

**2015 GENERAL ASSEMBLY
FINANCIAL ISSUES (INCLUDING 2014 ACCOUNTS, 2015-18 BUDGETS AND 2017
SUBSCRIPTIONS)**

1. Introduction

This paper provides the General Assembly with an update on FIG's financial progress in 2014, the Council's amended proposed budgets for 2015-17 and an indicative budget for 2018, and other financial matters.

The General Assembly is asked to:

- Adopt the audited 2014 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)
- Approve an increase of the IT reserve with €25,000 to €50,000
- Endorse the budgets for 2015-18, at Annex C to the General Assembly agenda, noting that there is budgeted a General Reserve that over the following 4 years will be below the agreed 90-100% of regular annual expenditure and therefore not following the otherwise agreed key measure 3
- Approve member association subscription levels for 2017, set out in section 5 of this paper.

2. A commentary on FIG income and expenditure for 2014

Income

Although 2014 was yet another challenging year with an unstable global economic situation Council and FIG Office continued prudent and cost containment measures resulting in a €25,418 surplus against a budgeted deficit of €19,750; a result around €45,000 higher than budgeted.

Income from membership subscriptions was largely in line with budget. It must be taken into consideration that the budget was based on the result 2013 which showed a larger decrease from earlier years. This is mainly due to the fact that several member associations are struggling nationally and are experiencing declining individual membership numbers. The General Assembly is to note that general subscription revenue has declined in recent years, in particular for member associations and corporate members. In 2014 the subscription revenue for Corporate Members is however slightly higher than budgeted. The income for Academic Members is lower, however as budgeted, because of a change in the subscription fee for Academic Members. Instead of paying a yearly fee of €250 the Academic Members got the possibility to pay €500 for a 4 year period counting for 2014-2017 (50% discount). This means that the next time the Academic Members will be invoiced will be in 2018. The income is spread equally over the four years. Expulsions from membership, a step only taken as a last resort, after repeated attempts to contact the member and recover arrears, and members who resigned were unfortunately higher than budgeted in 2014. Some members were also given the new suspended status, introduced in 2014, which is given for one year at a time to members who are facing internal civil strife and instability or external economic sanctions.

In 2012 a new accounting provision for doubtful debt from subscriptions income was introduced. This was implemented on the recommendation of the auditors, and in line with good financial management practices. FIG Council decided in 2014 to continue this new and more prudent (or conservative) approach but in line with the amount from 2013. The approach should render FIG's finances in the future less vulnerable. This current approach will be maintained going forward.

Arrears at the end of 2014 were remarkably higher than the previous year. In 2013 subscription arrears amounted to €135,987.65 and in 2014 €153,89.05 which is far too high (and back to the level in earlier years. Arrears solely for the current year (2014) were €109,147.15 which is much higher than the 2013 amount €74,546.30. Part of this can be explained by the changed invoicing method to Academic Members. An interesting thing is that the 2014 arrears are higher than normally, but the older arrears (2011, 2012 and 2013) are in total much lower than otherwise seen in the later years. Council again requests all members to pay their membership subscription promptly. The size of the arrears again meant that a significant portion of FIG's reserve holdings is being used to fund FIG cash flow.

Financial income was in 2014 lower than 2013 primarily caused by the prevailing low interest rate regime, which is expected to persist. Today several of the FIG accounts give 0 % interest. One so called high interest account (giving only 0.4%) where money is bound in a fixed period (1-3 years) expired during the year and FIG Council decided that this amount should not be reinvested, both due to the cash flow and also due to the fact that FIG savings should not be invested in financial instruments if there would be any risk to FIG's funds. Therefore the amount has stayed on our daily account at 0% interest (currently the Danish National Bank has negative interest rates).

Income from the services provided to FIG events was slightly higher than budget. This year the Local Organisers for the Congress 2014 agreed with FIG office to defray a sizeable amount of expenses incurred by FIG Office in relation to the Congress which enabled the result to exceed the budgeted amount.

Overall, income was almost €19k below budget.

Expenditure

Office costs were below budget due to a careful handling of expenditure. Even a move of the FIG Office to other rooms was handled with no extra costs. Last year there was an unfavourable exchange US\$/€ rate and also that of US\$/DKK which had a negative impact on the 2013 result. This year the opposite happened, which had a positive impact on the accounts. FIG Office will continue its careful cost management. In total there was a savings on administration amounting to €10,5k towards the budget.

Marketing and publications shows a savings of €6k towards the budget although FIG could present 7 new FIG publications during 2014 as well as some other publications. The main reason for the savings was low printing costs in Finland and external support.

The grants to Commission chairs were paid in line with the levels agreed by the General Assembly. All requests from Task Force and Network chairs for support and from Commission chairs for specific support were carefully reviewed prior to any decision. There were no applications for support for poor Member Associations.

Council and executive management costs were almost €8k below budget. This was realised through continuing care and control of travel and meeting costs. The President has been careful when travelling, covering a number of destinations and events in one trip and has accomplished many trips and visits. Some of the travels were partially covered by external sources. It is important also to note that, in many instances, travel by Council members were partially or fully covered by Council members' employers, member associations or by the event hosts. FIG is very grateful for this support, which allows Council members to maintain close contact with its membership and partners during the year.

Regular expenditure was €24k less than budgeted. Overall, the surplus of regular income over regular expenditure was €5.7k better than budgeted and showed a small surplus of €6,498.

Developmental expenditure was carefully monitored against the overall financial position, with monthly updates being produced by the Office, and quarterly reports. There were also a substantial unbudgeted income from collaborative activities with partners. FIG Office commenced an IT developmental process in 2013 that continued in 2014. €15k was budgeted for IT/Web development of which 2/3 was spent mainly due to time constraints which resulted in a slower process. The work continues in 2015.

The final result 2014 was a surplus of €25,418 against a budgeted deficit of €19,750.

At the end of year, FIG's total reserve stood at €24,129, 113% of regular annual expenditure. The general reserve was 107%.

3. Budgets 2015-18

Annex C to this paper presents proposed revised budgets for 2015, 2016 and 2017 and a proposed budget for 2018. This is to adhere to the requirement for a 4-years ahead budget (decision at the 2009 General Assembly).

Key considerations in constructing the budget

Council's overriding consideration when preparing the budget was to be as realistic as it has to be, particularly with its forecast since it is a 4-year forward budgeting process. In this regard Council is very mindful of the two key, ongoing risks to the budget:

- Council has (as described below) reviewed risks from events, and developed models to address these risks, however still there will be a risk to include a conference income in the regular income
- potential risks around the level of income from subscriptions in the on-going economic situation. Council has recognised this risk in the revised accounting approach for the provision of doubtful debt from subscriptions, but the levels of arrears show that it remains a significant area of concern

Budgets

Council seeks to ensure a sustainable, effective and efficient Federation. Budgets have therefore been revised to reflect the current realities. When income is forecasted to decline, this has to be balanced by corresponding efforts to reduce operating and developmental costs.

The key changes to the budgets approved at the 2014 General Assembly are:

- Subscriptions are held close to the 2014 final result in light of resignations and 2015 invoiced figures although membership development is an important focus of the FIG office especially focusing on attracting new corporate members;
- FIG Council has a special focus on corporate members and how to sustain and attract corporate members in order to increase income and to mutually benefit from each other;
- DdL's office rental support to FIG will progressively end in 2016 and thereafter, FIG will pay office rental in full, thus increasing the cost of office rental;
- Returns from events depends on the cost and financing model agreed with LoC and hence for the following years, it has been revised accordingly;
- Administrative costs have been further reduced wherever possible;
- Council and executive management costs are reviewed in the light of activities anticipated for the year;
- IT developmental activity budgets recognized the significant work that is required to upgrade and update FIG's IT infrastructure and systems.

As in previous years, every effort has been made to base the budget on information available as well as to forecast income and expenditures realistically. This is particularly important given the overall economic situation.

Council remains cognizance of the three key financial measures when preparing the budget:

- Key measure 1: there must be a surplus of regular income over regular expenditure each year;
- Key measure 2: there must be an overall surplus over the 4-year Council period;
- Key measure 3: the general reserve must remain within the level of 90-100% of regular expenditure.

Council is aware that key measure 3 is in the budget not met for the period 2015-2018. Council has decided not to increase membership fees but hope with an increased effort to attract more corporate members which will improve the result and also key measure 3. The approach and the effect will be evaluated in 2016. Another reason is the increase of the IT reserve. Council has however decided that it is important to have a reserve for IT outside the general budget in case IT upgrading is necessary.

Staffing

Current staffing of the FIG Office is:

- FIG Manager (Louise Friis-Hansen) responsible for general management, developmental/strategic tasks, oversight of administration, finances, events, membership matters (particularly in relation to corporate members), council/commission matters, IT, communication and Foundation secretariat duties
- FIG Office and Events Coordinators (Claudia Stormoen (full time) Hanne Elster (80%)) responsible for membership administration, website maintenance, communication tasks, detailed planning and organisation of FIG events, and Foundation administration etc
- FIG bookkeeper (Maria Bargholz, part time) responsible for financial administration.

Organisation of events

The Council and FIG Office have over the last couple of years worked on various concepts for conferences that will ensure that FIG's annual event remains not only the flagship event of FIG but a global forum for FIG's membership, partners and stakeholders. Over the past years, FIG has developed the following operating models for its annual events:

- FIG will handle the overall programme, the technical programme, keynote speakers, international registrations, the website, and international exhibitors; and
- The local organisers will handle the contact with the venue; hotels; the local exhibition; local registrations; social events; technical tours; and social tours.

FIG will be reimbursed a fixed sum for its handling, coordination and organization workload for each event. 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.

FIG Office spends a considerable amount of time on the organisation and preparations of FIG events. FIG Office and Council have evaluated that it is a rewarding investment and gives a possibility to get closer to the individual persons that are related to FIG members.

IT Development

FIG Council initiated an IT Development Project in 2013 and FIG Office has researched how to implement the IT Development Project.

The project has three phases:

1. Web site (IT platform and design)
2. Events software
3. FIG Database

Phase one will be finalised in first half of 2015, and phase two and three will be finalised in 2015/16.

A development sum is reserved in the budgets for the years 2015-2018, and the established IT reserve secures that if needed there is extra funds which will not affect the result of the years concerned.

4. FIG Reserves

As is shown in Annex C, the FIG general reserve at the end of 2014 was 107% of regular annual expenditure. This is above the 90-100% agreed by the 2009 General Assembly. As a 4-year average the general reserve was 108% (the reserve percentage is calculated using an average of four years' regular annual expenditure, as agreed at the 2012 General Assembly).

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 risk of organising events, particularly in the current economic climate. Council suggests that the reserve will be maintained at €25,000.

In 2013 Council introduced a new reserve for IT, recognizing that an effective IT Policy and Infrastructure is vital to FIG going forward and €25,000 was reserved in the 2013 accounting. IT can be large investments, and could be difficult to provision from normal yearly budget. Due to

the fact that the General Reserve is over 100% Council is proposing to increase the IT reserve with €25,000 to €50,000. Still the current 4 year average is over 100%. In case larger IT investments are needed there will be the funds to cover this, and the yearly budget will not be affected.

The reserves are held in low risk investments and on bank accounts, in line with the policy agreed by the General Assembly. Any transfer of the reserves requires approval by two persons, one of whom being the Council member responsible for finance and administration.

5. Subscriptions 2017

The 2014 General Assembly approved membership fees as follows:

| Year | Per capita fee | Minimum fee | Maximum fee |
|------|--|--|-------------------------|
| 2016 | €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 (whichever is greater) | 5,500 members (€24,640) |

The 2016 subscription fees were kept at the same level as for the years 2012-2015. The Council 2011-14 had to suggest subscription fees up to 2016, however they recognised that there would be a change in leadership and the subscription fees is dependent on the strategies of the council 2015-18.

Although the budgets 2017 and 18 show a deficit, Council is also conscious of the economic condition that members are operating under and in particular member's challenges with their national membership and budgets. Council wishes to respect this as well and both Council and FIG Office will continue to be prudent in its financial management. Council therefore proposes the level of subscription for member associations for 2017 to remain at the same level as in the previous years. Council has initiated a work on how to attract corporate members and the hope is to increase the fees received by corporate members to limit the deficit or turn it into a positive result. FIG Council will evaluate after a year how this work develops, and if the work on corporate members does not show positive effect, Council suggests reconsidering the membership fee for 2017 at the General Assembly in 2016.

| Year | Per capita fee | Minimum fee | Maximum fee |
|------|--|--|-------------------------|
| 2017 | €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 (whichever is greater) | 5,500 members (€24,640) |

6. Conclusion

Council continues to monitor and manage its finances prudently and believes that the budget proposed is realistic. Council is aware that key measure 3 is not kept in the budget, but a more positive figure can be the result of a focus on corporate members. Council will allow appropriate decisions to be made on levels of operational and developmental expenditure, to ensure the continuing sustainability, efficiency and effectiveness of FIG. Council thanks all members who have paid the annual membership fees promptly.

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