

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

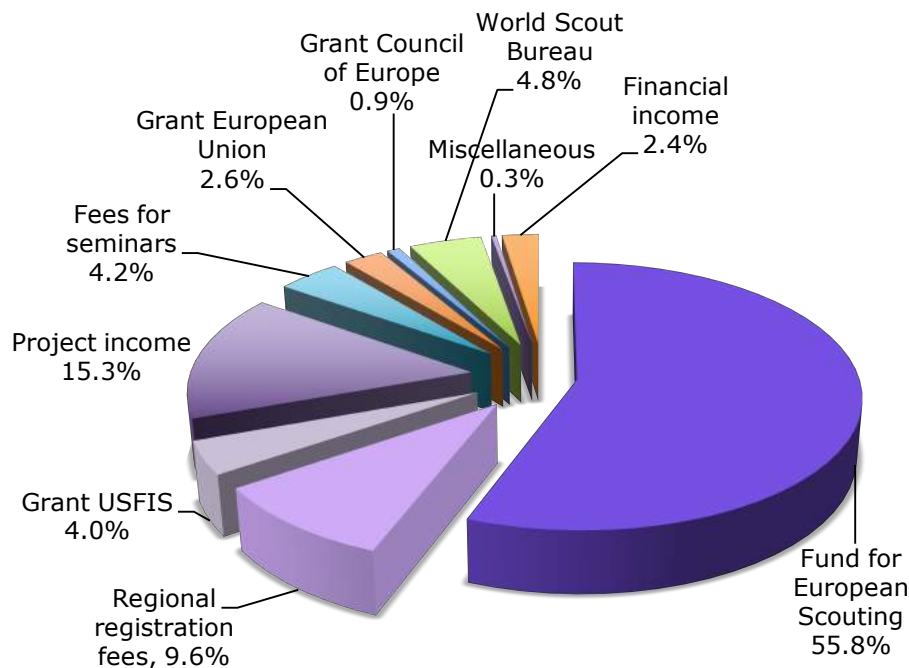


Figure 1: Income of the Region in %

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

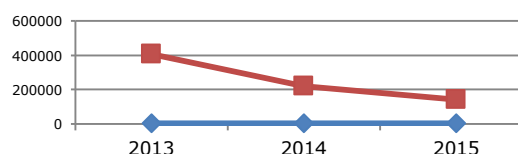


Figure 2: Evolution of grants income

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 | | 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

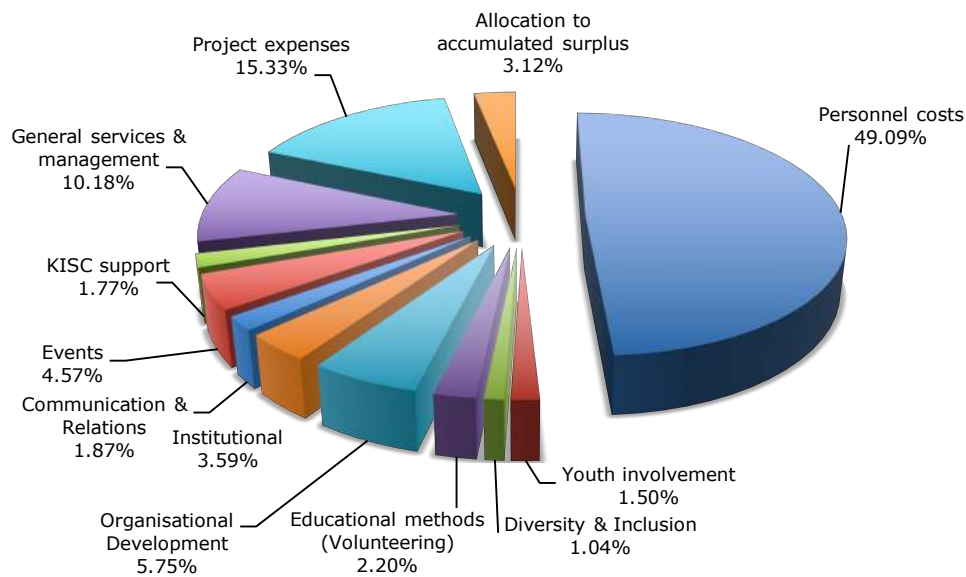


Figure 3: Expenditure of the Region in %

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

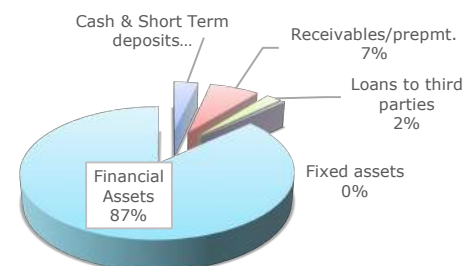


Figure 4: Assets 30.9.2015 in %

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 |

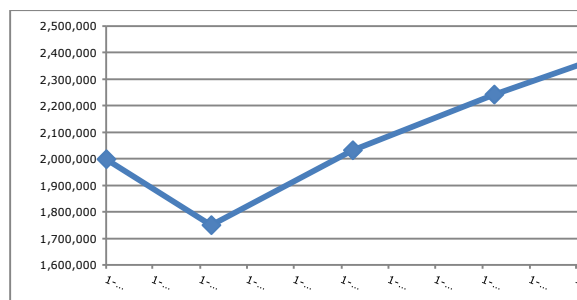


Table 5: Evolution EIF

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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