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Doc 3

Finance Update

I. Budget 2008: Comments on developments between ExCom (Sept07) and Officers (Dec07)

Income

Programme contributions have increased by a net CHF 49’000 following modified pledges and allocations received from the funding partners. Nevertheless reductions in income allocated to certain projects have resulted in an increased call on UDI of CHF 190’000 while additions to income allocated to other projects have not reduced UDI call in a compensating manner. This effect is detailed in the attached document by project but can be summarised as

	CHF
Income **reductions** causing increased UDI call	
P1	17’000
P3	34’000
P4	54’000
P5	51’000
C1	34’000
	190’000
Income **additions** not creating any UDI benefit	
EAPPI	110’000
EHAIA	35’000
Indigenous Peoples	30’000
Poland Office	43’000
ESF	46’000
	264’000
Income **reduction** with no UDI impact	
Uprooted projects	25’000
Total	49’000

Opening Balances

The restricted opening programme balances forecast at the time the ExCom budget presentation was made came to a total of CHF 4.0 million. The latest forecast shows a total of CHF 3.7 million.

This reduction in balances reflects a more efficient allocation of programme contributions as the call on UDI in the latest forecast is CHF 4.3 million compared to CHF 5.0 million in the September forecast and growth in unrestricted funds to CHF 11.7 million compared to CHF 11.1 million in the September forecast.

Nevertheless this reduction of balances results in a greater UDI call in 2008 as those balances are exhausted by the budgeted expenditure.

2008 UDI budget

The key figure in the budget approved for 2008 by the Executive Committee in September is UDI growth of CHF 325,000. This UDI growth figure should remain regardless of the actual UDI opening balance that will be confirmed in the 2007 accounts.

The finance sub-committee report, adopted by the Executive Committee, included this requirement.

- require that the implementation of spending plans are carefully monitored against actual income results in order to ensure that the budgeted net result is respected.

Forecast/Budget evolution

Taken alone the income and opening balance changes described above turn the budgeted UDI growth of CHF325’000 into a reduction of CHF 245’000. A negative impact of CHF 570’000. However, there are also some positive developments to take account of which will offset this deficit.

During the months of December and January confirmation of these positive changes are likely to result in the need to confirm a revised detailed budget for 2008 at the Executive Committee meeting in February but retaining the already agreed UDI growth target of CHF 325’000.

1. Rental income at the Ecumenical Centre is likely to be about CHF 170’000 higher than previously budgeted due to a full level of occupancy. IoM have recently requested the renewal of their contract, initially signed for the period up to June 2008, for the Jura ground floor space until December 2008.
2. Actual closing balances of restricted funds are likely to be higher than our forecasting of 2007 shows and this will alleviate the call on UDI funds for 2008 spending. A much clearer picture of the actual closing balances will be available in early January.
3. Income reallocation of block grants between programmes and projects will be possible depending on actual closing balances and will alleviate pressure on UDI.
4. Some additional income is likely to be raised to cover specific activities such as the JIC operating costs.
5. The EUR:CHF foreign exchange rate has been prudently budgeted at 1.59 based on bank projections earlier this year. This softening has not become apparent and banks are now predicting a higher rate continuing into 2008. A revision of the budgeted rate to 1.62 would add nearly CHF 250’000 to funding partner income.

Conclusions

1. The budgeted UDI growth of CHF 325’000 remains a realistic target for 2008. Budget adjustments will be needed to reflect final funding partner pledges in the detailed budget pack but any negative impact of these changes on UDI usage are likely to be offset by other positive factors.

2. While the Council does not expect to have to revise the key elements of the budget for 2008 there may be a need to present an updated version for approval at the February Finance Committee in order to formalise the basis for reporting 2008.

II. Summary Financial Results October 2007 compared to Budget 2007 and Forecast

(please see attached excel sheet)

1. Total income expected to exceed budget

Total income is expected to exceed budget, at CHF 40.2 million compared to budget of CHF 39.2 million. The favourable Euro rate obtained when Euro receipts have been converted to Swiss francs, compared to the budgeted rate, is one of the main reasons for the expected outcome.

2. Programme expenditure is generally under plan

Total grants, operating & other programme costs for the restricted funds show an under-spending of over CHF 3 million at 31.10.07 compared with budget, and almost CHF 4 million of under-spending compared to forecast. An update of costs at 28.11.07, before completing all closing steps for November, does not indicate an increased rate of spending in November. All programmes are concerned.

3. Credit to Unrestricted funds

The forecast prepared in September, and reported here, indicates a credit to unrestricted funds of almost CHF 2.5 million expected for 2007, compared with CHF 1.2 million budgeted. Indication is now that there may be an increased call on unrestricted income to cover costs at Bossey. This may reduce the forecast increase in unrestricted funds by CHF 0.1 to CHF 0.2 million. A credit of over CHF 2 million is still anticipated.

4. Reduced FS &A costs compared with budget

FS&A net costs charged to programmes, after crediting rental income generated from the Ecumenical Centre, is expected to be CHF 0.7 million under budget. Actual costs to date confirm this expected outcome. Reasons for the reductions include postponement of the renovation works, with resultant delayed depreciation charges, but also vacant positions, such as that of IMD Manager and HR Officer.