

2013 GENERAL ASSEMBLY
FINANCIAL ISSUES (INCLUDING 2012 ACCOUNTS, 2013-16 BUDGETS AND 2015
SUBSCRIPTIONS)

1. Introduction

This paper provides the General Assembly with an update on FIG's financial progress in 2012, the Council's amended proposed budgets for 2013-15 and an indicative budget for 2016 (recognising that 2015 and 2016 will be the first half of the next Council's term), and other financial matters.

The General Assembly is asked to:

- Adopt the audited 2012 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 2013-16, at Annex C to the General Assembly agenda, noting that the General Reserve holds steady in the range 90-100% of regular annual expenditure aside from an increase to 107% at the end of 2012 and a decrease to 88% at the end of 2016.
- Approve member association subscription levels for 2015, set out in section 5 of this paper.

2. A commentary on FIG income and costs 2012

The global economic situation remained poor in 2012, but the Council's prudent approach to budgeting and close control of all costs allowed the return of a surplus for the year that was very close to the agreed budget.

Income from subscriptions was largely in line with budget, with member association income slightly above budget but, worryingly, corporate member subscription below budget and €5,000 below 2011 income from this source. Expulsions, a step only taken as a last resort, after many attempts to contact the member and agree a payment plan to pay off the arrears, resulted in bad debt income above budget. Council is 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).

A key accounting change in 2012 was the introduction of an accounting provision for doubtful debt from subscriptions. This has been implemented at the strong urging of the auditors, and in line with general accounting provisions for prudent figures. The auditors have queried the lack of a provision for doubtful debt from subscriptions each year for some years, but a general reduction in arrears outstanding at year end has allowed us to argue that the lack of provision was acceptable. Arrears at the end of 2012, however, were €153,711, an increase of more than 50% from the 2011 figure of €98,185. This level of arrears exists despite very considerable efforts by Office staff to contact members in arrears to arrange payments. We have therefore introduced a provision into the 2012 accounts to cover all subscriptions of members that would be due for expulsion in 2013 if they do not make payments. In future years, we will apply the same provision, and the financial result each year will show the change in the provision from year to year. 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 activities. The size of the arrears results in a portion of FIG's reserves being used to fund FIG cash flow, rather than being invested.

Financial income held steady at 2011 levels.

Income from the services provided to the Working Week was below budget, as was the share of the surplus from the event, due to higher than expected costs for the event.

Overall, income was €44k below budget – without the provision for doubtful debt, it would have been €5k below budget.

Office costs were realised slightly below budget (and at almost identical levels to 2011 costs), despite the need to retain an additional temporary member of staff to cover the Director's extended sick leave. Very careful controls continued to be exercised on all expenditure.

Outsourced costs were very slightly below budget.

There were fewer publications brought forward during the year than budgeted, enabling a saving against budget in this area.

Council and executive management costs were €33k below budget (and slightly below 2011 costs). This was realised through continuing careful control of travel costs, reduced meeting costs as all Council meetings during the year were held during FIG events (and the February 2012 meeting was financially supported by the Malaysian Government), and the receipt of sick pay from the Finnish Government to set against some of the Director's salary cost. 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.

The grants to Commission chairs were paid in line with the levels agreed by the General Assembly.

Overall, the surplus of regular income over regular expenditure was €31 better than budgeted.

As summarised above, income from the Working Week in Rome was less than expected due to higher event costs. Due to staff pressures, we agreed a different financial model for the Regional Conference in Montevideo, and this reduced the income available to FIG (whilst passing tasks and financial risk to the local organisers).

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 overall financial position allowed the Council to honour all requests from Task Force and Network chairs for support and from Commission chairs for specific support. No poor member support under the specific Council scheme was requested by eligible Member Associations, and staffing pressures meant that no IT development work was taken forward in 2012.

The final result therefore was a surplus for 2012 of €29,921 against a budgeted surplus of €36,250.

The reporting of the results follows the amended account structure presented to the General Assembly in 2011.

At the end of year, FIG's total reserve stood at €42,973, 118% of regular annual expenditure. A further discussion of the Federation's reserves for is presented in section 4.

3. Budgets 2013-16

Annex C to this paper presents proposed revised budgets for 2013, 2014 and 2015 and an indicative budget for 2016. 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 two years of the budget will form the first half of the next Council's work plan. The 2015 and 2016 budgets should therefore, at this stage, be seen as indicative.

Key considerations in constructing the budget

Council's overriding consideration in preparing the budget has been to minimise costs, whilst protecting the core activities of FIG. Council is very aware of the financial difficulties being faced by many FIG members, and therefore the risks to income (from both subscriptions and events) and therefore has sought to keep costs to as low a level as possible; but whilst still providing the key services that members expect from FIG – and that FIG needs to deliver if the Federation is to remain the pre-eminent international NGO representing the surveying profession, speaking on its behalf to organisations such as the World Bank and the UN (and its Agencies). This has proved a difficult balance to strike, recognising cost of living increases, striving to keep subscriptions at a constant level, and working within the protocols on FIG's reserves. A number of iterations of the budget have been completed, discussed and amended. Council therefore presents to the General Assembly a budget that has undergone very considerable review and refinement. Council is very mindful of the two key, ongoing risks to the budget:

- We can make predictions about income from events, but factors may arise which affect these. Council has (as described below) reviewed risks from events, and developed models to address these risks.
- The potential risk around subscriptions in the current economic situation could reduce subscription income. Council has recognised this risk in the revised accounting treatment of doubtful debt from subscriptions, but the levels of arrears show that it remains a significant area of concern.

Staffing

Council has carefully considered the structure of FIG staffing, and the processes for organising events (which take a considerable percentage of staff time). With the Director leaving FIG in 2013, we have restructured the office with the following roles:

- FIG Manager (Louise Friis-Hansen) responsible for general management, developmental/strategic tasks, oversight of events, oversight of finances, membership matters (particularly in relation to corporate members), council/ commission matters, oversight of IT, communication and Foundation secretariat duties
- FIG Office and Events Coordinators (Hanne Elster, and Claudia Stormoen) responsible for membership administration, website maintenance, communication tasks, detailed planning and organisation of FIG events, and Foundation administration etc
- FIG Development Coordinator (Julie Lee) working on office development and liaison tasks including FIG publications, support on cooperation with UN offices and sister organisations, administrative support to President, Council and Commissions and assisting in the daily administrative office and events duties
- FIG bookkeeper (Maria Bargholz, part time) responsible for financial administration.

The Council is extremely grateful to the Korean Cadastral Survey Corporation (KCSC), a key member of the Korean Confederation of Surveyors, a member association of FIG from Korea for providing one of its staff to undertake the role of FIG Development Coordinator from early 2013, and the financial support of its employee Julie Hyun Sook Lee which KCSC has provided.

Organisation of events

The Council and FIG staff have worked on defining a future concept for conferences which will secure the FIG brand, continue to bring FIG close to all members, be manageable for the office, and provide a level of financial security for FIG. We have considered various models, including the use of an international PCO; taking over all aspects of conference organising; and simply licensing the FIG brand to conference organisers. This has been a key area for Council discussion, given the vital importance of events for FIG and its members, but the considerable staff time they require, and the financial risk that running an event brings. After much consideration, the Council has agreed developed a set of models of FIG involvement in events. In these models:

- FIG will handle the overall programme, the technical programme, keynote speakers, the website, and international exhibitors;
- The local organisers will handle the opening ceremony; contact with the venue; hotels; the local exhibition; local registrations; social events; technical tours; and social tours;
- Responsibility for international registrations will be agreed event by event.

FIG will be paid a fixed fee for the services it provides, including bringing the FIG brand to the event.

Variations of the model are in place, with the fee agreed, for Abuja (the Uruguay event used a variation of the model as well). We are in discussion with the 2014 Congress organisers to agree the details of the model to be used and fee level. We will begin discussions with Sofia and Christchurch organisers shortly.

We believe that the models and arrangements provide a sound basis for future conferences, and provide an appropriate balance between FIG and local input and expertise.

Budgets

The areas of staffing and event organisation are, of course, interlinked, and have been a key area of discussion as Council seeks to ensure a sustainable, vibrant, effective and efficient Federation for the future.

In light of these decisions, the 2013-15 budgets have been reviewed, and a 2016 budget drafted. The key changes to the budgets agreed at the 2012 General Assembly are:

- Reduction in budgeted income from member associations and corporate members, in light of resignations and 2013 invoiced figures. Once Office staffing is stabilised, membership development will be an important focus of the FIG Manager;
- Write off budgets are increased because of the overall financial situation;
- Income from events is moved fully to fees for services provided, in line with the model developed – and total income from events each year is revised in light of discussions with 2013 and 2014 organisers;
- Administrative costs have been further reduced wherever possible;
- Council costs have also been carefully scrutinised. Travel budgets have been reduced in light of 2012 actual figures (whilst recognising the expectations that the FIG President and Council members will be available for a range of events and activities; and that much of the current President's travel is supported by other sources of funding).
- The elements of salaries accounted for under Council costs have changed. In 2013, there will be costs associated with the departure of the FIG Director. Costs for future years reflect the contracted salaries of FIG staff members;

- IT developmental activity budgets have been increased for 2014 and 2015, recognising the significant work that is required to FIG systems to make them fully fit for purpose and efficient.

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.

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 with the following exceptions:

- Key measure 1 is not achieved in 2013, due to the costs associated with the departure of the FIG Director;
- Small deficits are budgeted for 2015 and 2016; key measure 2 therefore requires that 2017 and 2018 must offset these deficits. Council recognises that this is a matter for the next Council, and has therefore attempted at this stage to budget each of the years close to zero.

Key measure 3 is discussed further below.

The budgets at Annex C include a range of notes to the budgets explain particular figures.

4. FIG Reserves

As is shown in Annex C, the FIG general reserve at the end of 2012 was 107% of regular annual expenditure. This is above the 90-100% agreed by the 2009 General Assembly. The rise from the 99% budgeted in the 2012 General Assembly finance paper, to 107%, is mainly due to the reductions made to the annual expenditure budgets for future years (the reserve percentage is calculated using an average of four years' regular annual expenditure, as agreed at the 2012 General Assembly).

In addition, Council has retained the €25,000 events reserve, for the reasons set out in detail in the Finance Paper to the 2012 General Assembly. In essence, this recognises the ongoing risk of organising events, particularly in the current financial climate. Council considered increasing the size of this reserve (indeed, this had been indicated in the 2012 finance paper), but concluded that the new arrangements put in place for organising events enabled it to stay at €25,000.

The deficit budgeted in 2013 will bring the general reserve back into the agreed range. It then remains in that range, although dipping below (to 88%) in 2016. Council proposes that this is accepted by the General Assembly, on the basis that the next Council will want to consider the budget further. Given that costs have, in Council's opinion, been cut to a minimum, a subscription rise would be likely to be required to increase the reserve value. As member development will be progressed by FIG staff in 2013 and 2014, and subscription levels for 2016 will not be decided until the 2014 General Assembly, Council believes that the budget presented in Annex C provides for a sustainable Federation and can be accepted.

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 2015

The 2012 General Assembly approved membership fees as follows:

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)

These were the same level as for 2013 and Council indicated that it wished to maintain the same subscription levels for 2015. Council therefore now formally proposes the following subscription levels for member associations for 2015; 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
2015	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)

Council has also considered a number of other issues concerning subscriptions and has decided the following:

- It takes a good deal of staff effort to chase what are quite small annual payments from Academic Members (currently €220 per year). We considered a standard payment once every 4 years but staff are concerned this will actually make payments more difficult – because we will lose the annual contact with Academic Members that allows us to check contact details etc – we run the risk that, returning to them four years on, the person who had been the driving force behind Academic Membership will have moved on or retired and we will lose the member. Academic Members will therefore be offered two options from 2015:
 - Annual invoicing; or
 - 4-yearly invoicing, with a reduction of price by €80 (so €800 at current rates, instead of €880 – reflecting the reduced effort for officestaff of chasing payment each year). If an Academic Member chooses this option, they will still be asked to update contact details once a year.

- Council considered similar arrangements for Affiliate Members, but the fees in this case are larger, and most of these organisations operate annual budgets and would therefore resist swings from a larger amount in one year to zero in other years. The numbers of Affiliate Members are also smaller than those of Academic Members. Council will revisit this decision if we find that there is large take up of the option by Academic Members and it proves successful in reducing administrative effort.
- Council has looked again at the maximum fee, which is currently set at 5,500 members. We considered holding this to a fixed monetary amount, or adjusting the number of members, and have concluded that it would be appropriate to fix it at 5,500 members or €25,000, whichever is the lower – this would be the maximum that any Member Association would pay to be a member of FIG. The current maximum is 5,500 members x €4.48 = €24,640; the cap of €25,000 would apply once the subscription rate has increased by 1.5%.

The 2016 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 2014 General Assembly, after consideration of the 2013 financial results.

6. Conclusion

2012 was a difficult year for the global economy. This was reflected in certain aspects of FIG's financial position, for instance the level of write off of subscriptions and the decision to make a provision for doubtful debt from subscriptions. Overall, however, close control of costs ensured a solid financial result and an increase in FIG's reserves. These reserves are vital for the Federation in these continuing difficult financial times, and maintaining reserve levels remains an important focus for the Council. Indeed, some of the reserves will be required to cover the deficit budgeted for 2013.

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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