



REC

Recruitment
& Employment
Confederation

REC Annual Report

2020 Accounts and
2021 Trading Update

The REC is in your corner



Company information

Directors

J Barrowcliffe
N Carberry
M Edwards
R Handford
Dr. G Nair (appointed 12 October 2020)
P Mellor
S Mirza (appointed 12 October 2020)
J Rumble (appointed 12 October 2020)
J Sibson (appointed 12 October 2020)
H Salway
S Thewlis

Company secretary

D Vallance

Registered number

03895053

Registered office

Dorset House,
Stamford Street,
London,
SE1 9NT

The Recruitment and Employment Confederation Limited

(A company limited by guarantee)

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Sarah Thewlis
REC Chair

Chair's welcome

I am delighted to write my first report as the elected Chair of the new style REC Board. I begin with a very warm welcome to our new board members, and a sincere note of thanks to my predecessor, Chris Moore, and to the outgoing Council; they brought fantastic support and commitment to the organisation and indeed to the wider industry.

We started the year with the support of the membership as we introduced a more effective and engaged governance structure. We knew that this would call for broad cultural change in our continuing journey towards a member-focused, agile, and digitally enabled REC.

So in the second half of 2020, we overhauled the governance model and appointed a new Board, four committees and four new non-executive directors from outside the industry, who have already brought new thinking to our commercial development, digital transformation, inclusion and standards. If our industry is to progress and remain relevant, we need to be outward-looking. The new governance structure is certainly supporting that.

One of the reasons I stood as Chair was to increase outside recognition of the industry's importance to the national economy and to individuals. We have started that process with the recent report "Recruitment and Recovery". It shows how professional recruitment firms support £86 billion in gross value added across the economy, the equivalent of 4.3% of GDP, which is larger than that contributed either by the accounting or the legal industries. Someone finds a new permanent job through a recruiter every 21 seconds.

The pandemic has been unprecedented, and our CEO Neil and his team have really stepped up to provide support and advice. There is still more work to do to make sure we remain focussed and effective in supporting the membership throughout the UK and to allow us to face whatever the future will bring. I am confident that together we shall continue to make a real difference.

Sarah

Welcome to our 2020 Annual Report

It's rare to hear Lenin quoted at an REC conference. But when one member CEO recalled the Soviet leader's observation that "There are decades where nothing happens; and there are weeks where decades happen", it resonated for many of us facing the challenges of 2020.

From the cliff-edge drop of the market in March, through cash preservation and understanding Government support in April, to a bumpy recovery later in the year, 2020 certainly felt like decades for every recruiter.

In times like these, there is one prerequisite for the REC: be at our members' sides – and do everything possible to help. And that is what our team did – pushing for and then redesigning furlough, explaining recruitment balance sheets to the British Business Bank so that members got loan access, helping members with the legalities of key workers, closed sites, business rates claims and vaccinations.

Our team stepped up, working remotely. I want to thank all of them. And I want to thank all our members too, because the industry stepped up. Many recruiters have said to me that the spirit of professionalism, co-operation, humanity, and openness across the sector last year was unprecedented. The REC is prouder than ever to be your organisation.

As a purpose-led business, delivering for members in tough times means being willing to keep services in place, even when times are hard. With the support of our Council and then our new Board, we aimed to preserve the REC's cash position and avoid cuts which damaged support to members. The final result reported here achieved that aim. Over the year, the organisation's cash position did not deteriorate, and we were also able to restructure later in the year to get in shape for the recovery, which hopefully we will all enjoy together in 2021!

All best wishes,

Neil



Neil Carberry
Chief Executive Officer
Recruitment & Employment Confederation

Our work during the pandemic

No one has your back like we do. With the onset of the Coronavirus pandemic, our teams stepped up to fight for our members in 2020.

We successfully lobbied **Government** to extend their **Business Rates Retail Discount** to **recruitment agencies**, providing relief to thousands of high street recruitment agencies struggling to pay their fees.

We continued our lobbying efforts to Government on the **upcoming IR35 reforms** in the private sector, which resulted in a delay to the reforms in 2020 and changes to the final legislation.

We pushed Government to ensure that its **COVID business guidance** considered **temporary workers**. The outcome was much needed clarity for our members.

We were recognised by the **Chancellor** for our work on the **Coronavirus Job Retention Scheme** and were able to extend the repayment time for wrong payments of CJRS from the proposed 30 days to 90 days.

We were successful in campaigning to allow **digital right to work checks** for the industry, and we made it easier for members to complete DBS checks during COVID.

We are the **recruitment representative on the Government's Professional and Business Services** sector council and the first recruitment body to be appointed as one of the Government's Business Representative Organisations to support the national response to Coronavirus.

REC performance highlights 2020

We are proud to support such a dynamic and resilient industry. In 2020, we added new members to our network and provided the legal advice, strategic guidance and insight into government to support your businesses.

The new REC website was launched at the height of the pandemic, and had over **1.57 million** visits during 2020 – that is over **30,000** per week.

Our corporate membership is a network of recruitment businesses over **3,000** strong.

We led by example and became signatories of the **Race at Work Charter**.

Despite the challenges of 2020, we welcomed **491 new members** more than in 2018 or 2019.

We count **513** businesses as part of our **Good Recruitment Collective**.

We had over **4,000 media** mentions in 2020, a **6% increase** from 2019.

Our influence and reach

We used our network and reach to help successfully campaign for what recruiters need.

Our executives met with Ministers and government representatives **more than 20 times** throughout 2020.

Our spokespeople were interviewed **45 times**, which represents a **50% increase** from 2019.

We were mentioned **616 times** in the national press, **increasing 62%** from 2019 figures.

We have **26,979** **Twitter followers** across our accounts, a **5% increase** on the previous year.

Over 1,000 people attended **REC 2020**, our market-leading virtual conference.

We have **63,742** **LinkedIn followers**, **growing by 21%** over the past year.

The reach of the REC's **print coverage** grew by **29%** and our **online coverage** grew by **54%**.

Supporting you to succeed



Our specially created **COVID-19 support hub** helped recruiters access COVID related information from government including on the Job Retention Scheme.

Over 1,000 recruiters were **helped this way every week.**



We ramped up the support for our members and we received **more calls to the customer team** in the first half of the year **than all of 2019.**



Our members **downloaded**

26,890

pieces of REC content including legal resources, research papers, white papers, industry reports, careers advice, infographic summaries and much more.



Our **Brexit, IR35** and **Good Work hubs** continued to provide support to

over 8,862 visitors over the course of the year.



We published

4 Legal reports

helping members to understand changes to the law.

We produced

6 new Legal templates

making it easy for members to adapt to IR35 and other legal changes.



Our **Legal resources** on our website had

188,820 page views.

Our **Legal helpline** received over

12,000 calls

an **11% increase** on the previous year.



Our **Research website** area gained

15,549

views, keeping our members up to date on the latest job figures and employment trends.



7372

people **attended our events** over the course of the year.

Improving professionalism and industry standards



Even during a challenging year

444

students gained recruitment qualifications through us, from levels 2 to 5.



Despite the pandemic we continued to uphold standards and dealt with 92 complaints throughout the year, under the guidance of the REC Professional Standards Committee.

This is one of the ways we protect clients and candidates, and ensure good recruiters can thrive.



We led the market with a move to Ofqual-approved **remotely invigilated examinations**, allowing students to continue to get the accreditations they deserved for their hard work and professionalism.



We ran

46

training courses helping recruiters to succeed, switching to **online delivery** from March 2020.



Our team successfully audited

30

companies, allowing them to demonstrate the highest levels of professionalism in their work through the **REC Audited mark**.

The shape of our industry

Recruitment Industry Trends covered the financial year 2019/20 and reported:

Recruiters contributed
£42.3 billion
to the economy in 2019, an
8% increase from 2018.

This economic contribution equals
2.1% of GVA (UK direct Gross
Value Added) and is bigger than
arts, entertainment and recreation
(£30.7 billion).

119,00
recruiters were employed
in the UK.

30,890
recruitment businesses were in
operating in the UK.

Permanent placements hit
1,007,756
for the full year.

Temporary placements were at
985,300
every day.

A majority of **employers** (71%)
were satisfied with their
recruitment partner.

**Employer satisfaction with
candidates** was recorded as
68%

Impact of COVID-19

on the shape of our industry

83%
of recruitment businesses made use
of the **Job Retention Scheme**.

26%
of recruitment businesses
switched focus to a
different sector and
48% plan to stay in that sector.

80%
of recruitment businesses enabled
working from home and over
53% plan to continue
doing so.

Trading update 2021

As a result of the global COVID pandemic there was an unprecedented decline in the general UK economy in 2020, with the overall decline in GDP being 9.9%. At the time of writing, however, 2021 is looking much more optimistic, despite a Q1 decline of 1.5%. Restrictions are now gradually being eased, and REC members reported a significant upturn in recruitment activity through the spring. This has subsequently been reflected in our market-tracking data with growth projections potentially around 7% for 2021 as a whole and, with the vaccination programme well-advanced, there is real hope that the pandemic recession is behind us. With demand rising at the quickest rate since 1997 in our *Report on Jobs* surveys, this is a time for hope!

Within REC, a new CRM system was launched in late 2019, and the new website was launched to complement the new REC brand in May 2020. These enhanced our ability to serve members during lockdown. We adapted to implement a digital offering for the delivery of qualifications and training courses later in the year, along with online examinations, so that the education side of the business could continue to operate. We were also able to adapt quickly to having all staff working effectively from home, with only small levels of expenditure on new or additional hardware and software being required. The REC will remain predominantly remote through the first half of 2021, with a move to a hybrid model planned for the autumn.

In the first few months of the pandemic, the REC was completely focused on meeting member needs during the emergency, but as the virus abated in the summer, we were able to take some important steps in preparing for the recovery. We completed the governance reforms that the REC Council had proposed to members in February, with a new Board, more diverse in skills and outlook, in place to guide the next stage of our development. In November, we restructured the business, to focus more clearly on member needs in the recovery, increasing efficiency and commerciality, and bringing in new skills to support our future growth.

Update on the position at April 2021

The Board and Executive of REC set a cautious budget for 2021, designed to ensure that we were prepared for all eventualities in an unpredictable time. Costs were set at a sensible level to target a break-even position for the year, while maintaining a positive position on cash.

Membership remains the backbone of our income, and it was very pleasing to see retention of 88% of corporate members, given the scale of disruption the industry faced last year. This is a real vote of confidence in the REC after a tumultuous year and is close to normal-year rates of renewal. In addition, acquisitions of new corporate members are ahead of expectations, so members clearly value the range of support that REC has given to them over the last few months.

Other income-generating areas of the business suffered in 2020 due to the restrictions on travel and face-to-face meetings, and when setting the budget for 2021 we didn't expect much to change in the first half of the year. In practice, we are already slightly ahead on our budget in terms of sales and expect a gradual improvement as the year progresses. Our annual conference will again be delivered digitally, but we still aim to hold a "live" awards event towards the end of the year.

Overall headcount reduced slightly because of the restructure, and staff costs in 2021 will be significantly lower than in 2020 as the costs of restructure have been carried in FY 2020. Other expense areas remain under tight control. Operating loss in 2020 was lower than originally predicted, and cashflow was positive. With the break-even budget set for 2021, REC remains in a strong position thanks to the brought forward reserves, largely held as liquid funds.

Strong renewal and new membership performance are a vote of confidence in REC after a tumultuous year for the industry.

D Vallance
Company
Secretary



Directors’ report and financial statements

for the year ended 31 December 2020

Directors’ responsibilities statement

The directors are responsible for preparing the Directors’ Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- ▶ select suitable accounting policies for the Company’s financial statements and then apply them consistently;
- ▶ make judgments and accounting estimates that are reasonable and prudent;
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activities of REC are:

- ▶ Representation of members’ needs and views in Whitehall, devolved capitals and in English regions, as well as influential organisations and individuals in the UK and overseas.
- ▶ Provision of members’ services and benefits to businesses and individuals able to meet strict entry criteria and to conform to the REC Code of Practice, including offering legal advice helplines.
- ▶ Provision of vocational qualifications and training courses for those who work in the industry or wish to find employment within the industry.
- ▶ Research and distribution of information demonstrating the social and economic contribution of the recruitment industry to the UK economy.

Reserves policy

The directors have adopted a reserves policy.

This recognises that it is prudent to hold appropriate reserves to enable the company to properly plan its activities and to protect itself against business risk including the loss or serious curtailment of one or more income streams and of serious business interruption. In addition, it is felt necessary to maintain a “fighting fund” to employ expert advisors to protect the interest of members as and when the need arises.

Having achieved the reserves policy in 2017 under the previous accounting policies (reference notes to the Financial Statements 2.2) the Board has now implemented a new reserves policy linked to the organisation’s risk register, where the value of reserves held in liquid funds is sufficient to meet the combined value of the major risks identified in the risk register. These risks include the impact of COVID-19 on the anticipated trading performance for the current financial period.

The Board reviews the reserves policy and the level of reserves at least once a year in light of current and anticipated levels of income and the Company’s planned activities.

Results and dividends

The loss for the year, after taxation, amounted to **£303,234** (2019 – profit £140,502).

Directors

The directors who served during the year were:

J Barrowcliffe	P Mellor
A Bishop <i>(resigned 8 October 2020)</i>	S Mirza <i>(appointed 12 October 2020)</i>
D Brooks <i>(resigned 8 October 2020)</i>	C Moore <i>(resigned 8 October 2020)</i>
N Carberry	M Purdie <i>(resigned 18 March 2020)</i>
S Conington <i>(resigned 8 October 2020)</i>	J Rumble <i>(appointed 12 October 2020)</i>
K Davison-Renouf <i>(resigned 8 October 2020)</i>	H Salway
M Edwards	P Sharpe <i>(resigned 8 October 2020)</i>
R Handford	J Sibson <i>(appointed 12 October 2020)</i>
L Hewett <i>(resigned 8 October 2020)</i>	G Taylor <i>(resigned 8 October 2020)</i>
J Hilton <i>(resigned 8 October 2020)</i>	S Thewlis
T Jacob <i>(resigned 2 March 2020)</i>	J Williams <i>(resigned 8 October 2020)</i>
P Jacobs <i>(resigned 8 October 2020)</i>	G Wilson <i>(resigned 24 June 2020)</i>
Dr. G Nair <i>(appointed 12 October 2020)</i>	S Winfield <i>(resigned 8 October 2020)</i>

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- ▶ so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- ▶ the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.


Auditors

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 28 April 2021 and signed on its behalf.



D Vallance
Company
Secretary

Independent auditors' report to the shareholders of Recruitment and Employment Confederation

Opinion

We have audited the financial statements of Recruitment and Employment Confederation (the 'Company') for the year ended 31 December 2020, which comprise the Income Statement, the Statement of Financial Position and the related notes, 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 Financial Reporting Standard 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 Company's affairs as of 31 December 2020 and of its deficit 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 Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other 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 opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors’ 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the Directors’ Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors’ Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of directors’ remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit; or
- ▶ the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies’ exemptions in preparing the Directors’ Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Directors’ Responsibilities Statement set out on page 17, the directors 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 directors determine 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 directors are responsible for assessing the Company’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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ 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 Auditors’ 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors’ Report.

We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- ▶ Inspecting correspondence with regulators and tax authorities;
- ▶ Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- ▶ Evaluating management’s controls designed to prevent and detect irregularities;

- ▶ Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- ▶ Challenging assumptions and judgements made by management in their critical accounting estimates, in particular judgements made in calculating provisions and accruals.

Use of our report

This report is made solely to the Company’s shareholder in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s shareholder those matters we are required to state to them in an Auditors’ 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 Company and the Company’s shareholder for our audit work, for this report, or for the opinions we have formed.

Jeremy Beard (Senior Statutory Auditor)
for and on behalf of

Haysmacintyre LLP
Statutory Auditors
10 Queen Street Place
London
EC4R 1AG

28 April 2021

Income Statement
for the Year Ended 31 December 2020

	2020	2019
	£	£
Income	6,052,218	7,055,169
Direct Costs	(1,034,319)	(1,592,382)
Gross profit	5,017,899	5,462,787
Administrative expenses	(5,488,626)	(5,488,682)
Other operating income	113,973	36,485
Fair value movements	40,048	125,064
Operating (loss)/profit	(316,706)	135,654
Interest receivable and similar income	24,809	31,468
(Loss)/profit before tax	(291,897)	167,122
Tax on (loss)/profit	(11,337)	(26,620)
(Loss)/profit for the financial year	(303,234)	140,502

There was no other comprehensive income for 2020 (2019: £NIL).
The notes on pages 26 to 34 form part of these financial statements.

Statement of Financial Position

as at 31 December 2019

	Notes*	2020	2019
		£	£
Fixed assets			
Intangible assets		1,412,784	1,689,717
Tangible assets	7	76,252	1,176,729
Investments	8	1,331,418	1,301,912
		2,415,797	2,478,641
Current assets			
Debtors: amounts falling due within one year	9	1,142,487	1,391,361
Cash at bank and in hand	10	189,472	–
		1,331,959	1,391,361
Creditors: amounts falling due within one year	11	(2,334,972)	(2,180,285)
Net current liabilities		(1,003,013)	(788,924)
Total assets less current liabilities		1,412,784	1,689,717
Provisions for liabilities			
Deferred tax	12	(22,550)	(16,248)
Other provisions	13	(40,000)	(20,000)
		(62,550)	(36,248)
Net assets		1,350,234	1,653,469
Reserves			
Income and expenditure account		1,350,234	1,653,469
		1,350,234	1,653,469

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A – small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 April 2021.

S Thewlis, Director

The notes on pages 26 to 34 form part of these financial statements.

Notes to the Financial Statements

for the Year Ended 31 December 2020

1. General information

The Recruitment and Employment Confederation is a private company limited by guarantee incorporated in England and Wales. The registered office is Dorset House, Stamford Street, London SE1 9NT.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

At the time of writing, the situation surrounding COVID-19 is better understood, and the country is gradually easing its “lockdown” position. In assessing the company’s ability to continue as a going concern, the directors have considered the company’s liquidity position and reviewed cash flow forecasts for the next 12 months.

Over recent years REC has operated a Reserves Policy which was designed to build Reserves to a level sufficient to keep the business operating, even in times of severe economic

disruption. This Reserves level was achieved in 2017 and was maintained during 2018 and 2019. In 2020, REC’s income was significantly reduced due to the impact of COVID-19, however REC also managed to significantly reduce costs (which included a headcount restructure, with all associated costs provided for in the 2020 accounts). Whilst REC’s Income Statement for the year shows a loss of £292k, the level of Reserves is still in excess of the requirements under the Reserves Policy, and the Reserves continue to be held in liquid assets. There has been no requirement to draw down from these assets during the year, or since. The financial budget for 2021 has been set at a prudent level, with no significant improvements in income and continuing the reduced cost base, thus REC is expected to generate a small profit for the year.

The fall in global equity markets in the early part of 2020 has reversed, and the value of the Company’s investment portfolio recovered to a level higher than that reported at the end of 2019.

The directors continue to adopt the going concern basis in preparing the accounts.

2.3 Revenue

Revenue represents subscriptions receivable from corporate members, subscriptions received from individual members, fees from professional training and qualifications, insurance commissions, sales of literature, event fees and business partner income net of VAT.

Membership Income

Corporate membership is accounted for in line with the year it relates to being the calendar year.

Individual subscriptions are accounted for over the period to which they relate being one year from renewal.

Professional training, qualifications and event income

These income streams are recognised in the year in which the training, event or qualification takes place.

Sales of literature and insurance commissions

These incomes streams are accounted for on sale of goods/service.

Business partnership income

Business partnership is accounted for over the period of provision of benefits to the customer. Income in respect of the service element is recognised straight line over the period of the business partnership.

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee’s benefit from the use of the leased asset.

2.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from three to six years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

During the year the company received revenue grants in relation to the Coronavirus Job Retention Scheme (CJRS) and they have been recognised as Other Income in the Income Statement.

2.7 Current and deferred taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The company is liable to taxation on its investment income and other income derived from non members.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

2.8 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Website	33% straight line
CRM System	20% straight line

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Short term leasehold property	Over the term of the lease
Office equipment	20% straight line
Computer equipment	33% straight line

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 Valuation of investments

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

3. Other operating income	2020	2019
	£	£
	36,843	36,485
Other operating income		
Government grants receivable*	77,130	–
	113,973	36,485

*Government grants receivable relates to income receivable under the Coronavirus Job Retention Scheme.

4. Employees

The average monthly number of employees, including directors, during the year was 70 (2019 - 77).

5. Taxation	2020	2019
	£	£
Corporation tax		
Current tax on profits for the year	5,035	10,372
Total current tax	5,035	10,372
Deferred tax	6,302	16,248
Origination and reversal of timing differences		
Total deferred tax	6,302	16,248
Taxation on profit on ordinary activities	11,337	26,620

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%).

The differences are explained below:

	2020	2019
	£	£
(Loss)/profit on ordinary activities before tax	(291,897)	167,122
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(55,460)	31,753
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	73,668	4,487
Adjustments to tax charge in respect of prior periods	(510)	(549)
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	(11,008)	(23,641)
Non-taxable income	(2,081)	(3,044)
Chargeable gains	4,816	19,525
Changes in provisions leading to an increase (decrease) in the tax charge	1,912	(1,911)
Total tax charge for the year	11,337	26,620

6. Intangible fixed assets	Website development	CRM system	Total
	£	£	£
Cost			
Additions	68,228	151,255	219,483
Transfers from assets under construction	431,040	623,500	1,054,540
At 31 December 2020	499,268	774,755	1,274,023
Amortisation			
	110,945	154,951	265,896
Charge for the year on owned assets			
At 31 December 2020	110,945	154,951	265,896
Net book value			
At 31 December 2020	388,323	619,804	1,008,127
At 31 December 2019	-	-	-

7. Tangible fixed assets	Short term leasehold property	Office equipment	Computer equipment	Assets under construction	Total
	£	£		£	£
Cost or valuation					
At 1 January 2020	291,185	229,328	755,757	1,054,540	2,330,810
Additions	-	-	17,939	-	17,939
Disposals	-	-	(470,832)	-	(470,832)
Transfer to intangible assets	-	-	-	(1,054,540)	(1,054,540)
At 31 December 2020	291,185	229,328	302,864	-	823,377
Depreciation					
At 1 January 2020	256,500	211,744	685,837	-	1,154,081
Charge for the year on owned assets	11,766	9,690	42,407	-	63,863
Disposals	-	-	(470,819)	-	(470,819)
At 31 December 2020	268,266	221,434	257,425	-	747,125
Net book value					
At 31 December 2020	22,919	7,894	45,439	-	76,252
At 31 December 2019	34,686	17,583	69,920	1,054,540	1,176,729

8. Fixed asset investments	Listed investments
	£
Cost or valuation	
At 1 January 2020	1,301,912
Additions	313,617
Disposals	(341,340)
Revaluations	57,229
At 31 December 2020	1,331,418

9. Debtors	2020	2019
	£	£
Trade debtors	639,148	886,281
Other debtors	83,160	138,814
Prepayments and accrued income	420,179	366,266
	1,142,487	1,391,361

10. Cash and cash equivalents	2020	2019
	£	£
Cash at bank and in hand	189,472	–
Less: bank overdrafts	–	(133,432)
	189,472	(133,432)

11. Creditors: Amounts falling due within one year	2020	2019
	£	£
Bank overdrafts	–	133,432
Trade creditors	255,038	335,719
Corporation tax	4,982	10,921
Other taxation & social security	712,144	299,281
Other creditors	110,141	141,746
Accruals and deferred income	1,252,667	1,259,186
	2,334,972	2,180,285

12. Deferred taxation	2020	2019
	£	
At beginning of year	(16,248)	
Charged to profit or loss	(6,302)	
At end of year	(22,550)	
The provision for deferred taxation is made up as follows:		
Accelerated capital allowances	(22,550)	(16,248)
	(22,550)	(16,248)

13. Provisions	Dilapidation provision
	£
At 1 January 2020	20,000
Charged to profit or loss	20,000
At 31 December 2020	40,000

14. Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

15. Capital commitments	2020	2019
At 31 December 2020 the Company had capital commitments as follows:		
	£	£
Contracted for but not provided in these financial statements	–	111,264
	–	111,264

16. Commitments under operating leases	2020	2019
At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:		
	£	£
Land and buildings		
Not later than 1 year	282,632	282,632
Later than 1 year and not later than 5 years	211,974	565,264
	494,606	847,896
Other		
Not later than 1 year	13,415	19,397
	13,415	19,397



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