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FOR ACTION

## Preliminary Finance Report

### 1. Introduction

It has been the practice of the moderator of the finance committee to present an overview of WCC finances to the central committee before the finance committee begins its work. The report provides firstly an historical perspective; secondly, an assessment of the current financial situation; and finally, a view of the future financial perspectives and challenges for the Council.

### 2. 2006 Financial report

All members have received a copy of the 2006 Financial report, which was audited, and authorized for issue by the Officers on 31 May 2007. General reserves slightly exceeded central committee's target at CHF 9.1 million (2005 : CHF 6.3 million), and for the first time exceeded programme funds, which closed at CHF 5.9 million (2005 : CHF 9.5 million). This represented a turning point in the structure of the Council's funds and reserves. With lower programme fund balances on which to rely, the Council reaffirmed in its report to member churches the continued commitment to careful stewardship in planning and budgeting.

### 3. Preliminary results 2007

		2007 Unaudited CHF 000s	2007 Budget CHF 000s
<b>Income</b>	Membership and UDI	6,812	6,527
	Programme Contributions	27,817	26,382
	Investments and currency gains/(losses)	(99)	90
	Rentals, sales & misc. income	6,288	6,404
	<b>Total income</b>	<b>40,818</b>	<b>39,403</b>
<b>Expenditure</b>	Direct programme costs	6,696	6,416
	Staff costs	17,143	17,850
	All other programme costs and transfers	14,113	15,206
	<b>Total costs and transfers</b>	<b>37,952</b>	<b>39,472</b>
<b>Surplus/(Deficit)</b>		<b>2,866</b>	<b>(69)</b>
Increase/(Decrease) in Restricted Funds		662	(1,297)
Increase Unrestricted & Designated funds		2,204	1,228
<b>Net Surplus/ (Deficit) for the year</b>		<b>2,866</b>	<b>(69)</b>

The approved budget for 2007 was closely balanced, with a small net deficit of CHF 69,000, consisting of a planned decrease in programme funds of CHF 1.2 million, to be matched by a similar increase in Unrestricted and designated funds. Although the General reserve target was slightly exceeded in 2006, a further increase in Unrestricted and designated funds was required in 2007 to finance in part the renovation of the Ecumenical Centre to meet fire security standards. In 2006, central committee approved that project, defining the capital expenditure limit as CHF 6.6 million over the five years to 2010, with CHF 4.6 million to be financed directly by the Council.

The preliminary results for 2007 contrast favourably with budget, presenting an overall surplus of CHF 2.8 million. Although the preliminary results are not yet audited, and include some estimates at this stage, it is not expected that there will be significant changes to this result on finalization of the accounts.

There are three main variances which result in this overall surplus. Firstly, total income exceeded budget by CHF 1.4 million. One principal reason for increased programme contributions was the impact of the Swiss franc / Euro exchange rate. Euro contributions were budgeted at 1.54, while during the year, rates rose to 1.68, with a resultant favourable impact on actual contributions reported in Swiss francs at the rate prevailing on date of receipt, compared to budget.

The second variance resulting in the surplus is the fact that staff costs fell CHF 0.7 million under budget. This is principally because programme directors' positions reflected in the budget with expected recruitment dates in the first or second quarter were in fact not filled until later in the year, or actually at the year end. Finally, general programme costs totaled only CHF 14.1 million, compared with a budget of CHF 15.2 million. The under-expenditure in programmes was certainly in part the result of reduced capacity because recruitments were delayed. The trend affected all programmes, with the exception of Communications.

At the end of 2007, programme funds closed at CHF 7 million, reporting an increase of over CHF 1 million from 2006, rather than the planned decrease. Subject to the requirement that reasons for delays in certain activities be explained to and accepted by funding partners, the increased programme balances brought forward to 2008 are an advantage to the financial situation for this year. Finally, the increase to Unrestricted and designated funds for 2007 is reported at CHF 2.2 million, exceeding budget by CHF 1 million. The increase occurs principally as a direct result of under-expenditure in the programmes P1 *WCC and the Ecumenical Movement* and P5 *Education and Ecumenical Formation*, to which the unrestricted income was otherwise to be assigned.

#### **4. Budget 2008**

The finance committee will be asked to consider a revised budget for 2008 which takes account of some material developments since it was reviewed by executive committee in September last year.

As we have seen the preliminary results for 2007 show considerably higher closing balances than were previously forecast; the confirmation of income allocations by funding partners during the last quarter of 2007 has had both positive and negative impacts on some programmes; the hiring of staff to fill positions shown as vacant in September has brought more clarity to the staff cost line.

The result of these major and some more minor changes has been to allow the attribution of an additional CHF 123'000 to the Communication budget which follows the recommendation of the September Executive Committee and favours implementation of the communication strategy which is also to be discussed during this Central Committee.

The revised 2008 budget continues to be supported by the use of CHF 600'000 of designated programme fund reserves. This remains a one year only contribution to facilitate the WCC's transition to its future financial position in which expenses must be covered by current year income.

## **5. Framework budgets 2009**

The finance committee will be asked to review framework budgets for both 2009 and 2010. This work has already begun earlier this week through a presentation of the draft figures, prepared by staff, firstly to the executive committee and then in more detail to the programme committee of executive committee. A further joint session between representatives of the finance committee and the members of the programme committee is scheduled to take place on Saturday morning to provide an opportunity to reach a common understanding about programme priorities and their budget implications.

A draft budget for 2009 will be presented for approval at the coming September executive committee meeting and in preparing for that staff need our guidance concerning the prioritization of programme work.

To facilitate the discussions staff have prepared two framework scenarios for 2009.

The first scenario is conservative, arriving at a balanced result through reductions in costs in a number of selected projects. The second scenario introduces potential additional income and applies it to selected projects. Details of these planned uses of additional resources will be reviewed in the work of both the programme and finance committees. Both of the scenarios for 2009 include the intention to create a reserve for the International Ecumenical Peace Convocation, to be held in 2011, of at least CHF 570'000.

## **6. Framework budget 2010**

Consideration will also be given to the framework budget for 2010. Staff have prepared a draft which shows additional spending in a number of areas of the Council's work based on their understanding of priorities.

Given that WCC project spending needs to be carefully managed in relation to the financial resources available our discussions should lead to consensus on the projects that will become the focus of staff work and fund-raising.

## **7. Income strategy**

In 2007 the WCC has filled the vacant positions of directors and executives, and we can therefore expect that the activities planned and budgeted for 2008 will be carried out. Consequently, 2008 will see a depletion of many of the programme fund balances and a need to support future plans with new sources of income.

Some encouraging signs can be found in the potential new sources of income included in the second scenario for 2009 and in the anticipated recruitment of a fund development officer for foundations, a position which is directly financed by one of the specialized ministries.

We will benefit during central committee from a discussion on shared experiences in fund-raising. As member churches, it is an essential part of our commitment not only to pursue new financial support for the Council's work, but also to participate actively in the fellowship through our membership contributions. Only 75% of active member churches have paid membership contributions for 2007, being CHF 6.6 million in income, and thus still short of the target of CHF 7 million. Review of the income strategy will be a highlight of the finance committee sessions, and will also focus on how we may work together to improve our membership contributions to the Council. Our review needs to be active and constructive, as fund-raising will become a key element in the ability of the WCC to accomplish its objectives for 2009 and beyond.

## 8. Governance

In its role of ensuring the good governance of the WCC, the finance committee will also be called upon to consider

- a project for the WCC to implement a documented internal controls process in compliance with new Swiss regulations that have come in to force in 2008
- investment policy
- a progress report on the revision of the staff rules and regulations.

I am appending to my report the *Finance Overview* presented to executive committee this week. Questions on the *Finance Overview* will be welcomed by the finance committee.

Dean Anders Gadegaard  
Moderator of the finance committee