

Investigation into the financial affairs of the Stable Lads Association under Section 37B of the Trade Union and Labour Relations (Consolidation) Act 1992

1. Under the powers contained in section 37B of the Trade Union and Labour Relations (Consolidation) Act 1992 ("the 1992 Act"), the Certification Officer appointed me as an Inspector to investigate the financial affairs of the Stable Lads Association ("the SLA") on 24 January 2007.

Terms of Reference

2. My terms of reference were:

'to investigate and report to the Certification Officer on the financial affairs of the Stable Lads Association between 1986 and 2006. In particular to investigate:

- (a) the amount of money paid to Mr Bill Adams from union funds and the processes involved for increases in salary and the payment of bonuses.
- (b) the recording, reporting and use of funds provided to the SLA by the British Horse Racing Board (BHB) including those described as to fund 'Welfare Matters', and
- (c) any other matters indicating a financial irregularity, within the description set out in section 37B(2) of the 1992 Act, that may come to light during the investigation of (a) and (b).'

Nature of the Investigation

3. In my investigation I initially considered the files retained at the Certification Office which are relevant to my terms of reference. In particular, I considered the annual returns of the SLA, on forms AR 21, and the complaints that had been made against the SLA since 2003 regarding both its financial affairs and alleged breaches of rule/statute. I subsequently arranged interviews with the lay financial secretary of the SLA, Reverend Vivien Baldwin and its former General Secretary, Mr Bill Adams. I also met with the Alan Delmonte, Company Secretary, British Horseracing Board ("the BHB"). I also spoke on the telephone to Mr Chris Brand Finance Director of the BHB. Having considered the further documentation that was obtained as a result of my enquiries, I corresponded with the SLA's solicitors.
4. This report was seen in draft form by the SLA and Mr Adams.

Factual Background

5. I was informed that the origins of the SLA go back to a dispute in the racing industry in 1975 which involved the Transport and General Workers Union. As a result of this dispute, Reverend Baldwin and others in the industry felt the need for a separate organisation to represent the interests of stable lads and lasses. The SLA was established later that year. Tom Delaney was appointed as its first National Secretary. When Mr Delaney died in 1985, Reverend Baldwin was tasked with recruiting a new National Secretary. Mr Bill Adams was appointed in June 1986.
6. The SLA has never had a large number of members. In 1987 it reported having 448 members. By 2000 the reported membership stood at 347. In 2005, after the abolition of annual subscriptions in 2001 (see para 9), the reported membership was 1253.
7. Originally, the income of the SLA came mainly from members subscriptions, with occasional donations from the Tote.
8. In 1994, the BHB agreed to make certain payments to the SLA. It described these payments as being for the purposes of 'assisting the Stable Lads Association in its welfare work'. It made the following payments to the SLA under this arrangement:

1994.....	£17,500
1995/2002....	£20,000 per annum
2003.....	£2060.02
2004.....	£22016.33
2005.....	£3686

All of the above payments were paid into a separate bank account called the Stable Lads Association No 2 A/C.

9. In 2001 the BHB amended the Order and Rules of Racing. Order 194 governs the way in which racing prize money is distributed between the owners, trainers, riders and stables of the winners and others. The amended Order 194 provides that the Stable Lads Association is to receive 0.15% of the prize money. The SLA declared the following payments in its Annual Returns to the Certification Officer as being in respect of prize money:

2001....	£45,865
2002....	£128,605
2003....	£135,542
2004....	£156,923
2005....	£171,701

These payments were paid into the SLA's main bank account. Having regard to this additional funding, the SLA waived the requirement of its members to pay subscriptions.

10. Mr Adams resigned as National Secretary of the SLA on 7 December 2006.

Issues Brought to the Attention of the Certification Officer Since 2003

11. In recent years the Certification Officer has had cause to look at the affairs of the SLA on a number of occasions. Specifically:

11.1 In 2003, concerns were raised with the CO about the impact of the Order 194 funding from the BHB on the SLA's certificate of independence and whether the new membership arrangements, which no longer required a subscription, were compliant with the 1992 Act. After some correspondence and a meeting with Mr Adams, the SLA made proposals regarding the membership issue. These included the introduction of a new membership application form on which existing and prospective members agreed to be bound by the rules of the union. The new arrangements were found to be satisfactory to the CO. Further, the CO was not persuaded that these payments lead to the conclusion that the SLA was no longer independent from the employers of its members, in accordance with the statutory definition of independence.

11.2 In 2004, a Mr Kerr made a formal complaint to the CO that the SLA was in breach of section 46(1)(a) and (b) of the 1992 Act in that Mr Adams had continued to hold the position of National Secretary for a period of more than five years without being re-elected. The complaint went to a hearing before the Certification Officer on 21/10/2004. At the hearing, terms of a settlement were agreed between the parties and the CO dismissed the complaint on withdrawal by the claimant.

11.3 In 2005, a Mr Cournane made a formal complaint to the CO that the union was in breach of section 46(1)(a) and (b) of the 1992 Act in that Mr Adams had continued to hold the position of National Secretary for a period of more than five years without being re-elected. The complaint was listed for a hearing before the CO on 12 January 2006. However on 10 January the claimant withdrew the complaint in the light of evidence that the SLA had agreed for Electoral Reform Services to supervise an election for the post of National Secretary. I was later informed that Mr Adams had been elected unopposed.

11.4 In 2006, a Mr Tim Lyle reported to the Certification Officer that in an advert produced for the election of a new National Secretary the salary shown was incorrect as it failed to include the bonus paid to Mr Adams.

This information led to correspondence with the union and was one of the factors that led to my appointment as an inspector on 24 January 2007.

The Salary of Mr Adams as National Secretary

12. Since receipt of the complaint by Mr Lyle in 2006, the Certification Office has been looking into the issue of the remuneration received by Mr Adams from union funds and the processes involved for increases in salary and the payment of bonuses.
13. The contractual terms relating to Mr Adams' remuneration were agreed verbally between Mr Adams and Reverend Baldwin, then the Acting Secretary of the Stable Lads Association. There is no written contract of employment between Mr Adams and the SLA but Mr Adams' remuneration is referred to in a letter to him from Reverend Baldwin of 20 April 1986 in which she offers him the position of National Secretary of the SLA. The relevant extract from that letter states;

"As you are aware the SLA is in a poor financial position and therefore the pay is barely acceptable at £5000 per annum. However, as outlined in the interview, we would encourage you to make membership a priority and we will pay a bonus sum (currently £5 per member) at the end of each financial year subject to there being funds available. I must emphasise that the bonus payment is not a right and is payable at the sole discretion of the Trustees and myself."

14. The rules of the SLA deal with the salary of the National Secretary in rule 10(x), which provides as follows:

'The National Committee shall determine the salary of the National Secretary.'

15. I set out below a table showing the remuneration of Mr Adams as reported in the SLA's annual returns (AR21s) since 1986.

Year	Salary	Bonus	Total
1986	£2872*		£2872
1987	£6201*		£6201
1988	£6491*		£6491
1989	£7186*		£7186
1990	£6013*		£6013
1991	£8493*		£8493
1992	£9496*		£9496
1993	£7134		£7143
1994	£13125		£13125
1995	£14976		£14976
1996	£15089		£15089
1997	£14642		£14642
1998	£16293		£16293
1999	£15000		£15000

2000	£15000		£15000
2001	£15000	£10,000	£25000
2002	£25000	£10,000	£35000
2003	£34000		£34000
2004	£36999.96		£36999.96
2005	£36999.87	£10,000	£46999.87

[* The figures marked with an asterisk represent the total amount paid by the SLA for salaries in the relevant year. It is understood that Mr Adams was the only employee in these years. In the period prior to 1993 there was no requirement to report separately on the salary of the National Secretary in the annual return.]

16. The SLA informed me that the bonus due to Mr Adams was based on the following calculation:

Year	Membership	Bonus Due
1987	550	2750
1988	620	3100
1989	522	2610
1990	593	2965
1991	572	2860
1992	525	2625
1993	324	1620
1994	347	1735
1995	396	1980
1996	407	2035
1997	354	1770
1998	399	1995
1999	347	1735
2000	370	1850
2001	550	2750
2002	600	3000
2003	150	750
2004	685	3425
2005	1253	6265

17. I was informed by Reverend Baldwin that she had been told by the then National Chairman, Stephen Hackney, that at a National Committee meeting held after the death of Mr Delaney (the SLA's first National Secretary) in 1985 it had been decided to give her express authority to recruit and decide the salary for the new National Secretary. She stated that Mr Hackney informed her that this delegation included the authority to deal with subsequent pay increases. She was unable to say whether the relevant meeting of the National Committee was quorate and has not been able to find the minutes of that meeting. However, she said that it was on this basis, and after consultations from time to time with Mr Hackney and his

successor, Mr Gerry McCann, that she agreed Mr Adams' starting salary and subsequent increases.

18. Reverend Baldwin stated that, to the best of her knowledge, the SLA had not held a quorate meeting of the National Committee in the period between Mr Adams' appointment in 1986 and late 2006. She further stated that the National Committee had never been asked to approve any of the increases of salary awarded to Mr Adams. Mr Adams agreed with both these propositions. He explained that the SLA was not like other unions in that it was difficult to get members involved in SLA affairs and to get members of the National Committee to attend its meetings. He said that the situation was made more difficult due to the fact that the industry was made up of 500 to 600 units scattered around the country.
19. Having regard to the above matters, Reverend Baldwin accepted that the salary increases received by Mr Adams since his appointment in 1986 had not been determined in accordance with rules of the SLA. In mitigation she explained:
 - 19.1 the difficulty in getting a quorum of members to attend the National Committee;
 - 19.2 the fact that she had always consulted with and obtained the approval of the National Chairman to any proposed salary increase or bonus to be paid to Mr Adams;
 - 19.3 the fact that she had researched comparable salaries before deciding on an increase and that any increase that Mr Adams was awarded was not out of line with increases generally, and
 - 19.4 the fact that the Certification Officer (via the AR21) and SLA members (via the Statutory Statement to Members), were always informed of the salary of the National Secretary.
20. On the salary issue, therefore, I concluded that the key facts are that:
 - 20.1 Mr Adams salary, upon recruitment, was £5,000 per annum.
 - 20.2 In addition he was contractually entitled to receive a bonus of £5 per member per year. This was to be paid when SLA funds permitted.
 - 20.3 SLA rule 10 (x) states 'The National Committee shall determine the salary of the National Secretary'.
 - 20.4 Mr Adams' salary was increased a number of times since 1986.
 - 20.5 The issue of the National Secretary's salary or increases was never discussed or determined by the National Committee.
 - 20.6 The National Secretary's salary has been accurately reported to the Certification Office on its annual returns on forms AR21 and to members in the annual Statutory Statement to members.

Conclusions

- 21. Of paragraph (a) of my terms of reference; namely to investigate “the amount of money paid to Mr Bill Adams from union funds and the processes involved for increases in salary and the payment of bonuses”.**

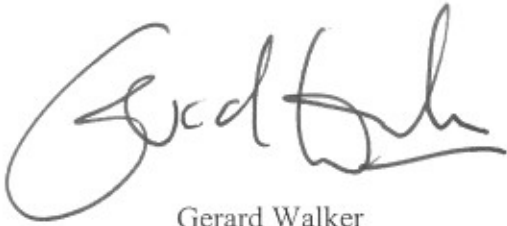
Reverend Baldwin and Mr Adams accept that the salary increases received by Mr Adams from 1986 to December 2006 when he left the SLA were not determined in accordance with the SLA's Rule Book. Much has been made of the difficulties that the SLA faced in holding meetings of the National Committee which were quorate. I do not doubt that the SLA did face such difficulties and that in the face of these difficulties it adopted an informal method involving the Financial Secretary and the National Chairman determining the salary increases for Mr Adams. I also accept that the amount of Mr Adams salary was accurately reported to both SLA members and the Certification Officer. However, the fact remains that an important rule of the SLA relating to its finances was breached on a regular basis between 1986 and 2006.

- 22. Of paragraph (b) of my terms of reference; namely to investigate “the recording, reporting and use of funds provided to the SLA by the British Horseracing Board (BHB) including those described as to fund ‘Welfare Matters’”.**

By a letter dated 2 April 2007, the SLA's solicitors informed me that they had been instructed by the SLA to report a potential financial irregularity to the police. The irregularity concerned the payments which had been made into the SLA No. 2 Account, including those payments made by the BHB since 1994 for the purpose of “assisting the SLA in its welfare work”. I informed the Certification Officer of the action taken by the SLA and of the continuing investigations of the Derbyshire police. On 3 April 2007, the Certification Officer directed me under section 37C(4) of the 1992 Act to take no further steps in respect of paragraph (b) of my terms of reference as it appeared to him that, in the words of the subsection, “*matters had come to light in the course of the investigation which suggest that a criminal offence has been committed and those matters have been referred to the appropriate prosecuting authority*”. The Certification Officer directed me to proceed to a final report as regard the remainder of my terms of reference.

- 23. Of paragraph (c) of my terms of reference, namely to investigate “any other matters indicating a financial irregularity, within the description set out in section 37B (2) of the 1992 Act, that may come to light during the investigation of (a) and (b)”.**

No other matters indicating such a financial irregularity have come to light during the course of my investigations.

A handwritten signature in black ink, appearing to read 'Gerard Walker', with a large, sweeping initial 'G'.

Gerard Walker
Assistant Certification Officer
Inspector appointed under section 37B of the
Trade Union and Labour Relations (Consolidation) Act 1992

Dated 15 June 2007.