

Financial Issues (Including 2010 Accounts, 2011-14 Budgets and 2013 Subscriptions)

1. Introduction

This paper provides the General Assembly with an update on FIG's financial progress in 2010, the incoming Council's proposed budget for its four year term, and other financial matters.

This paper and attachments have been reviewed by FIG's auditors as part of the year end audit. This has been done for the first time in 2011, but is in line with good auditing practice and provides a further level of assurance to the General Assembly and Council that the accounts and reports are a true and fair reflection of the financial position of FIG.

The General Assembly is asked to:

- Adopt the audited 2010 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 2011-14, 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 102% at the end of 2014
- Approve member association subscriptions for 2013, set out in section 6 of this paper.

2. A commentary on FIG income and costs 2010

2010 was a difficult year for the global economy. FIG was impacted, along with most other organisations. The particular impact for FIG was the resignation of a number of Corporate Members, leaving a significant deficit against the subscription income budget. The very low interest rates in Europe also reduced FIG's financial income. The combined effect of these factors was that FIG had a shortfall of income against budget of €31,294.

Recognising these issues during the year, the Council took a range of actions. The most significant of these was to restructure the staffing in the FIG Office to make its costs match available funds, whilst also ensuring that it was able to deliver what is required of this vital FIG resource. The decisions by Council were taken in light of needs of FIG for the period 2011-14; these aspects are reported on in section 3 below. The result of the restructuring, and very careful cost control in the Office, was a saving of €21,617 against budget.

The very high number of publications produced by Commissions and the Council in 2010 reflects strongly on the capacity and importance of the work of FIG, but led to an overspend against the Marketing & Publications budget.

Council and Executive Management expenditure was also carefully managed by the Council, with travel costs being below budget. The handover event led to an overspend of this budget area by €2,746 – the handover event was proceeded with after careful consideration by Council of the benefits and costs of the event, and was run on a tight budget.

A number of Commission chairs sought support for additional activities in the final year of the Commission term and this, along with the costs of the important meeting of incoming chairs at the end of 2010, saw an increase in specific Commission grants for 2010 when compared to 2009.

The result of all of these factors was that the deficit of regular income over regular expenditure was €24,509 worse than budgeted, with the loss of subscription income being the largest factor in this.

The very successful Sydney Congress returned a healthy surplus for FIG, although slightly less than budgeted. Other income came from the review of documentation for the World Bank, the organising of the FAO aspects of the Sydney Congress by the FIG Office, and some external support for Commissions. Against this were set some late invoices associated with the 2009 Working Week and Regional Conference, and a write off associated with a 2008 payment.

The final result therefore was a surplus for 2010 of €4,045 against a budgeted surplus of €35,360.

Below the result line has been recorded the additional travel costs associated with the volcanic ash cloud which disrupted travel back to Europe after the Sydney Congress, and the support agreed by the General Assembly to the Young Surveyors Network and the Africa Task Force. No member associations received funding from FIG reserves to support their payment of subscriptions; the two members who have accepted this support had not paid their portion of the subscriptions by the end of 2010.

At the end of year, FIG's general reserve stood at €383,032, 78% of regular annual expenditure. This is below the 90-100% range agreed at the 2009 General Assembly. The position has been restated from that in the 2010 finance reports because of an old error in the reporting. The restatement in no way alters the cash held by FIG; it has been paper corrections to accounting anomalies which have been resolved by intensive work by the FIG Office staff.

At the end of 2010, the arrears of unpaid subscriptions stood at €110,224. Although a considerable improvement on the arrears of €143,000 at the end of 2009, this is still a considerable amount – more than 25% of annual subscriptions – and higher than the €85,000 at the end of 2008. FIG staff continue to make considerable efforts to collect monies owed by FIG's members. 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 2011-14

The budgets presented in Annex C to this paper have been developed in parallel with the development of the Council and Commission work plans for 2011-14 quadrennial; this is the first time that a Council has presented a 4-year budget to the General Assembly.

Every effort has been made to base the budget on facts, and to set the budget prudently. This is particularly important given the negative movements against budgets in 2009 and 2010.

A number of changes to the positioning of items in the budget have been made, predominantly to make a clearer distinction between regular and developmental activity. The changes in the categorisation of activities in the budget are as follows:

- FIG's income for providing particular services to events is treated as regular income (whereas the share of surplus on events is treated as developmental income).
- The regular grant to the chair of the Young Surveyors Network is treated as regular expenditure, rather than from reserves. This reflects the Council's view that the Network is now a permanent part of FIG.
- Specific grants to Commissions, funding to Task Forces, and poor member support are treated as developmental expenditure.
- A budget for regular web development costs is included for the first time in regular expenditure, with further funds for particular upgrades/ overhauls included in developmental expenditure.

This separation supports a clear Council policy that regular income must exceed regular expenditure each year. The consequence of this is that any areas of discretionary expenditure – particularly Council travel – will be managed downwards if this policy is threatened by other changes in income or expenditure. The Council travel budget will be closely managed by the Office, with an annual travel programme set against it, and any changes to this needing formal approval by the President.

General Assembly will note that the surplus of regular income over regular expenditure is only €12,250 in 2011, meaning that this year will need careful management.

Particular aspects of the regular income and regular expenditure budgets include:

- To ensure prudence, the assumed number of members has been kept very similar to 2010, despite a number of expected new members.
- Office costs will continue to be very carefully managed, but the administration budget includes €10,000 for the development and management of the FIG website.
- Council has decided to increase the regular grant to Commission chairs and the Young Surveyors Network Chair, to €3,000 per year for the 2011-14 term. This is designed to support the delivery of activity by the Commissions and Network.

Turning to developmental activity, this will be undertaken to the extent that finances allow, ensuring that the reserves of the Federation move back into the 90-100% of regular annual expenditure authorised by the General Assembly, and that the overall result is positive over the four year term. This is achieved in the budget, with the reserves rising to 102% at the end of 2014. This will be reviewed each year, and any adjustments made as necessary. In addition:

- Budgets for IT and web development include a major upgrade of the website to new technology during the period, and a refresh of IT hardware connected to our move of IT supplier in early 2011. We had considered significant work on the website in 2010 or 2011 but have held back after receiving advice that the technology isn't yet sufficiently stabilised to know which system we should move to. We therefore plan some face-lift work in 2011 and the major upgrade in 2013.
- Funds for supporting Task Forces and the chair of the Standards Network are included.
- Ongoing support to poor Member Associations is included.
- Specific commission grants are reduced in 2011 and 2012 in recognition of the increase in the regular grant. Each request for specific funding by a Commission will be considered on its merits, against the goals of the Commission and Federation, and against the projected financial result for the year.

The budget shows a return to the 90-100% range for the reserves in 2013, after reducing to 78% in 2010. It is for this reason that Council proposes to continue with the 2012 subscription rise of 4.2% for Member Associations approved at the 2010 General Assembly. Council considered freezing subscription levels for 2011-14 at 2011 levels but this would not deliver the required sustainable budget, whereas a freezing of 2012 levels for 2013 and 2014 is able to.

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.

Annex C does not include the 2011 and 2012 budgets approved by the 2010 General Assembly. This is because the incoming Council presents the proposed 4-year budget alongside its Work plan. The recategorisation of a number of items as explained earlier in this paper also makes direct comparisons more difficult. When comparing like with like against the previous budgets, the 2011 budget presented here is an improvement of €21,500 on that presented in 2010. Key changes are a reduction in subscription income of €30,000; and a reduction in administration costs of €40,000 and in council costs of €15,000. The 2012 budget is an improvement of €23,750, with similar key factors.

4. FIG Reserves

As is shown in Annex C, the FIG general reserve at the end of 2010 has reduced to 78% of regular annual expenditure, below the 90-100% range agreed by the 2009 General Assembly. This is considerably lower than the 91% position predicted in the finance paper to the 2010 General Assembly. The key reason for this is that, when finalising the 2010 accounts, an error was found in the reserves figure being used in the reports to General Assembly. Instead of the correct figure – the equity – being used, the sum of equity and liabilities was used. This resulted in an overstating of the reserves on the budget sheets (it did NOT affect the audited, formal accounts but was an error made in bringing the figure across from the audited accounts to the budget sheets). This error has now been corrected, and this paper and its attachments, including the stated level of the reserves, have been reviewed and signed off by FIG's auditors.

During 2010, the bookkeeper has reviewed all of the FIG accounting figures, including the Balance Sheet items, to ensure that we can stand over them all. The bookkeeper, on closing the 2010 accounts, purged the accounts database and brought forward the validated and audited balances to a clean accounting system for 2011, to ensure that the successful work to complete the accounts was not undone.

The reserves are in place to cushion FIG against financial difficulties, and these have been incurred in the last two years for both general and local reasons. It is therefore important that FIG's budget is set to bring the reserves back within the range approved by the 2009 General Assembly, as Council review confirms that this remains an appropriate range.

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. Change of auditors

The Council decided to change FIG's auditors in 2010. It is good practice to change auditors periodically, and Council also felt that the costs of the current auditors were a little on the high side. The FIG Office therefore completed a process of reviewing other possible auditors. This proved successful in identifying Erik Munk Statsautoriserede Revisorer (EM) as new auditors for FIG and the Foundation. The FIG Office staff were content with the capability of Erik Munk Statsautoriserede Revisorer (EM) when they met with them. The firm has all of the qualifications and standing that our previous auditors, Bille & Buch-Andersen, have.

The FIG Office staff found the audit of the 2010 accounts by Erik Munk Statsautoriserede Revisorer to have been robust and searching – as an audit should be. The audit led to some small corrections in the draft accounts, and also to some reduced costs when the auditors highlighted some of the claims that FIG could make to reclaim a portion of the VAT on certain expenses.

6. Subscriptions 2013

The 2010 General Assembly approved membership fees as follows:

Year	Per capita fee	Minimum fee	Maximum fee
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)
2012	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 Council proposes that the Member Association subscription levels for 2013 are set at the same level as 2012. Council in principle wishes the same rates to apply also for 2014, but will bring a formal proposal to the 2012 General Assembly. Council therefore proposes the following subscription levels for 2013:

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)
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7. Conclusion

2010 was a difficult year for FIG financially, in line with the difficulties experienced by many of our members and by much of the world's economy. The difficulty reinforced the wisdom of previous Councils in building up FIG's reserves.

The 2007-10 Council took decisive action during the year to ensure that FIG's finances remained sustainable, whilst retaining the Federation's capacity to deliver. This corrected some of the reductions in income that were experienced, and built a solid foundation for the 2011-14 budget drawn up by the new Council.

Council believes that the budget set is prudent and realistic. Council has also agreed that careful monitoring of FIG's financial position, on at least a quarterly basis, 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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