

**Report to the 35th General Assembly
FIG Working Week 2012 in Rome, Italy**

Financial Issues (Including 2011 Accounts, 2012-15 Budgets and 2014 Subscriptions)

1. Introduction

This paper provides the General Assembly with an update on FIG's financial progress in 2011, the Council's amended proposed budgets for 2012-14 and an indicative budget for 2015 (which will be the first year of the new Council's term), and other financial matters.

The General Assembly is asked to:

- Adopt the audited 2011 Accounts at Annex A, noting that the audited accounts are in the form of the template approved at the 2009 General Assembly (and provided again at Annex B)
- Endorse the budgets for 2012-15, at Annex C to the General Assembly agenda, noting that the General Reserve recovers from 78% of regular annual expenditure at the end of 2010, to 103% at the end of 2014 and (indicatively) 100% at the end of 2015
- Approve member association subscription levels for 2014, set out in section 5 of this paper.

2. A commentary on FIG income and costs 2011

The global economic situation remained poor in 2011, but the Council's prudent approach to budgeting and close control of all costs allowed the return of a surplus for the year, and the recovery of the general reserve to be above the range set by the General Assembly in 2009.

At the end of 2010, the Council restructured the FIG Office staffing, replacing the General Manager with an Office Manager. This reduced salary costs, whilst ensuring that the services provided by the Office did not reduce.

Income from subscriptions was largely in line with budget, although the level of write offs was larger than budgeted, due to a number of resignations during the year, and the need for the General Assembly and Council to expel a number of members for non-payment of subscriptions. This measure is only taken as a last resort, after many attempts to contact the member and agree a payment plan to pay off the arrears; the Council is however very aware that many – perhaps most – members are suffering financial difficulties and so is anxious to ensure that the benefits received by members are removed from those who do not pay their arrears (for three years for Member Associations, and two years for other categories of member).

Financial income exceeded the very cautious budget set because Office staff examined a number of accounts in which to invest the reserves, and were able to improve financial income whilst continuing to invest in low-risk ways.

Income from the services provided to the Working Week exceeded the budget, because the charge made by the Office for registration services (a fixed price per registrant) was not included in the budget and the number of participants was more than expected.

Overall, income was €20k above budget.

Office costs were realised in line with the budget (and €15k below 2010 costs), with careful controls being exercised on all expenditure. This has included reviewing prices quoted by existing suppliers and changing suppliers where appropriate. Outsourced costs were slightly below budget. However, there were two movements within this category which balanced each other. Bookkeeping costs were above budget because we had originally planned (and budgeted) to reduce bookkeeper time during 2011. However the amount of bookkeeping required has increased now that FIG is responsible for conference registrations (this is covered in the money charged by FIG for each registrant). In addition, the work by the office staff and the bookkeeper over the last two years have regularised all aspects of our accounts; it is therefore important that we maintain this high level of bookkeeping accuracy. Against this, we spent less than budgeted on the maintenance of the FIG website, as other pressures in the office meant that we continued on a care and maintenance basis this year. IT costs were in line with budget; during the year, we changed IT suppliers to address problems with the service provided by the last supplier, with no increase in total costs.

As expected in the first year of the term of the Council and Commissions, publications were limited and so marketing and publication costs were slightly below budget.

Council and executive management costs were €30k below budget. This was realised through a number of savings. Travel costs were €25k below budget, and were again very tightly controlled. It is important also to note that in many cases, travel by Council members is subsidised or fully covered by Council members' employers, by the hosts, or by other organisations. FIG is very grateful for this support, which allows Council members to maintain close contact with many members during the year. Meeting costs were below budget as there was only one face-to-face meeting of the Council in 2011, in Marrakech.

The grants to Commission chairs were increased in 2011, in line with the decision of the General Assembly.

Overall, the surplus of regular income over regular expenditure was €55k better than budgeted.

The Working Week in Marrakech returned a higher than budgeted financial result, partly due to higher than expected numbers of participants, and also due to careful management by our hosts.

Developmental spend was carefully monitored against the overall financial position, with monthly updates being produced by the Office, and formal quarterly reports to Council. The healthy financial position allowed the Council to honour all requests from Task Force chairs for support and from Commission chairs for specific support, and to undertake some developmental work on our IT systems and website. This latter element was, however, less than planned due to increased staff leave against leave accrued in previous years. Poor member support was also provided to all those eligible member Associations who requested it.

The final result therefore was a surplus for 2011 of €80,020 against a budgeted surplus of €3,250.

The reporting of the results follows the amended account structure presented to the General Assembly in 2011. The 2010 results have, wherever possible, been restated in accordance with this new structure.

At the end of year, FIG's total reserve stood at €63,052, 115% of regular annual expenditure. A further discussion of necessary reserves for the Federation is presented in section 4.

At the end of 2011, the arrears of unpaid subscriptions stood at €98,185. This is a reduction on the end of 2010 figure of €110,224. The reduction of the figure in these difficult financial times has much assisted by significant work by office staff to ensure that invoices are received by the appropriate person in each member, and continuing contact to ensure payment. This takes considerable effort for Office staff, and the Council again requests all members to pay their invoices promptly, or to contact the Office if they have difficulties in doing so. This will considerably free up staff time to work on other FIG work. The size of the arrears results in a portion of FIG's reserves being used to fund FIG cash flow, rather than being invested.

3. Budgets 2012-15

Annex C to this paper presents proposed revised budgets for 2012, 2013 and 2014 and an indicative budget for 2015. The Council is mindful of the competing requirements to state a budget 4-years ahead (as committed to at the 2009 General Assembly), and that the final year of the budget will form the first year of the new Council's work plan. The 2015 budget should therefore, at this stage, be seen as indicative.

The key changes to the budgets agreed at the 2011 General Assembly are:

- Reduction in budgeted income from corporate members, both because of the overall financial situation, but also because of organisational mergers – for instance of Trimble and Ashtech (previously both corporate members);
- Write off budgets are increased because of the overall financial situation;
- Income from fees charged for conference services is increased in 2012 because of the regional conference;
- Bookkeeping costs are increased, for the reasons explained in section 2 – it is important to note that some of these costs are recovered in the registration fee charges to the working week, but Council has felt it important to keep costs where they lie, to allow open and transparent reporting of the financial position;
- Travel costs for 2013 have been reduced in light of 2011 costs;
- IT developmental activity has been budgeted in 2012, because of the reduced work in 2011 (see section 2).

As last year, every effort has been made to base the budget on facts, and to set the budget prudently. This is particularly important given the overall economic situation.

The budgets at Annex C include 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.

There remain three key measures for the budget, Council believes; these are all set out in the Annex:

- Key measure 1: there must be a surplus of regular income over regular expenditure each year – to ensure the financial sustainability of FIG;
- Key measure 2: there must be an overall surplus over the 4-year Council period – again to ensure sustainability, but to allow flexibility of the profiling of income from events and expenditure on developmental activity;

- Key measure 3: the general reserve must remain within the level of 90-100% of regular expenditure.

The budget contained in Annex C meets key measures 1 and 2. Key measure 3 is discussed further below.

4. FIG Reserves

As is shown in Annex C, the FIG general reserve at the end of 2010 had reduced to 78% of regular annual expenditure, below the 90-100% range agreed by the 2009 General Assembly. The positive financial result for 2011 has increased the total reserve to 115% of regular annual expenditure.

Council has carefully considered the necessary size of FIG's total reserve. A key consideration in this has been the risks that FIG faces into the future, and any changes to these. Council has agreed that continuing prudence is required, given the final results in 2009 and 2010 being poorer than budgeted, and the overall global financial situation. Council has also considered the changes to the arrangements for organising FIG events, where FIG will take increasing responsibility, significantly reducing the role of Professional Conference Organisers (PCOs). This decision was made by Council after a review of FIG's recent experiences in event organising, and considering the arrangements of other organisations. The new arrangements will provide FIG with greater managerial control over events, remove the mark up taken by PCOs, but increase FIG's overall exposure to risks, and require additional cash flow on occasions to make early bookings. Council is content that the new arrangements (which are being phased in, given the advanced preparations for a number of events) are beneficial to FIG, but that they require the creation of a specific Events Reserve. This is therefore shown in the results sheet for 2011 (Annex B), and the forward budget (Annex C). The proposed size of the reserve is €50,000, with this level being reached in two stages (2011 and 2012). This change reduces the General Reserve to 109% of regular annual expenditure at the end of 2011.

Council has also considered the appropriate denominator for the reserve calculation, noting that the percentage can move significantly as the regular annual expenditure varies year to year. Much of this variation is over a 4-year cycle (with increased publication costs at the end of a Council and Commissions' term, for instance). To reduce the variability of the percentage calculation, Council has decided to use a 4-year averaging of annual expenditure, and this change has been applied to the budget spreadsheet at Annex C (but not to the results sheet at Annex B, to maintain internal integrity in each of the sheets). Council considers that this provides a more robust view of the size of the reserve.

Having implemented these changes, the size of reserves (total, events and general) are shown in Annex C, with the General Reserve (using the 4-yearly averaging of expenditure) being 97% at the end of 2011, and in the 98-103% range for 2012-15. Council considers this to be a prudent range for the reserve in these difficult financial times, but will review the necessary size of the Events Reserve after the results of the 2012 events are known and as the specific arrangements for event organising are implemented.

The reserves are held in low risk investments, in line with the policy agreed by the General Assembly. Any transfer of the reserves requires approval by two people, one of these being a Council member.

5. Subscriptions 2014

The 2011 General Assembly approved membership fees as follows:

Year	Per capita fee	Minimum fee	Maximum fee
2013	4.48 € 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 2.24 € member up to a maximum of 5,500 members.	20 members or 50 EUR (whichever is greater)	5,500 members (24,640 EUR)

These were the same level as for 2012 and Council indicated that it wished to maintain the same subscription levels for 2014. Council therefore now formally proposes the following subscription levels for member associations for 2014; in line with recent practice, Council also plans to hold subscription levels for other categories of member, which are set by Council, steady:

Year	Per capita fee	Minimum fee	Maximum fee
2014	4.48 € 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 2.24 € member up to a maximum of 5,500 members.	20 members or 50 EUR (whichever is greater)	5,500 members (24,640 EUR)

The 2015 budget in Annex C is based on the assumption that subscriptions will stay at the same levels in that year, but a formal proposal will be brought forward to the 2013 General Assembly, after consideration of the 2012 financial results.

6. Conclusion

2011 was a difficult year for the global economy. This was reflected in certain aspects of FIG's financial position, for instance in increased write off of subscriptions. Overall, however, close control of costs ensured a solid financial result and the return of the reserves from below the range set by the General Assembly. These reserves are vital for the Federation in these continuing difficult financial times, and maintaining reserve levels remains an important focus for the Council.

Council believes that the budget set is prudent and realistic and will allow appropriate decisions to be made on levels of developmental expenditure, to ensure the continuing sustainability of FIG's finances.

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16 February 2012