

Advisory Group on Finance

Current Members: Amy Fagan (Chair), Bob Rowe, Nathan Hutting, Paolo Sanzo, Steve White (EC Liaison), Ingrid du Toit (Executive Director).

Purpose: The purpose of the Advisory Group on Finance (AGF) is to provide a written report to the Executive Committee (EC) with recommendations regarding the IFOMPT income, expenditures, IFOMPT investments, and identification and review of potential revenue opportunities. The AGF will address specific 'charges' within a designated time frame as determined by the Executive. Reports from the AGF should outline the work undertaken by the group and provide the EC with prioritized recommendations with accompanying detail that will enable the EC to make decisions regarding the implementation of such recommendations.

2016/2017 Charges

1. Investigate alternative income streams for IFOMPT and provide EC with short and long term strategies to consider.
2. Review subscription structure of IFOMPT and make recommendations for alternative structure and/or fees.
3. Review discretionary spending of IFOMPT and make recommendations for any appropriate cost-saving changes

Report to the Executive Committee

June 5, 2017

The AGF has held two teleconferences since its last Executive report was submitted on 20 April. A second MO survey related to member benefits was circulated and received a 70% return rate. Additionally, inquiries were made to the President and ES chair regarding priorities and operational requirements; both parties returned responses in a timely manner.

Membership to IFOMPT is rated as highly beneficial to the majority of MOs and RIGs. The top benefits are the Educational Standards and being part of a collaborative global community. Communication, the International monitoring process, and education/research support were identified as benefits which the MOs desired more attention. The AGF would also like to draw to the EC's attention the fact that most MOs lack understanding of the relationship with WCPT and advocacy role of IFOMPT.

The survey results highlight benefits which align with the IFOMPT Constitution's objects. Two of which are the charges for the 2017 advisory groups- communication and research. The survey results are available for the EC and other Advisory groups via the ED.

The EC and MOs require a mutual agreement in relation to the value and benefit of each object and why and how it is supported now and in the future. The cost of these benefits are more than

monetary and the AGF presents initial recommendations for the EC's consideration to assist in resources allocation. Based on further investigation, a weighting of expenditure to achieve each object could be determined and reviewed on an annual basis.

Review discretionary spending of IFOMPT

A review of the operational budget over the past twelve years indicates that there has been an increase expenditure trend greater than income generation. A steady increase in expenditure correlates with the commencement of the International Monitoring (IM) process in 2010.

Committee travel, accommodation, and hospitality form the largest amount of discretionary expense in the IFOMPT budget. The AGF acknowledges that both committees are utilising alternative methods to conduct business as usual and that face to face meetings are requirements of WCPT subgroups. In the 2017 financial year (FY17) both the EC and ES have made conscious efforts to reduce the expenses of travel related to their charges.

Recommendations:

- Investigate the true cost for the development and maintenance of the Educational Standards.
- Conduct a cost benefit analysis of the Educational Standards.
- Investigate the member benefit of IM and the true cost to operationalise the process.
- Conduct a cost benefit analysis of the IM process.
- Determine the minimum constitution requirements for the EC in relation to WCPT and IFOMPT duties.
- Share the evaluation of cost analysis with the MOs to enhance their understanding of member benefit cost effectiveness and efficiencies.

Review subscription structure

The subscription fee is the only annual income generation. This historically covers 55-60% of the annual expenditure, resulting in reserve funds of up to \$35k being required for per annum. The reserve percentage equate to nearly the entire portion of discretionary spending. In addition to the fore mentioned increase discretionary spending, there also has been no subscription fee increase since 2011. The summative global inflation during this same period was 21.69 % and when compared between years has had an increase average of 3.6% ([Statista](#), 2017).

Recommendations:

- Quantify the present value of subscription based on a 3.6% inflation p.a. since the last fee increase.
- Forecast the future value of subscription based on 2.5 % inflation prediction from 2019-2023 per [PWC Global Economic Watch](#).
- Analyse the impact that a subscription fee increase to present value would have to the FY18 budget.
- Analyse the impact that an incremental subscription fee would have on the future budgets 2019-23 based on current expenditure weighting.

An increase in the subscription fee would provide an immediate increase in the income and a reduction of dependence on the reserve funds; its sustainability long term, however, would need to align with strategic output.

The AGF has investigated a variety of membership organisational fee structures. Without greater understanding of the cost benefits, the AGF is not able to recommend a new fee structure at this time. The following are possible alternative structures:

1. Tiered membership based on the MOs membership size. This may include an incremental fee structure for RIG based on their progress towards MO status.
2. Rolling membership fee based on annual activities, this would require forecasting planning of activities and funding requirements.
3. Annual increased based on inflation forecast.

Alternative income streams

Currently, the only alternative income is the profit sharing from the conference every four years. This income has ranged from \$0-220k over the past three conference iterations. Had the profit share averaged \$20k, the fund reserve would drop below the proposed safety net threshold of \$100k. It is, therefore, imperative that IFOMPT consider alternative income streams alongside its cost saving measures.

Suggestions include:

- Corporate sponsorship- guidelines regarding this would need to be developed. Envision a regional and global approach could be pursued.
- Advertisement on the website- the MOs, institutions, and other organisations would be charged a fee to utilise a portal on the website for recruitment, research opportunities, and promotion of events. This would have a build and small ongoing administration cost to IFOMPT.
- Educational offerings- courses and workshop delivered by IFOMPT at MO and regional conferences.
 - Online courses- these would initially require funding and ongoing expenses to develop, monitor, and update; would recommend a business case to ensure breakeven point and profitability can be gained in short term and is sustainable over the long term.

Where can we do smarter, better and make a savings?

The EC is commended for actioning the requests of the MOs to be more involved in the strategic planning since Glasgow. The Advisory groups are collectively analysing and developing recommendations for the EC's consideration. This engagement should enhance the EC position to evaluate IFOMPT current and future strategic directions and expenditures.

Additionally, both the EC and ES have inwardly analysed their operational methods and made conscious decisions to reduce the costs. These include a reduced number of face to face meetings, increased use of technology, and selecting more cost effective methods to attend face to face

meetings. It is acknowledged by the AGF that these decisions are being undertaken as a cost savings initiative within the parameters of achieving outcomes without additional risks.

IFOMPT needs to realign with its objects and value propositions and re-establish the governance structure which enables these to be accomplished in a means that are recognised as mutual beneficial to the MOs. The AGF puts to the EC the question: What are the value-add activities we should keep and which should we cease or seek alternative methods to achieve?

The AGF welcome the opportunity to meet with the EC in Cape Town to further discuss our activities, analysis, and recommendations.

Regards,

Amy Fagan

Chair, Advisory Group for Finance