

**Report to the 32nd General Assembly
FIG Working Week in Eilat, Israel 2009**

Financial Issues (including 2008 Accounts and 2009-2011 Budgets)

1. Introduction

The 2008 General Assembly raised a number of issues regarding financial matters, including the transparency of reporting and the levels of membership subscriptions. The Council spent a considerable time discussing these issues at its meeting in February 2009. This paper summarises key conclusions and decisions of the Council, as well as covering the formal reporting of 2008 FIG Financial results, budgets for 2009-11 and subscription fees for future years.

Following matters from the report need General Assembly decision and thus the General Assembly is asked to:

- Adopt the audited 2008 Accounts at Annex 20A to the General Assembly agenda
- Note the changes to the financial reporting template, presented as Annex 21B to the General Assembly agenda
- Approve the creation of general and specific reserves for FIG, as described in section 5 of this paper
- Approve that the General Reserve will be managed by the Council in the range 90-100% of regular annual expenditure, and that Council will review this range every two years (when agreeing the work plan for each new Council, and at the mid-term review of the work plan)
- Approve amended member association subscriptions for 2010, and member association subscriptions for 2011, set out in section 7 of this paper, including the changes to the maximum and minimum subscription levels
- Endorse the budgets for 2009, 2010 and 2011 as Annex 20C to the General Assembly agenda

2. Financial situation at the end of 2008

The audited 2008 accounts for FIG are attached as Annex 20A to the General Assembly agenda. They show that the Federation achieved a surplus of €28,029 for the year and held reserves of €503,453 at the end of the year. The accounts are presented in the familiar format and have been approved by the Council. They are presented to the General Assembly for adoption, in line with the Statutes.

3. Financial reporting formats and timetables

The Council has carefully reflected on the issues around financial reporting that were raised at the 2008 General Assembly. To address these, the Council has created a new reporting format, which is used for the 2008 financial figures in Annex 20B to the General Assembly agenda.

This uses types of direct expenditure as the reporting categories, rather than costs being allocated to different activities. This reporting format will be used from 2009 onwards.

In the proposed format:

- Subscriptions invoiced are clearly shown as a category – bad debts are set against them, rather than being recorded in another category
- Bank interest continues to be shown separately
- The areas of ‘Office and Council’ expenditure is divided into three categories – administration, marketing and publications, and council and executive management
- Administration is categorised into material headings:
 - Office costs (including office staff salaries, office rent and material costs)
 - Outsourced office costs (IT, book keeping, auditing)
- Marketing and publications – brought together (previously under a number of different items in the financial report)
- Council and executive management includes costs of the Council and the Director, all official travel funded by FIG (for President, Council members, other officers, Office staff) and all FIG meeting costs
- Commission support – both regular and intermittent
- A surplus of regular income over regular expenditure – a crucial indicator of whether the Federation is financially sustainable
- Events brought together above a sub-total – to bring greater clarity and transparency to the net result received from them
- Other projects – again, brought together

The Council has also considered the reporting cycle, and taken the view that FIG should use a 4-year budgeting cycle from 2011. This will allow the financial consequences of implementing the Council’s work plan to be reported, including the varying income to FIG from smaller and larger Working Weeks and Congresses. As a first stage in this process, a budget for 2009, 2010 and 2011 is being presented to this General Assembly. The Council is mindful that a new Council will be in place from 1 January 2011, but also that the Federation needs to plan ahead with regard to its finances.

4. A commentary on FIG income and costs 2008

The regular income of the Federation comes very largely from member subscriptions, particularly from member associations and corporate members. The inclusion of the corporate member category, and the current work to grow affiliate members (particularly amongst national survey and mapping organisations), has allowed the membership base to be broadened. This has the dual advantages of spreading the costs of running FIG more widely (and therefore has enabled membership subscriptions generally to rise in level with inflation, whilst at the same time developing the work of the Federation, and building reserves to buffer the Federation against unforeseen events), and of increasing the strength of the voice with which FIG, already the premier organisation representing surveyors globally, can speak to such organisations as the UN, the World Bank and national governments.

Subscription arrears at the end of 2008 were €85,000. The arrears were subdivided as follows:

- Member associations - €43,000. €32,000 of these arrears relate to 2008.

- Corporate members - €27,000.
- Academic members owe a total of €10,000. There are small amounts owed by a large number of institutions.
- Affiliate members owe a total of €5,000. This also consists of generally small amounts owed by a range of institutions.

The audited costs of running FIG in 2008, as can be seen from Annex 20A, were €474,745. The bulk of these costs, as can be seen more clearly in Annex 20B, were associated with the Office and the Council.

The largest single cash cost category is the FIG Office. This is to be expected, given the staff employed there and the significant work that they undertake. The Office has become central in the work of FIG, and the activity undertaken by its staff enables the Federation's Council members, Commission Officers, Task Force chairs and others to work more effectively, knowing that the staff are on hand to complete key work. Key work in the office can be categorised as member services, commission services, communications, and event development and management. Each of these is crucial to the effective and efficient running and development of FIG. No formal evaluation of the value of the effort undertaken by FIG 'volunteers' has been completed, but a conservative estimate is that the efforts are in excess of €1 million per year. The activity in the Office allows this effort to be applied considerably more effectively. The Office therefore has a key role in supporting the President, Council members and Commission Officers in executing their duties, and also in assisting the Council in providing FIG with a profile that befits its global standing as the leading international surveying organisation.

Marketing and publications is an important category of expenditure, which is supplemented considerably by the representational and ambassadorial work undertaken by the President, Council members and many others during each year. The relatively small level of direct cash expenditure is therefore not the full cost of this important work.

The Council of FIG also fulfils a range of responsibilities. These can be categorised as promoting the profession, executive management of the Federation, member support and event development. Further details of the range of representational and ambassadorial work undertaken by the President and Council members can be found in the President's report to the General Assembly, the biannual President's letter and, more generally, on the FIG website month by month.

Income from events is a crucial revenue stream to FIG, as can be seen by the deficit of regular income against regular expenditure in Annex 20B (€30,721 for 2008). The Office is very heavily involved, along with the host association, in ensuring the success of each event (measuring 'success' by the amount of learning for individual attendees, and promotion of the profession, rather than primarily the financial results).

Project work in 2008 in FIG was limited, although some work was done on improving management systems in the FIG Office.

5. FIG Reserves

The Federation began 2000 with no reserves. The American and German Bureaux, and the current Council, have made tremendous strides to build a reserve, with an initial target of that reserve being one times turnover, subsequently increased to 1.5 times turnover. Their success is reflected in the fact that the reserve at the end of 2008 is in excess of €500,000 (112% of 2008's regular annual expenditure). It is therefore appropriate at this stage to reflect on what the necessary size of reserve is.

It is perhaps first necessary to distinguish between

- A general reserve to ensure that FIG can cope with adverse financial situations; and
- Specific reserves to use for specific developmental purposes.

The two types of reserves together are the total reserves of the Federation and the total of the two types of reserves is what has been targeted to reach first one times turnover, and more recently 1.5 times turnover.

5.1 General reserve

This should protect the Federation against adverse financial situations, and therefore needs to be large enough to cater for a series of poor financial situations, but not excessive – the Federation is not a bank; its funds belong ultimately to its Members. The reserve should therefore, the Council believes, be:

- Sufficient to cope with three bad years in a row; and
- Sufficient to cope with a crisis

A bad year is perhaps one in which subscriptions are 10% below the norm, projects/ events make no surplus and all other expenditure is maintained. Using the 2008 outturn projections as a base, this suggests a loss of about €60,000 in a bad year.

A crisis is perhaps where the Federation has no income, takes a loss of €50,000 on projects/ events (because of forward bookings etc), cancels all discretionary expenditure but has 6 months salary and related costs to bear. Again taking the 2008 outturns as a base, this suggests a crisis loss of €190,000.

Taking three bad years and a crisis therefore suggests a general reserve of about €325,000 - €375,000 is required.

One other key issue needs to be considered at this stage, and that is unpaid member subscriptions. €85,000 of subscription arrears existed at 31 December 2008 – and this figure is not significantly out of line with previous years. These arrears are shown as income in the accounts when the amounts are invoiced, and then written off if it becomes clear that the money will not be received (usually when a member is expelled). The cash reserve is therefore lower by this amount than the 'published' reserve. And, in a crisis, it is cash that FIG will require. Council therefore proposes that €75,000 is added to the figures above, to reach a general reserve figure of €400,000-450,000. This figure is sensibly translated into a

percentage of FIG's regular annual expenditure. It equates to a range of 90-100% of regular annual expenditure.

Council proposes that, if the general reserve looks as though it will rise above 100% of regular annual expenditure, the Council will need to provide the General Assembly with an explanation of particular developmental activities for which it will be setting aside reserve. If the reserve looks as though it will fall below 90% of regular annual expenditure, the Council will have to explain what steps it is taking to protect the financial security of the Federation.

Council proposes that the allowable range of the general reserve should be reviewed on a two-yearly basis, and adjusted as necessary to take account of developments in the Federation's income and expenditure profiles. This would be done as part of each new Council's workplan, and at the mid-point review of the workplan.

5.2 Specific reserves

There may be specific activities for which the Federation wishes to hold a reserve. These might include:

- Planned development of the Federation;
- Planned development of FIG Office infrastructure;
- Support for specific Commissions/ groups of surveyors.

There may also be surpluses from particular events, such as those organised by Commissions, which the Council decides to hold for specific purposes (perhaps related to plans of the Commission in question).

It is therefore appropriate to earmark specific funds in specific reserves for specific activities. The balance sheet presented to the General Assembly would show the specific reserves for different purposes, but the Council would have authority (reporting to the General Assembly) to move money between different reserves (for instance, if money was held for a particular event which did not occur, the Council could decide to move the money in the reserve to be held for a different purpose).

If the reserve came from a Commission event, the expectation would be that the money was held by the Federation for use as the Commission saw fit.

6. Investments

The Federation must take care of its reserves, given that they are in place to protect the financial stability of the Federation. All investments of the reserves will therefore be in low risk investments. In the current financial climate, this means that reserves will be held in cash-based investments in a stable currency, and within limits of guarantees by relevant Governments. This policy will be reviewed as and when the current financial instability in the global economy ends.

All of the Federation's investments are currently held in bank deposit accounts, predominantly in Danish Kroner. Almost all of them are all fully guaranteed by the Danish Government until

the end of 2010. Council intends that they will continue to be invested in Government-guaranteed, cash-based investments. The one amount of money not fully Government-guaranteed is a sum of DKK 20,000 (€2,800) which was required guaranteed deposit capital to enable FIG to obtain higher interest rates on some of its investments.

At this stage, again given the financial uncertainty, the Federation will generally hold monies in the currencies in which they are received and with due regard to the currencies in which expenditure will be made. This means that the bulk of monies received (which are in euro) will be retained in euro, with conversion to Danish Kroner as necessary to make payments. The Danish Government is ensuring *de facto* that the Kroner tracks the euro, so the risk of significant loss for FIG through the euro-Kroner exchange rate is limited. FIG will not seek to use currency conversion as a tool to increase surpluses, but will seek to avoid significant losses through holding reserves in inappropriate currencies.

7. Subscriptions 2010 and 2011

The 2008 General Assembly approved membership fees for 2010 as follows:

Year	Per capita fee	Minimum fee	Maximum fee
2009	4.18 € per member up to a maximum of 4,000 members. Member associations from countries listed by the World Bank as low-income economies or lower-middle-income economies shall pay 2.09 € per member up to a maximum of 4,000 members.	200 EUR	136 per cent of the fee payable by an association with 4,000 members
2010	4.30 € per member up to a maximum of 4,000 members. Member associations from countries listed by the World Bank as low-income economies or lower-middle-income economies shall pay 2.15 € member up to a maximum of 4,000 members.	200 EUR	139 per cent of the fee payable by an association with 4,000 members (5440 members).

On consideration of the table above, and in light of comments by a number of (small and large) Member Associations, the Council proposes two structural changes:

- To fix the sliding maximum scale for subscriptions at 5,500 members from 2010;
- To reduce the minimum number of members used in calculating the subscription to 20, and the minimum annual subscription to €50 (whichever of the two figures is the greater). This is to address particular concerns raised by some African countries.

In addition, the Council has reflected on the size of the FIG reserve, and the current financial situation. Council believes that the finances of the Federation are healthy enough to freeze 2010 subscriptions at 2009 levels. Recognising the impacts of the current economic situation on all members, Council therefore proposes that the General Assembly amend the

subscription rates for member associations for 2010, and sets 2011 subscriptions as in the table below:

Year	Per capita fee	Minimum fee	Maximum fee
2009	<i>4.18 € per member up to a maximum of 4,000 members. Member associations from countries listed by the World Bank as low-income economies or lower-middle-income economies shall pay 2.09 € per member up to a maximum of 4,000 members.</i>	200 EUR	<i>136 per cent of the fee payable by an association with 4,000 members</i>
2010	4.18 € per member up to a maximum of 5,500 members. Member associations from countries listed by the World Bank as low-income economies or lower-middle-income economies shall pay 2.09 € per member up to a maximum of 5,500 members.	20 members or 50 EUR (whichever is greater)	5,500 members (22,290 EUR)
2011	4.30 € per member up to a maximum of 5,500 members. Member associations from countries listed by the World Bank as low-income economies or lower-middle-income economies shall pay 2.15 € member up to a maximum of 5,500 members.	20 members or 50 EUR (whichever is greater)	5,500 members (23,560 EUR)

The Council intends to follow the same principle of freezing 2010 subscriptions at 2009 levels when setting subscription levels for other categories of members.

8. Budgets 2009, 2010 and 2011

The budgets for these years are shown at Annex 20C, using the same reporting format as the template at Annex 20B. A range of notes to the budgets explain particular figures. Two specific overriding issues should also be borne in mind by the General Assembly:

- As always, we can make predictions about surpluses from events, but factors may arise which affect these; and
- The potential risk around subscriptions in the current economic situation could reduce the subscription income.

Annex 20C also indicates a number of areas Council considers appropriate for specific reserves to be held. These are:

- Commission reserves (recognising that the surpluses on some commission events should be held separately, for discussion with the Commissions involved as to appropriate ways to use the surpluses to develop the Commissions' and Federation's work).

- Office development activity. In particular, the FIG website, the primary communication tool for the Federation, is becoming very difficult to manage and develop. We also need to invest in integrating the various databases run by the Office, which are currently very unwieldy and ineffective.
- A specific reserve for supporting very poor member associations, or those who are not able to make payment of subscriptions, to provide them temporary support to allow them to continue their membership of FIG. Council is considering a number of options to take this forward. We could for instance establish a support fund for active member associations temporarily unable to pay their dues, although the mechanisms to ensure fairness in application of these funds would need careful consideration.
- Support for the work of Task Forces. Some of the current Task Forces are attempting to take forward high-profile and valuable work without any secured budget; availability of funding could in some cases improve the quality and accessibility of their outputs. The need for funding is explicitly mentioned in the terms of reference for the proposed Task Force on Africa.
- Some funds for activity with younger surveyors, subject to clear plans for the use of this money, for approval by the Council.

The FIG Office is currently specifying the work required on the website and databases, to allow quotes for the work to be obtained. At that stage, it will be possible for the Council to allocate initial amounts to each of these reserves.

9. Conclusion

The finances of FIG are in a healthy state, thanks to the work of many people over many years. This has given the Council the opportunity to review a range of issues. The results of the review are documented in this paper, which Council commends to the General Assembly.

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