

Income and expenses

At the General Assembly in Hamburg, 1991, I presented, as Chairman of the Finance Committee, a financial forecast for the following four years. Two methods of forecasting were used, one based on projecting regression lines of the results for income and expenses for the preceding four biennia and another based on assumptions about future economic projections. There was satisfactory agreement between the two forecasts which showed that if the past trends continued there would be a cumulative deficit over the next two biennia, i.e. 1992–95, of over one million US-dollars.

The principal reasons for this imbalance between expenses and income were first a failure by Council to agree to keep subscription income at least in line with inflation, and secondly a levelling off after 1985 of contributions from the other main sources of income, investments and publications, an eventuality that the Finance Committee had warned against but which warning had gone unheeded. In 1982–83 subscriptions amounted to 80% of total income, in 1987–88 the proportion had fallen to 55% and had then remained more or less constant.

At its meeting before Council the Bureau agreed to take action and made substantial cuts in budgeted expenses, principally a cut of 12% in the allocation to Divisions, and it recommended an increase in subscriptions of 5% for each of the years 1992 and 1993. Council agreed to the increases.

When I became Treasurer on 1 January 1992 my main concern then was to restore the cuts in the Divisional allocation while maintaining a balanced budget. To do this it was necessary to keep strict control of expenses, and all parts of the Union assisted me in this, and to persuade Council to maintain the real value of our subscriptions. Again, in spite of difficulties in some countries, Council has supported my recommendations.

In 1991 the income and expenses account showed a deficit of USD 162k, which but for a change in accounting convention recommended by the auditors, would have been a deficit of USD 256k. In 1992 the deficit fell to USD 72k. In 1993 the financial measures achieved their purpose and there was a small surplus of USD 23k. In the following year, 1994, there was a further small surplus over budget of USD 27k. There was a further true surplus over budget in 1996 of USD 129k—USD 473k if the Barings windfall was included. Heavy expenses in 1997 will probably result in a biennial deficit of USD 40k.

In summary, the bottom lines of the income and expenses accounts from 1990 to 1996, in thousands of USD, are as follows (an estimate for 1997 is also given).

1990	1991	1992	1993	1994	1995	1996	1997E
12	(162)	(72)	23	149*	113	291	(330)

The biennial figures are

1990–91	1992–93	1994–95	1996–97E
(150)	(49)	262	(40)

N.B. brackets denote a deficit, E denotes an estimate.

*Under the accounting convention now used for a balanced budget, a surplus in the even year is balanced by an equal deficit in the odd (Assembly) year. This accounts for the difference between 149k and the figure of 27k for the difference between actual and budget figures given in the text.

The divisional allocation

Returning to the objective of restoring the cuts made in the Divisional allocation at the Hamburg Council Meeting, although I was able to maintain the Divisional allocation at the 1992 level over the first few years, whereas the allocation to Standing Committees was reduced, the 1994–95 allocation was 18% below the pre-Hamburg value in real terms. Council has continued to agree to subscription increases in line with inflation, and this figure fell to 15% in 1996–98. If the recommendation for a 3% increase in 1998 and 1999 is accepted, the Divisional allocation will have been restored. The details are, in thousands of USD:

	Allocation	Pre-Hamburg allocation, adjusted*
1992–93	301	342
1994–95	301	365
1996–97	331	389
1998–99	420	415

*Adjusted to take account of increases in OECD retail price indices. The OECD figures used are those for the beginning of the years 1992, 1994, 1996 and 1998, the years when the allocations were made. A forecast figure of 3.0% is used for 1997 to give the figure for the beginning of 1998.

Finally, subscription income accounted for 66.5% of total income in the 1995–96 biennium compared with

57% in 1990–91. If the 3% increase in subscriptions is agreed the budgeted income for the biennium 1998–99 will be 69% of total income. As mentioned above, in 1982–83 it was 80%.

The reserves

Although the Union has been in difficulties with its annual income and expenses account, it was not in real financial danger because the reserves were strong. These have remained so and the following summary in thousands of USD shows the value of reserves over the years 1991–1996. The values are book values. The 1996 market values are shown in square brackets.

	General reserve	Building Fund	Southern Hemisphere	Total
1991	2182			2182
1992	2156	319		2475
1993	2082	333		2415
1994	2366	289		2655
1995	2362	303		2665
1996	2520* [2749]	396 [440]	50	2966 [3239]

*Excluding the USD 344k Barings' money.

If the 1991 figure is adjusted for OECD inflation between 1991 and 1996, its value becomes USD 2568k, so it could be said that the general reserve has remained constant in book value; the market value has risen by 7%. Since 1991 the Building Fund and the Southern Hemisphere Sinking Fund have been established—if these are included the book value of the total

reserves is USD 2966, an increase since 1991 of 15%; in market value the total reserves in real terms have increased in value by 26%. Since the Barings' money is a windfall not in any way earned by the Union, I have not included it in the calculations, nevertheless, it is now part of our reserves.

The target value of the general reserve, which is the sum of the last two years' expenses, was USD 2007k at the end of 1996, so that the book value of the general reserve is USD 514k above it; the market value is USD 742k above it. By the end of 1997 these sums will be reduced by the USD 55k needed for capital equipment for the new Secretariat office and by the 1997 deficit which could be as much as USD 330k. On the other hand the market value should be enhanced by capital gains in our holdings of equities and bonds. All in all, there are ample monies for important and urgent short-term initiatives and the Union should take advantage of the opportunity during the next few years.

Conclusion

The finances of the Union are now well under control, both the operational finance and the level of reserves. This latter gives opportunities to undertake special short-term initiatives and these opportunities must not be missed. I hope and trust that Union Members will give my successor the support given to me by keeping careful control of spending and will continue and intensify efforts to increase income. In particular, Council should continue to maintain the real value of national subscription income.