,146,000 was increased by a £789,000 improvement in Investment Income (to £2,856,000) and a decrease of £4,670,000 in Non-recurring Items (to £4,812,000). Branches also ran a surplus during the year of £969,000. On the other hand, Pension Deficit Contributions increased by £2,000,000 (to £12,100,000).

Included in Non-recurring items were £3,626,000 gains of property disposals offset by non cash property impairments of £3,492,000. These writedowns reflect the fact that Unite’s properties were all market value adjusted in 2007 upon the formation of the Union when property prices, especially in Scotland, Ireland (Northern Ireland as well as the Republic), and Northern England far exceeded today’s values. Also included are Voluntary redundancy and severance costs (£2,743,000) as well as Irrecoverable VAT on the purchase and refurbishment of properties (£2,379,000).

Political contributions for the year amounted to £7,468,000 which, along with expenditure of £4,787,000 resulted in a surplus for the political fund of £2,681,000.

Including the favourable FRS17 adjustment of £14,724,000, Unite recorded an overall surplus in 2013 of £24,783,000 versus a surplus of £8,684,000 in 2012.

2013 was another year of major developments for Unite’s pension schemes. Having harmonised benefit levels for all employees through negotiation with representatives of the three bargaining groups, agreement was reached with the Trustees in December 2013 to merge the two UK schemes. This merger was completed on 19th May 2014. Virtually identical agreements were reached with representatives and Trustees for the Union’s scheme in the Republic of Ireland. Under the pension deficit recovery schedules in place, Unite’s pension deficit contributions rose to £12,100,000 in 2013 and remain at that level until 2024.

Reflecting the £12,100,000 of deficit reduction contributions in 2013 and a substantial rise in scheme assets as world markets rose, from an accounting perspective, Unite's net pension liability (i.e., deficit) decreased to £118,002,000 at the end of 2013 from £144,010,000 at the end of 2012. This is the first positive news in this area for some years; it is hoped that the 2012 figures will be the worst position that we will see in terms of pension deficits.

Therefore, as a consequence of the surplus in the year, plus the decrease in the pension deficit, Unite's net assets increased from £41,944,000 at the end of 2012 to £78,011,000 at the end of 2013. Within that total, the net assets of the General Fund increased from £13,319,000 at year end 2012 to £44,108,000 at the end of 2013. In addition, the market value of the Union's quoted investments increased to £61.4 million at the end of 2013 from £51.6 million at year end 2012. Cash also increased to £42,005,000. While Unite will have to maintain its financial discipline in the future, it faces its problems from a position of considerable strength.

One of the principles that the Union has set itself is to "live within its means" and to achieve a balanced financial position taking everything, and particularly including pension deficit contributions, into account with only the highly volatile FRS17 adjustment excluded. This is the basis of the financial strategy of the Union going forward.

In order to achieve its financial objectives, the Union has undertaken a restructuring, not just in respect of the number of employees but also locations, systems, methods of operation and procedures. At its meeting in May 2012, the Executive Council approved the increases in member contributions to be effective September 2012-14. While the Executive Council recognised that asking members to pay more in these difficult economic times is less than desirable, it was necessary in order for Unite to have a financial strategy which balanced the books, especially in light of the objective of protecting front line services for members. The newly-elected Executive Council will be reviewing the financial strategy for Unite for the coming three years at its meeting in September 2014. As noted above, the Executive Council will have to deal with the pending loss of a significant portion of the Unite's Legal Income within the context of that strategy.

At £30 per day from Day 1 of a dispute, Unite's Dispute Benefit substantially exceeds that of most other unions. The Executive Council took an important further step to aid members in their struggles with the establishment of a separately accounted for Dispute Fund. In 2012 the Union made an initial contribution to the fund of £25 million out of its cash balances and investments. The Dispute Fund is a clear symbol to employers and members alike that Unite has the means to successfully prosecute an industrial dispute of virtually any size or duration. At year end, as disclosed in Note 8, the Dispute Fund balance stood at £29,717,000.

These results clearly demonstrate the strong and decisive action the Executive Council and the General Secretary have taken to set Unite on the right financial path, allowing it to meet its pension obligations without sacrificing front line services for members.

Membership

Unite's overall membership fell to 1,405,071 at year end 2013 from 1,424,303 at year end 2012. However, looking forward, the 100% strategy is already showing dividends and the national organising strategy is gaining strength, the Union has solid hopes that we are replenishing our membership.

Employment

The Union employed 1,232 people at the end of 2013 (1,203 at the end of 2012).



Len McCluskey

General Secretary

Dated: 12 June 2014

Salary paid to and other benefits provided to the General Secretary, President and members of the Executive

The General Secretary of the Union was paid £103,323 in respect of salary and £25,292 in respect of benefits.

Irregularity statement

A member who is concerned that some irregularity may be occurring, or have occurred, in the conduct of the financial affairs of the Union may take steps with a view to investigating further, obtaining clarification and, if necessary, securing regularisation of that conduct.

The member may raise any such concern with such one or more of the following as it seems appropriate to raise it with: the officials of the Union, the trustees of the property of the Union, the auditor or auditors of the Union, the Certification Officer (who is an independent officer appointed by the Secretary of State) and the police.

Where a member believes that the financial affairs of the Union have been or are being conducted in breach of the law or in breach of the rules of the Union and contemplates bringing civil proceedings against the Union or responsible officials or trustees, he should consider obtaining independent legal advice.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF UNITE THE UNION

We have audited the accounts of Unite the Union for the year ended 31 December 2013 which comprise the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, Balance Sheet, 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 members of the Union 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 members of the Union those matters we are required to state to them in an independent 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 members of the Union as a body, for our work, for this report, or for the opinion we have formed.

Respective responsibilities of the Union's Executive Council and auditor

As explained more fully in the Statement of Responsibilities of the Union, the Executive Council is responsible for the preparation of the accounts, which have been prepared in accordance with applicable law and accounting standards.

We have been appointed as auditors and 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 Auditor.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Senior Deputy General Secretary to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Union's affairs as at 31 December 2013, and of its surplus for the year 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 (Amended).

Matters on which we are required to report by exception

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

- The Union has not kept proper accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- A satisfactory system of control over transactions has not been maintained;
- The accounts are not in agreement with accounting records;
- We have not received all the information and expenditure we require for our audit.

Gareth Jones FCA
Statutory Auditor

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12 June 2014