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Original

## Report of the Finance Committee

### 1. Financial stewardship from Porto Alegre to Busan

The accomplishment of the Council's work from 2006 to 2013 depended on the generosity and partnership of the member churches, specialized ministries, congregations and individuals who offered active engagement and contributions, whether financial or by other means. The assembly finance committee (AFC) expresses its profound gratitude for this continued solidarity and commitment.

Since 2006, the total income has decreased by 31%, from CHF 44.6 million to a forecast of CHF 30.9 million in 2013, repeating the trend of the previous period (1999 total income CHF 61 million: decrease of 27% to 2006). Foreign currency rates fell sharply against the Swiss franc following the global financial crisis of 2008, adversely affecting the value in Swiss francs of programme and membership contributions received in Euros, US dollars and other currencies from 2008 onwards.

There was an increase in the number of members participating with membership contributions from 177 (in 2009) to 255 in 2012 (44% increase). However, with almost 10% (25) of the contributing member churches paying the minimum of CHF 1,000, and a further 30% (74) paying less than the minimum, the increase in numbers contributing did not offset reductions in contribution by other member churches. Membership contributions declined by 39% from CHF 6.6 million in 2006 to a forecast of CHF 4 million in 2013.

In 2009, the Council completed a fire security renovation project in the Ecumenical Centre (CHF 6.6 million), and the renovation of the Visser 't Hooft Hall (CHF 1.6 million). In 2011, a conference centre was developed at Bossey at a cost of CHF 6.6 million, financed by a loan of CHF 6 million.

In addressing the critical situation of the WCC Retirement Fund (WCC RF), the Council granted an extraordinary contribution of CHF 24 million to the WCC RF in 2012, financed by a loan. The assets and obligations of the WCC RF were transferred to an independent collective pension fund scheme, securing pensions and closing out risk to the Council. In 2012, following a tender process monitored by a steering committee appointed by executive committee, the Council entered into a partnership agreement with a leading Swiss construction company with the objective of developing the Ecumenical Centre estate. In the expectation of a first transaction in 2017, the objectives of the project are to reimburse the loan, and fund the renovation and reconstruction of the Ecumenical Centre, while retaining ownership of sufficient property to generate a substantial contribution to operating expenses. Close accompaniment of the project by governing bodies will be required in order to achieve the financial goals.

The programme structure defined for 2007-2009 focused on how each project fulfilled aspects of the unique role of the WCC and a planning, monitoring, evaluation and reporting (PMER) process was implemented. Certain project work, particularly related to grants activity, was concluded during the period. In 2010 a further revision of the project structure was implemented, including definition of programme objectives to be met by the 10<sup>th</sup> Assembly, the achievements being highlighted in the report *A Faith that does Justice*.

Prudent budgets were set during the period and general reserves exceeded target by CHF 1.4 million in 2011, reaching CHF 8.9 million. In 2012, executive committee assigned CHF 3.1 million of general reserves to a designated fund for the building project, to cover loan interest and consultancy fees for a period of five years.

The actions taken fulfilled important recommendations from the AFC report from Porto Alegre which highlighted the need for realistic budgets, capital expenditure limits and treasury plans; the development of longer-term objectives; and the need to establish a PMER process.

In 2013 programme funds are estimated to close at CHF 2.7 million, this being a record low. Careful planning, accurate budgeting and financial monitoring will continue to be essential skills for effective programme management in the coming period

The AFC concurs with the recommendations of the pre-assembly programme evaluation which propose that the WCC “facilitate where possible that members and partners take increasing responsibility for the common work” and that the “goals of the programmes be defined more specifically and increasingly prioritized”. In facing the challenges of the coming period, the WCC is encouraged to involve member churches more closely in planning and evaluation, while implementing alternative ways of working which draw on ecumenical cooperation, communication and new technology.

The AFC **recommends** that the new central committee:

- (i) require that executive committee set realistic annual budgets for a focused programme plan (see 2 (i)), reviewing at each meeting the required level of general reserves, capital expenditure and treasury plans;
- (ii) give direction for further investment in the PMER process, including use of external consultants for training and implementation of outcome and impact assessment to strengthen the profile of the project work;
- (iii) encourage and nurture greater coherence in the ecumenical movement by requiring a plan for involving member churches in the programmatic work; and
- (iv) require that an IT strategy be prepared with the programme leadership, within 2014, to include a cost-benefit analysis for video-conferencing; a feasibility study for an IT platform for participative project work and exchange between member churches, ecumenical partners and the WCC; and use of social media.

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## **2. Four-year financial plan**

In March 2013, executive committee approved the proposal that a strategic programme plan be developed for the four-year period 2014 to 2017 on the basis of clear indicators and milestones. The AFC considers that a strategic programme plan requires to be developed with reference to realistic financial parameters. With reference to the financial scenarios reviewed, the AFC determined that the most realistic projection presents total programme income of CHF 20 million in 2014, and CHF 18.9 million in 2017, still offering considerable potential for focused initiatives and project work, particularly if new working methods are implemented.

In preparing such a financial strategic plan, consideration should be given to the following:

- a consultation with the principal programme funding partners to discern their medium-term preferences and potential commitments;
- the setting of a staffing budget for 2014 corresponding with the level of income projected for 2017, applying the implied income margin in 2014 to fund short-term contracts and consultancies;
- the medium-term target for infrastructure costs at 15% of total programme income, with the target to be attained by 2017;

- a mapping of project work conducted by ACT Alliance, LWF and other related organisations to identify complementarities, and also potential for synergy in consortium initiatives;
- the development of an action plan for the steps required to implement the financial strategy, particularly with regard to the prioritisation of projects.

The AFC supports the income development strategy, and the target milestones which are included for fund-raising initiatives. The financial strategy should be adapted when the goals in the income development are met.

The AFC **recommends** that:

- (i) with reference to the assembly mandate, central committee approve a categorisation of the WCC's focused work identifying elements which are indispensable, those which are considered important, and those which are desirable to be applied as a reference point for the development of budgets; and
- (ii) central committee approve a financial strategy for the four-year period 2014 to 2017, developed under the above guidelines, and reviewed by executive committee in February 2014.

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### **3. Membership contributions**

Membership contributions are the principal source of unrestricted income necessary for the funding of the work of the general secretariat, governance, communication and for the support of certain important programme work.

In 2012, membership contributions totalled CHF 4.3 million, compared to CHF 6.6 million in 2006. Following a campaign and the involvement of the fund-raising advisory group, 255 (74%) member churches paid their membership contribution in 2012, representing a significant demonstration of solidarity and commitment compared to the total of 177 (51%) member churches which contributed in 2007. The AFC expressed serious concern at the number of member churches not contributing or contributing less than the minimum required, being every second member church. The AFC expressed its gratitude to those member churches which continue to increase or maintain their contributions, but was also concerned at the decline in total value of contributions, and discussed the reasons.

Improved financial participation should follow if the Council coordinates its way of working within the membership.

The AFC reviewed a report on the development of the membership scheme and campaign. The current scheme, implemented in 2003, is not well adapted to the diversity of the member churches and their contexts. Adjusting the existing scheme to factor in the human development index (HDI) to a calculation of a number of cents per declared church member did not result in a viable new structure for a scheme, since the same flaws remained. The proposal was to base a new approach to the campaign on the level of contribution made by each member church in 2012, then evaluating with each member church their possibility to contribute further, setting some annual targets for growth to be defined.

The AFC discussed the proposal that an annual increase in membership contributions of 2% to 5% be included in the plan and found that in general this expectation would not be easily received. However, the AFC notes that further discussions are required on this subject.

The requirement to take into account executive committee's decision of March 2013 that the member churches should contribute annually to the assembly fund from 2014 was discussed. The AFC notes that regardless of whether specific contributions are received or not, the funding of the assembly should be planned for in the annual budgets of the WCC.

The AFC emphasized that despite its flaws, the current plan includes values of fairness, transparency and objectivity, and was concerned that the new approach include these same values. The AFC noted that the level of contribution in 2012 be the base point for the new approach.

The AFC welcomed the amendment to Rule VI in the Constitution and Rules in which the responsibility of member churches to “assist in assuring the financial stability of the World Council of Churches” is included.

The AFC **recommends** that:

- (i) the revised approach to membership contributions be further developed to ensure incorporation of the values of fairness, transparency and objectivity;
- (ii) there be a focus on strengthening the relationships with the member churches;
- (iii) a strategy be developed on how to actively involve those churches which do not contribute or are identified as possibly paying less than they could; and
- (iv) the new membership contributions plan be launched by executive committee in 2014.

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#### **4. Income development strategy**

The AFC reviewed the draft *Income Development Strategy 2014 -2017*, which included sections addressing financial stewardship by member churches, collaboration with specialised ministries, the development of income from new funding partners and fund-raising for the Ecumenical Institute at Bossey.

The AFC supports the income development strategy, confirming that the approach proposed can result in improved financial stability for the Council. The strategy introduces the responsibility of programme executives and leadership to raise funds for projects. In addition, a new WCC communication strategy is to be introduced after the assembly, defining effective approaches for the use of social media. The AFC supports the integration of these factors in the income development strategy.

In discussion of the document, the AFC raised the following observations:

- when considering the introduction of new projects and activities to be funded by new partners, care will be required to ensure that the strategic programme plan is respected, focus remaining with projects fulfilling the WCC’s unique role; and that new funding partners are suitable partners for the work;
- the initiative to raise funds through working in a consortium with related organisations was encouraged, given that this step had the potential to create synergies between partners, putting contributions income, perhaps funded by the same funding partners, to even greater effect;
- retired members may be effective participants in fund-raising efforts;
- the Council has not traditionally focused on fundraising from individuals. Recognizing the limitations of staff time, it may nonetheless be possible to raise new funds through both a broad-based approach (e.g. further developing the "WCC Friends" and communicating in a strategic way with these Friends) and a targeted approach involving soliciting major donations from specific individuals;
- consider contact and collaboration with companies with corporate social responsibility programmes, which may make contributions or offer other support; and
- concerning Bossey, include a target date earlier than 2017 for the increase in income from self-payers at seminars and courses.

The AFC **recommends** that:

- (i) a policy be developed and adopted in 2014 by central committee defining the criteria for introducing new projects within the WCC’s strategic four-year programme plan, to apply in any case, but particularly where such new projects are to be funded principally by new funding partners;

- (ii) a policy be developed and adopted in 2014 by central committee defining the screening process required for the acceptance of new funding partners with reference to the ethical criteria in the Council's *Ethical investment guidelines* and the *Principles of ethical business conduct*;
- (iii) the income development strategy include milestones for both programme contributions' development, and as measures for the engagement and effectiveness of leadership and programme executives in fund-raising activities; and
- (iv) the income development strategy be presented for approval at the first central committee.

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## **5. Assembly**

The AFC deeply appreciates the opportunities for development of the fellowship which the 10<sup>th</sup> Assembly has offered, and the renewed experience of identifying together the hopes and challenges for the Council for the new cycle of work. The committee noted that the assembly costs to the WCC from 2010 to 2013 are forecast to close at CHF 6.53 million, quite apart from the direct costs of churches. The AFC also deeply appreciates the substantial contribution-in-kind received from the Korean churches covering the costs of the venue, ground transportation, the weekend programme and local planning and administrative costs.

In planning a future assembly, consideration must be given to developing a new structure for the assembly, including reduction of its length, with a focus on enhancing content and reducing costs. An opportunity to eat together as a fellowship at lunchtimes or in the evening might be included to foster dialogue. Accommodation with local families might be considered as an alternative to hotels.

The AFC **recommends** that:

- (i) central committee revise the style and format for the 11<sup>th</sup> Assembly taking account of the observations concerning length and available budget;
- (ii) an assembly fund be constituted from 2014 with a target to be set by central committee;
- (iii) the assembly fund profile be included in the four-year financial strategy;
- (iv) a report on compliance with the assembly subsidy policy be presented to central committee; and
- (v) the central committee conduct a comprehensive review of the subsidy policy for the assembly, governing bodies and commissions. The revised policy should include transparency in the criteria by which a church is deemed to require a full or partial subsidy and a mechanism for its implementation.

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## **6. Ecumenical Institute and Bossey guest house and conference centre**

The total costs of the Ecumenical Institute in 2012 were CHF 2.1 million. In 2012 programme contributions and other income covered almost all costs. It had been planned in 2011 on the opening of the new conference centre that an annual surplus would be generated from that facility to be credited to the work of the Institute. In 2012 and based on forecast 2013, deficits of CHF 0.5 million have been and will be incurred by those activities. On the basis of a study by an external consultant in October 2012, who confirmed that the site has the potential to generate a net surplus, an action plan has been developed, with one significant step being the recruitment of a sales and business manager in May 2013.

AFC members observed that the costs of academic courses and seminars are relatively high. The AFC noted that the tariffs and scholarship policy for the academic courses needed review in order to enhance participation and the global profile of the student body.

The AFC **recommends** that:

- (i) an integrated strategy be developed for the use of the "Chateau de Bossey" which respects the original purposes of the Ecumenical Institute, to be reviewed in draft by executive committee in February 2014 and finalized for approval by central committee at its first meeting; and

- (ii) financial targets for the guest house and conference centre be included in the four-year financial strategy, with a target to reach at least break-even in 2015, in order to generate an annual surplus in favour of the Ecumenical Institute.

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## **7. Report of the audit committee**

The AFC received the report of the audit committee which confirmed for the period 2006 to 2012 that “there have been no matters of contention concerning the annual statements under review, nor material issues raised concerning financial controls”.

The five-year mandate of the auditors, PricewaterhouseCoopers (PwC), comes to an end in 2013 and an offer for tender will be required in 2014 for the appointment of WCC’s auditors for the period 2014 to 2018.

The AFC recognized with appreciation the voluntary commitment of the independent professionals who have served on the audit committee alongside executive committee members during the period under review.

## **8. Status report on the pension fund and the pension fund committee**

The AFC reviewed a brief report summarizing actions taken since the transfer of the assets and obligations of the WCC Retirement Fund (now in liquidation) to an independent collective pension fund institution. The report described the monitoring conducted by the WCC steering committee, the formation of the new pension fund committee and work in progress.

The AFC questioned the level of liability and risk remaining for WCC with regard to pensions after payment of the extraordinary contribution of CHF 24 million. It was confirmed that following the change of plan, financial responsibility is limited to the annual contributions due under that pension plan.

## **9. Other policies and issues from the report of the finance committee of the 9th Assembly**

The AFC received a report on actions taken on the recommendations of the 9<sup>th</sup> Assembly concerning finance. Actions had been taken to address all recommendations, except for the following matters which require further attention:

- a policy defining the status of “non-active member”<sup>1</sup> had been introduced by central committee in 2006 following the recommendation of the assembly. The policy is not applied consistently and its value and purpose require to be reconsidered.
- it had been recommended that staff policy be developed setting standards to address the cases of staff in offices outside Switzerland. Such a staff policy has not yet been prepared. About 20-25 staff in seven locations are concerned, with either local contracts or Geneva consultancy contracts.

The AFC **recommends** that:

- (i) the central committee revise the “non-active member” policy; and
- (ii) the review of staff regulations currently in progress be extended to include the policy for staff in offices outside Switzerland, to be completed early in 2014.

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<sup>1</sup> The 2006 central committee accepted by unanimous consensus the recommendation that « churches which have not paid membership contributions for three consecutive years nor have had any communication with the WCC during three years be declared non-active as recommended by the Assembly” (*minutes of WCC central committee*, 30 August-6 September 2006, page 37).