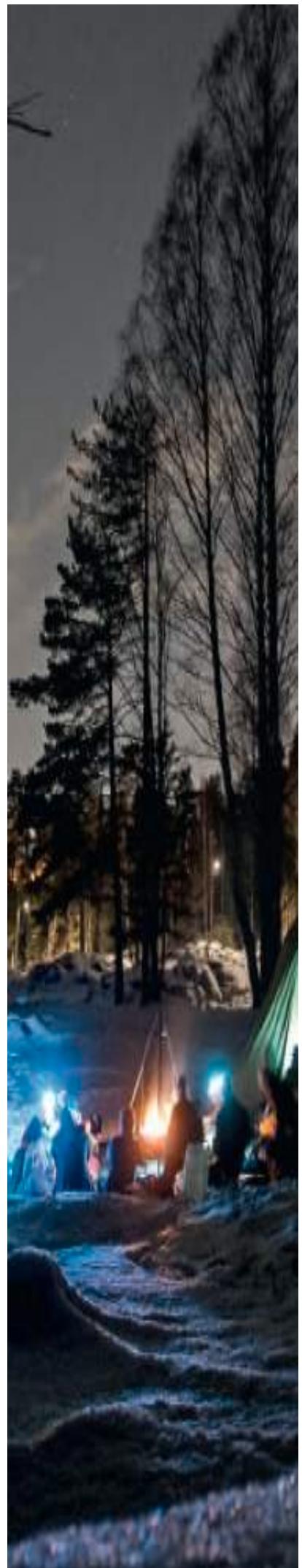


22nd European Scout Conference

Document 3

Finance Matters



General

From the Financial perspective, last triennium's objective was to operate the Region's finances prudently, running a balanced budget without losing any of the quality of the Region's work and without reducing, by any substantive means, the direct and indirect support provided to our member NSOs. In addition, the Region would allocate sufficient funds to finance the long term strategic objective of closer co-operation with other Scout Regions. In general, we believe that we have successfully managed the Region's finances, maintaining a balanced budget without arriving to any unfortunate situations of budget deficits that would result in the use of accumulated reserves.

We have seen the Net Asset Value of the USFIS Fund for European Scouting (FES), our key source of income, and sometimes referred to as the McIntosh Fund, relatively stabilise which in turn implies that our overall income would stabilise.

To contribute to diversifying our income, the Region created the European Investment Fund (EIF) – not a Fund in the Fiscal sense, but a place where results on the Yearly Operational Plan could be accumulated, invested and grown for the future benefit of the Region. This is now well established despite the reduction of its Net Asset Value recently suffered due to the global negative trends in the financial markets. The EIF is managed by the European Scout Foundation (ESF).

Following a change in Auditors decided by the World level, from Ernst and Young to KPMG for the Fiscal Year 2011-2012, we have established a very good professional relationship between our respective staff and with the Regional Treasurer.

Income

The Income sources of the Region are shown in figure 1 below. It is important to note once again the high dependence on the Fund for European Scouting (FES). This continues to perpetuate a high element of risk which has been already identified and reported to the last Conference in Berlin. The Region remains firm with its long term strategy to develop and strengthen further the EIF so as to gradually build a second large source of income, thus diversifying the underlying risk. Also the fundraising capacities of the Region, particularly through the Institutional sources of the European Union and Council of Europe as illustrated in the table below, contributes to that diversification.

The FES income during the triennium reached its lowest level since 1999, falling to US\$1,208,036 in 2014 linking to our budgeting process during the triennium just ended. Fortunately the FES income recovered in 2015, and again in 2016, with an additional rise in the conversion rate of the US\$. Our other main sources of income remained relatively stable.

Given the current volatility of the financial markets, upon which the income of the FES depends, while the immediate future will remain stable, the 36 month cycle which determines the income received from the FES shows that the market will exert a negative influence on fund development and income from investments will be reduced.

ESR CONSOLIDATED ACCOUNTS
TOTAL INCOME OF EUR 5'722'201
OCTOBER 2013 - SEPTEMBER 2015

	2013	Budget 2013	2014	Budget 2014	2015	Budget 2015	Total	Budget Total
Fund for European Scouting	1,095,156	942,857	906,072	911,140	1,192,855	1,002,624	3,194,083	2,856,621
Regional registration fees	179,035	180,000	182,867	180,000	188,060	179,754	549,962	539,754
Grant USFIS	74,077	55,468	70,784	60,336	84,808	75,000	229,669	190,804
Project income	453,911		255,955		167,619		877,485	
Fees for seminars	97,146		50,080		92,683		239,909	
Grant European Union	50,000	50,000	49,089	50,000	49,772	50,000	148,861	150,000
Grant Council of Europe	15,377	15,000	16,777	15,000	17,211	15,000	49,365	45,000
European Scout Foundation		41,722		48,868		90,000		180,590
World Scout Bureau	74,876	76,519	90,021	114,925	110,136	87,054	275,032	278,498
Miscellaneous	3,439		5,694		10,432		19,565	
Use of reserves		80,000		16,000		79,508		175,508
Financial income	187,739		142,472		-191,942		138,269	
Total income	2,230,755	1,441,566	1,769,812	1,396,269	1,721,634	1,578,940	5,722,201	4,416,775

Table 1: Income of the Region in Euro

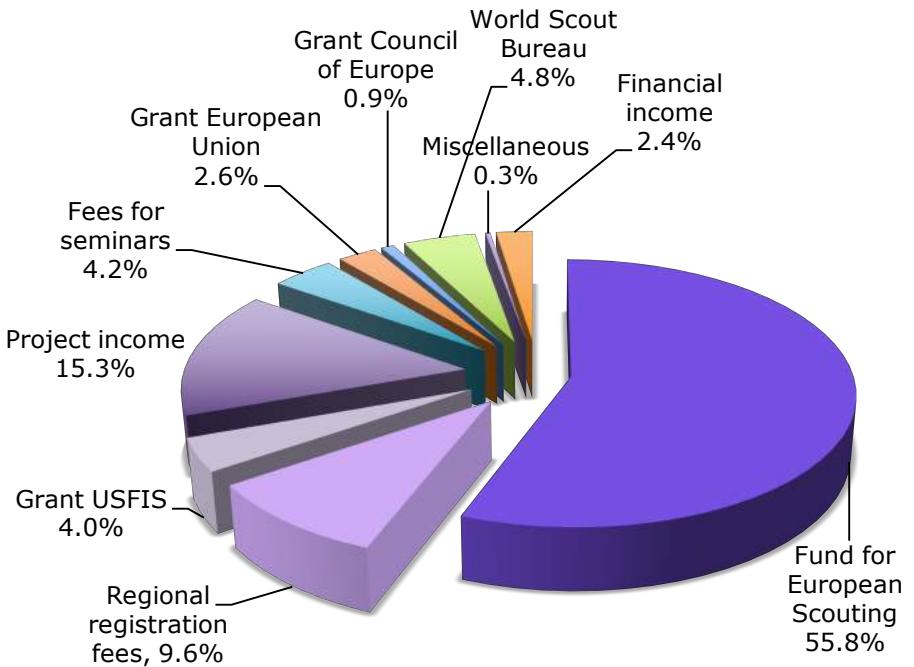


Figure 1: Income of the Region in %

For the years 2013 and 2014 we have followed a strategy to lock the Region's income position from the FES as soon as the level of the annual income distribution (allocation) was made known by the Trustees through purchasing forward contracts (income in USD and expenditure in CHF and EUR). For the year 2015 this strategy has not been followed due to the very low quotations received for the related forward contracts. As a result it was decided not to purchase forward contracts, a strategy that has proved to be correct. Following the practice of the entire World Scout Bureau, budgets are prepared in US\$ which will lead to better comparative process and considering the dependence on the US\$ income, to more accurate forecasting.

Project Funding/Restricted Funds

The administrative grants allocated every year by the European Union and the Council of Europe remained stable while most of the grants received to support European activities reached our NSOs and NSAs directly due to the decentralisation to national level of most of the Youth Programme of the European Union (Erasmus +). These amounts are not reflected in this table but can be found under External Relations and Funding Core Group section of the Triennial Report.

GRANTS INCOME 2013 - 2015				
2013	2014	2015	TOTAL EUR	
407,231	219,496	143,354	770,082	

Table 2: Grants income in Euro

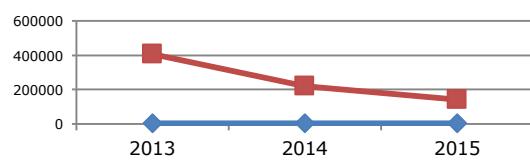


Figure 2: Evolution of grants income

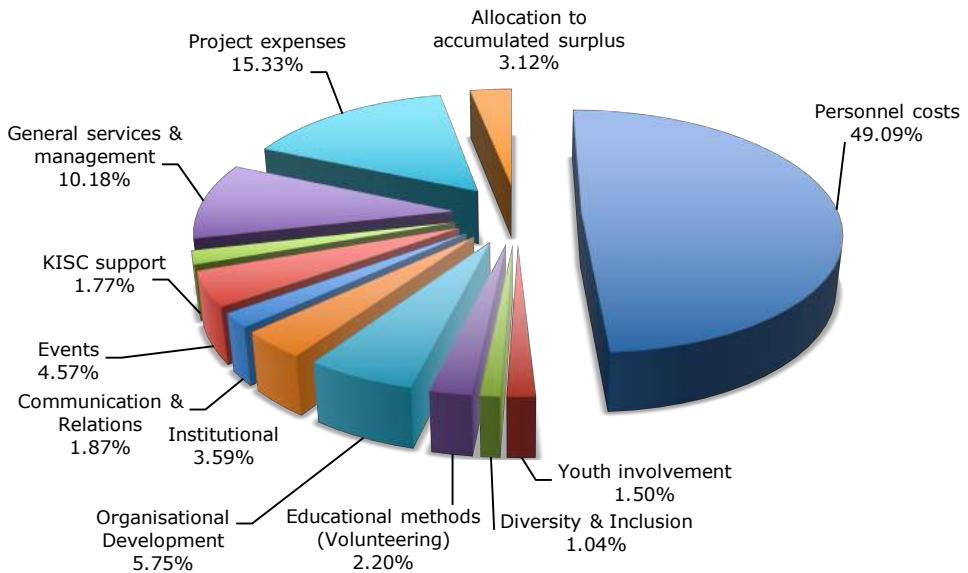
Expenses

The main expense areas are shown in figure 3. It is clearly evident that Regional expenses remain proportionately stable over time. However it is important to stress that during the triennium emphasis was placed on running a close to zero, but (if possible) surplus budget. As has been mentioned already, the Region's income from its main source FES, has reduced substantially. Therefore it has been an important challenge for us to plan and operate a budget along these lines.

ESR CONSOLIDATED ACCOUNTS TOTAL EXPENDITURE OF EUR 5'720'685 OCTOBER 2013 - SEPTEMBER 2015

	2013	Budget 2013	2014	Budget 2014	2015	Budget 2015	Total	Budget Total
Personnel costs	841,339	857,397	923,055	916,740	1,043,714	942,948	2,808,107	2,717,084
Youth involvement	18,313	27,500	38,033	17,000	29,453	31,600	85,799	76,100
Diversity & Inclusion		10,550	29,984	18,500	29,432	39,070	59,416	68,120
Educational methods (Volunteering)	22,235	21,000	36,380	36,500	67,206	81,950	125,822	
Organisational Development	197,848	40,000	96,406	55,000	34,735	44,950	328,989	
Institutional Communication & Relations		127,000	89,591	60,272	115,655	144,500	205,246	331,772
Communication & Relations	48,402	21,200	31,900	28,000	26,771	53,500	107,073	102,700
Events	143,808	74,500	40,143	39,774	77,568	27,000		141,274
KISC support	61,224	87,617	40,016	40,724			101,241	128,341
General services & management	163,221	173,903	168,089	183,652	250,942	213,610	582,252	
Project expenses	264,038		444,398		168,424		876,859	
Allocation to accumulated surplus	470,301		-168,224		-123,715		178,362	
Total expenditure	2,230,729	1,440,667	1,769,771	1,396,162	1,720,185	1,579,128	5,720,685	4,415,956

Table 3: Expenditure of the Region in Euro

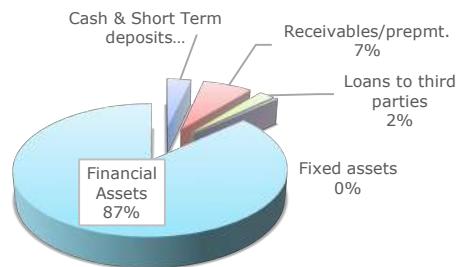
**Figure 3:** Expenditure of the Region in %

The maintenance of a balanced budget with lower income was coupled with an effort to maintain the quality of the work of the Region throughout the triennium. This has been successfully managed mainly by controlling expenditure items through a regular review of the budget and by limiting operational expenses through prioritisation exercises. At the same time, the Region provided adequate tailored support to member NSOs aiming at maximising the positive impact of such support to supported NSOs. In the budget process we have worked hard to integrate the staff and the volunteers involved in the main areas of activities of the Region. This gave the opportunity to people involved in the delivery of the Regional Scout Plan to feel the ownership of their own budget and consequently to feel and understand the underlying constraints.

We believe that by continuing the implementation of a prudent budgeting processes the Region will be in a position to continue to provide quality service and support to NSOs and NSAs despite the difficulties faced in securing high income resources.

Assets as at 30.9.2015

Cash & Short Term deposits	87,155
Receivables/prepayments	175,660
Loans to third parties	55,093
Fixed assets	7,807
Financial Assets	2,125,067
Total assets	EUR 2,450,782

Table 4: Assets 30.9.2015 in Euro**Figure 4:** Assets 30.9.2015 in %

European Investment Fund (EIF)

The EIF which is managed by the European Scout Foundation (ESF) aims at providing a future alternative source of income reducing the risk of dependence on a single source of income that amounts to approximately 55% of the total annual income. It is important to note the continued successful support of the ESF to the Region's finances since its establishment. By establishing the EIF under the ESF, the management of the fund is entrusted to the ESF which focuses on finance issues and provides an expert management for the Fund.

The performance of the EIF is shown in figure 5. The reduction in its Net Asset Value in the fiscal year 2015 is due to the general systemic reduction in the value of the financial markets. During the period 2011 to 2014 the NAV of the EIF had followed a positive trend despite the high volatility of financial markets. We believe that as from 2020 the EIF will start to become a growing important additional source of income for the Region.

Date	Value in CHF
1-Jan-2011	1,998,054
30-Sep-2011	1,749,014
30-Sep-2012	2,032,239
30-Sep-2013	2,241,530
30-Sep-2014	2,426,663
30-Sep-2015	2,265,647

Table 5: Evolution EIF

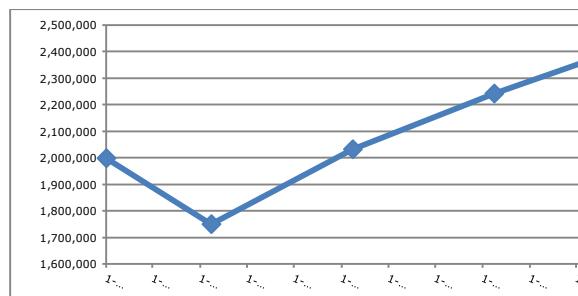


Figure 5: Evolution EIF

Auditors –Audited Accounts

The audited accounts have been sent to NSOs on a yearly basis after the completion of the annual audits. It is important to note that all annual audits during the triennium have been completed successfully with the auditors issuing their reports free of any qualifications.

New Legal Entity

After long discussions with the WSB and a long bureaucratic process that lasted for about 3 years we have finally been able to successfully register and start operating a separate legal entity for the Region. This is registered in the Canton of Geneva and it had started full operation as of 15 October 2013. The time between the establishment, initial registration and meeting all the legal obligations, including tax exemption for the operation was long and tedious. However we are confident that in common with the view of the past and current European Scout Committees and World Steering Committees, this brings more transparency to the operation of the finances of the European Region. It is, however, important to stress that under this arrangement the Region continues to consolidate its financial statements and its financial position under the WSB Inc. as with all Regions of World Scouting. We would like to thank all those involved in the process and especially the WSC Steering Committee and the World Treasurer for their assistance, understanding and support.

Change of Accounting System

During the fiscal year 2014-15 a new accounting system has been introduced by the WSB. This has been a challenge for our staff since it happened in the middle of the fiscal year so for a period of time there was a need to maintain dual records. As a result bookkeeping had been delayed resulting in additional challenges on our efforts to maintain close monitoring and control to our budget operation. I would therefore like to take the opportunity to thank our staff for its efforts to cope with a difficult situation and face the challenges over a period of about 5 months.

Actions to implement Conference Resolution 7

Financial Reporting

21ESC/7

The 21st European Scout Conference,

Welcoming the European Scout Committee's good work towards strengthening the transparency in the work of the European Region, including the increased information level in the financial report,

Recognising the good work done on financial working,

And looking forward to continuing the work of strengthening transparency,

- **Asks** for the following improvements in the future reporting to the European Scout Conference:
 - To include initial triennial budgets as approved by the European Scout Committee, in order to facilitate comparison of actual spending with the anticipated budget,
 - To specify, on the outcome side, the amounts spent on the strategic priorities as identified in the Regional Scout Plan,
 - And to include the European Region's consolidated accounts' totals from the previous triennium in order to see financial development over a longer period of time.

We have taken all these suggestions in hand and include the budgeted amounts as well as the realised figures, provide a split of expenditures according to priorities and provide a comparison with the previous triennium, though more difficult with the changing priorities.

The figures of the previous triennium are presented in annex I in order to avoid confusion.

**Marios Christou
Regional Treasurer
April 2016**

Annex I**Income & Expenditures 2009-2012**

ESR CONSOLIDATED ACCOUNTS
TOTAL INCOME OF EUR 5,365,674
OCTOBER 2010 - SEPTEMBER 2012

	2010	2011	2012	Total
Fund for European Scouting	1,065,432	1,000,881	1,018,932	3,085,245
Regional registration fees	171,710	199,324	185,690	556,724
Grant USFIS	100,550	67,078	71,268	238,896
Project income	108,431	208,749	102,186	419,366
Fees for seminars	49,127	9,298	84,044	142,469
Grant European Union	36,549	46,370	50,000	132,919
Grant Council of Europe	16,840	3,947	7,205	27,992
European Scout Foundation	22,581			22,581
World Scout Bureau	73,367	83,904	75,937	233,208
Miscellaneous	71,234		15,831	87,065
Use of reserves	537	257,397		257,934
Financial income	4,704	-99,255	255,827	161,275
Total income	1,721,063	1,777,693	1,866,919	5,365,674

ESR CONSOLIDATED ACCOUNTS
TOTAL EXPENDITURE EUR 5,358,882

	2010	2011	2012	TOTAL
Personnel costs	645,681	761,167	893,246	2,300,094
Youth involvement	54,086	31,948	62,311	148,344
Volunteering	13,687	6,843	34,410	54,940
An Organisation for the 21st Century	284,345	258,401	278,345	821,091
Scouting's profile	55,891	51,609	68,817	176,317
Events	98,403	56,347	45,740	200,491
Project expenses	108,431	217,438	82,499	408,369
KISC support	70,955	74,900	83,410	229,265
General services & management	288,480	292,323	245,026	825,829
Allocation to accumulated surplus	101,102	22,140	70,899	194,141
Total expenditure	1,721,062	1,773,117	1,864,704	5,358,882

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