

**2014 GENERAL ASSEMBLY
FINANCIAL ISSUES (INCLUDING 2013 ACCOUNTS, 2014-17 BUDGETS AND 2016
SUBSCRIPTIONS)**

1. Introduction

This paper provides the General Assembly with an update on FIG's financial progress in 2013, the Council's amended proposed budgets for 2014-16 and an indicative budget for 2017 (recognising that 2015-2017 will be the next Council's term), and other financial matters.

The General Assembly is asked to:

- Adopt the audited 2013 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 2014-17, at Annex C to the General Assembly agenda, noting that there is budgeted a General Reserve that which keeps the agreed 90-100% of regular annual expenditure notwithstanding an increase to 104% at the end of 2013
- Introduction of an IT reserve amounting to €25,000.
- Approve member association subscription levels for 2016, set out in section 5 of this paper.

2. A commentary on FIG income and expenditure for 2013

The global economic situation remained challenging in 2013 but Council and FIG Office implemented a series of prudent and cost containment measures resulting in a €5,738 surplus against a budgeted deficit of €63,250.

Income from membership subscriptions was largely in line with budget except for subscription from member associations that was lower by €21,000 from the revised budget, and lower by almost €50,000 than the 2012 result . This is mainly due to the fact that several member associations had experienced 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. Compared to the 2012 result €10,000 less has been received from corporate members. It was surmised that the ongoing economic situation being the main reason for this decline. Expulsions from membership, a step only taken as a last resort, after repeated attempts to contact the member and recover arrears, were generally as budgeted.

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. This new provision for doubtful debt will reduce further the budgeted income from membership subscription. FIG Council decided, for 2013, to adopt this new and more prudent (or conservative) approach and therefore an extra €10,937 was provided for doubtful debt in 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 2013 were only slightly lower than the previous year. In 2012 subscription arrears amounted to €153,711 and in 2013 €135,987,6 which is still very high. Arrears solely for the current year (2013) were €74,546,30 which is much less than the 2012 arrears at the end of

2012, that is €107,267,98. This is a good sign and shows both memberships' understanding and that there has been a positive response to the effort of the FIG Office. The downside is that arrears in excess of one year are larger than the previous years despite the same effort from the FIG Office. Council again requests all members to pay their membership subscription promptly. This will considerably free up staff time to work on other FIG developmental activities. The size of the arrears again meant that a portion of FIG's reserve holdings is being used to fund FIG cash flow, instead of being invested. Financial income was lower than 2012 that was caused by the prevailing low interest rate regime, which is expected to persist.

Income from the services provided to FIG events was higher than budget due to savings in costs/expenses at the FIG Working Week, and financial contribution towards events administration by FAO and GLTN for various collaborative activities. Therefore 2013 shows a higher event income than expected. Council hopes this trend continues.

Overall, income was €26.5k below budget, and if without the provision for doubtful debt, it would have been €15.5k below budget.

Office costs were below budget (and also lower when compared to 2012 costs), despite the need to retain an additional member of staff to cover the Director's extended sick leave through the 1st half of 2013. Furthermore, the unfavourable exchange US\$/€ rate and also that of €/DKK throughout 2nd half of 2013 had a negative impact because US\$ funds had to be adjusted to the lower exchange rate. Office costs in general are lower than budgeted. If the value of the US\$ will be higher next year this will have a positive impact on the accounts. FIG Office will continue its careful cost management.

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. Support for poor Member Associations was granted according to General Assembly decision in 2013.

Council and executive management costs were €34k below budget. This was realised through continuing care and control of travel and meeting costs, the only face-to-face Council meeting in 2013 was held during FIG working week. The President has also been careful when travelling, covering a number of destinations and events in one trip. 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 allow Council members to maintain close contact with its membership and partners during the year. Expenditure was €48k less than budgeted. Overall, the surplus of regular income over regular expenditure was €21k better than budgeted and showed a small surplus of €6884.

Developmental expenditure was carefully monitored against the overall financial position, with monthly updates being produced by the Office, and quarterly reports to Council. There were also some unbudgeted incomes from collaborative activities with partners. FIG Office commenced an IT developmental process in summer 2013 and though €30k was budgeted for IT/Web development, only about 50% was spent.

The final result therefore was a surplus for 2013 of €5,738 against a budgeted deficit of €63,250.

At the end of year, FIG's total reserve stood at €48,711, 116% of regular annual expenditure. The general reserve was 104%.

3. Budgets 2014-17

Annex C to this paper presents proposed revised budgets for 2014, 2015 and 2016 and a proposed budget for 2017. This is to adhere to the requirement for a 4-years ahead budget (decision at the 2009 General Assembly), though mindful that the 3 or the 4 basis year presented falls into the next Council's work plan.

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's a 4-year forward budgeting process. In this regard Council is very mindful of the two key, ongoing risks to the budget:

- predictions about income from events can be made, but factors may arise which affect these. Council has (as described below) reviewed risks from events, and developed models to address these risks.
- potential risks around the level of income from subscriptions in the ongoing economic situation. Council has recognised this risk in the revised accounting approach for the provision of doubtful debt from subscriptions beginning with 2012, 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 2013 General Assembly are:

- Subscriptions are held close to the 2013 final result in light of resignations and 2014 invoiced figures although membership development is an important focus of the FIG office especially focusing on attracting new corporate members;
- Council has agreed to a new payment scheme for academic members to ease the process, retain academic members within FIG and reduce office efforts on payment reminders. This results in a decrease in academic membership subscription by 50% but balanced with greater efficiency in sustaining this category of membership and into the future, new academic members;
- 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. 2014 is a congress year and travel costs are therefore expected to be higher than the 2013 result, but still lower than earlier years.
- 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 remain 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.

Recovery of Arrears from and Retention of Members

FIG Council has agreed on two administrative measures related to the recovery of arrears and retention of existing memberships:

The first measure involves efforts to recover arrears and encourage members to sustain their membership in FIG. The measure aims at motivating members, especially member association to structure their repayment of arrears and current subscription over a period of time in a manner that allow FIG to recover all arrears and the member to remain active in membership. Council may enter into a repayment arrangement that restructure the payment of arrears over a period of not more than 3 years for members whose accumulated arrears are over €10,000. For members with accumulated arrears of less than €10,000, the restructured payment of arrears must be less than two years. Upon receipt of the each yearly-agreed payment, but before the first session of the GA, the member association will be deemed to be up-to-date with its subscription for that year.

The second measure allow FIG Council to accommodate members who are facing internal civil strife and instability or external economic sanctions, where the FIG Office could ascertain or when the situation render impossible to contact them. Thus these members have almost no possibility to pay or transmit their membership subscription. The measure allows the FIG Office to suspend invoicing to these affected members on a year-to-year basis until that point in time when some normalcy is restored within the member's jurisdiction.

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 (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 bookkeeper (Maria Bargholz, part time) responsible for financial administration.

FIG Director, Markku Villikka's tenure ended on 31st July 2013. Korean Cadastral Survey Corporation (LX-KCSC), a key member of the Korean Confederation of Surveyors, a member association of FIG, supported FIG's Administration from March 2013 – February 2014 by seconding one of its staff, Julie Hyun Sook Lee to the FIG Office. The Council is extremely grateful to LX-KCSX for this invaluable support.

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 year, 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.

Variations of the model are possible. The Congress 2014 follows this model and agreements with the Chamber of Graduated Surveyors Bulgaria for WW2015 and New Zealand Institute of Surveyors for WW 2016 are being finalised. 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.

4. FIG Reserves

As is shown in Annex C, the FIG general reserve at the end of 2013 was 105% 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 104% (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 considered increasing the quantum of this reserve (as had been indicated in the 2012 finance paper), but concluded that with the new arrangements put in place for organising FIG annual events, the reserve can be maintained at €25,000.

Council has introduced a new reserve for IT, recognizing that an effective IT Policy and Infrastructure is vital to FIG going forward. IT can be large investment, and could be difficult to provision from normal yearly budget. Hence Council is proposing a new IT reserve and a sum of €25,000 from the total reserve have been dedicated to this.

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 persons, one of whom being the Council member responsible for finance and administration.

5. Subscriptions 2016

The 2013 General Assembly approved membership fees as follows:

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 (whichever is greater)	5,500 members (€24,640)

The 2015 subscription fees were kept at the same level as for 2014. Recognising that the level of the 2016 subscription fees is dependent on the strategies of the new council, this Council remains responsible to propose to the General Assembly the level of subscription for 2016. Council has considered that a small rise in subscription might be appropriate given FIG's financial challenges expected over the coming years. Council is however 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 believes that the incoming Council and FIG Office will continue to be prudent in its financial management. Council therefore proposes the level of subscription for member associations for 2016 be at the same level as 2015. However, the incoming Council may review its subscription fees strategies for other categories of membership, in the future.

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6. Conclusion

Council continues to monitor and manage its finances prudently and believes that the budget proposed is realistic and 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 thanked all members who have paid the annual membership fees promptly.

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