



AIUK Financial Report to Members: 2013 - 2nd Quarter

Welcome

Welcome to the quarterly finance report for AIUK members. This report covers the important financial issues arising during the year including a six month income and expenditure statement for 2013, examples of our income monitoring, and looks at financial projections through to 2021.

This is our first quarterly report specifically for members; your feedback and questions are important and can be sent to: financecontact@amnesty.org.uk

Overview and cost monitoring

At the beginning of the year the Board of AIUK agreed a budget deficit for 2013 of £220k which was to be funded from our reserves. This included an assumption that both the costs and ongoing reduced expenditure resulting from our proposed restructure would apply from April, after our AGM.

The Board's Finance Sub Committee (FSC) met in May to review our 2013 financial forecast in the light of decisions taken at AIUK's AGM to delay our organisational restructure until after Amnesty's International Council Meeting (ICM) in August, as well as to review the income and expenditure across the first few months of the year.

At the May FSC meeting the additional cost of the delayed restructure for 2013 was forecast at £450k and this was the main factor in the then projected deficit for 2013 increasing from £220k to £750k. These additional costs, and deterioration in income projections, prompted the FSC to instruct the Senior Management Team (SMT) of AIUK to identify one-off operational expenditure savings in 2013, to offset any potential increase in deficit.

At the time of writing we are able to report that the subsequent FSC meeting in July agreed net one-off operational savings for 2013 of £640k. In May and June our financial position strengthened due to increased legacy income. We have also been monitoring staff vacancies and despite a forecast cost of £128k on temporary staffing in relation to the delayed restructure we are forecasting down our total salary expenditure by around £100k for 2013. The operational savings made, and the impact on our 2013 forecast has been incorporated in the financial summary below:

	2013 June Actual £k	2012 June Actual £k	2013 Full Year Budget £k	2013 Full Year Forecast £k
Total Income	12,101	11,948	24,336	24,231
International Grants	3,776	3,895	7,355	7,374
UK Campaigns	384	578	906	906
Fundraising Expenditure	1,593	2,281	4,478	4,354
Salaries	3,878	4,080	7,765	7,652
Support Costs	1,021	1,217	3,916	3,248
Directorate	102	90	136	136
Total Expenditure	10,754	12,141	24,556	23,670
Surplus/(Deficit)	1,347	(193)	(220)	561



AIUK Financial Report to Members: 2013 - 2nd Quarter

As discussed above, the improvement from our budgeted deficit of £220k to a projected surplus of £561k is due to one off operating and salary savings in 2013. Improved legacy income has offset expected reductions on other income sources. This forecast now assumes our restructure is implemented after the ICM as there were no decisions taken there that change our financial position in the short – medium term.

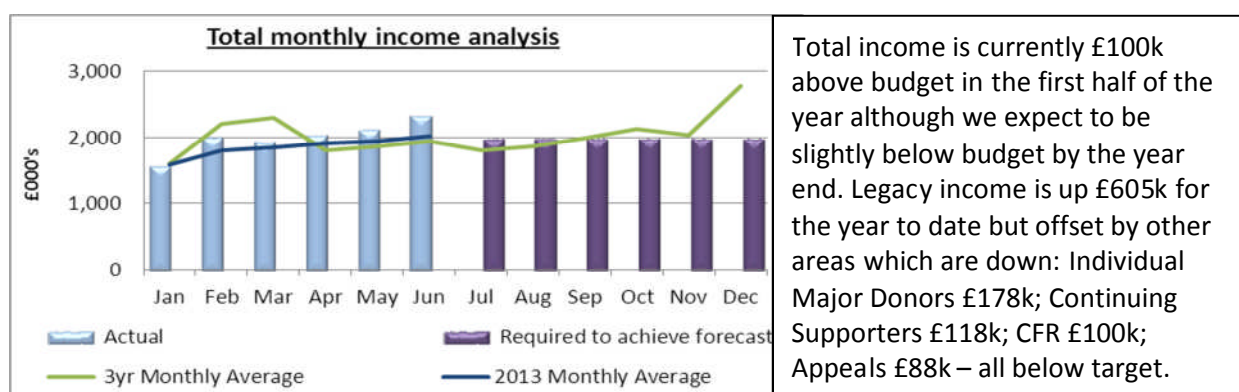
Our actual position at 30th June 2013 is a surplus of £1,347k, much better than the original budget largely because in the original budget phasing the assumption was that the costs of the restructure would be incurred in the second quarter with more of the savings in the second half year. The current situation is that the cost of implementing our restructure will be incurred in the second half of the year, and less of the reduced salary cost will benefit the accounts in 2013, and it for this reason that the forecast is for the surplus to reduce to £561k by the year end.

Our projected financial position for 2013 is currently showing a surplus of £561k versus the original plan of a £220k deficit. Although this is a welcome improvement for 2013 it does not resolve the issues around our medium term projections discussed below. (see section on “Projections to 2021”)

Income monitoring

As you all know, growing our fundraising income is critical for us to keep AIUK strong as well as increase our contribution to the international movement. We need to forecast and monitor this carefully in order to ensure we are getting value for money on our fundraising expenditure and on track to deliver the forecast.

Our income in 2011 was £23.7m and in 2012 it was £25.8m; an increase of 9%, with 2012 income benefiting from additional legacies and a sizeable unexpected donation from an overseas trust. Taking 2011 as a more reasonable base for forward projections we set a target for 2013 income to be £24.6m. Our current forecast for 2013 is £24.2m so current growth is 1.2% on that basis and we will need to raise an additional £400k during 2013 to meet our target. The FSC has requested a thorough review and update of our current and future income projections at its next meeting in early October. You can see below how some of the main sources of income and fundraising are tracking during the first half year along with their second half year forecast.

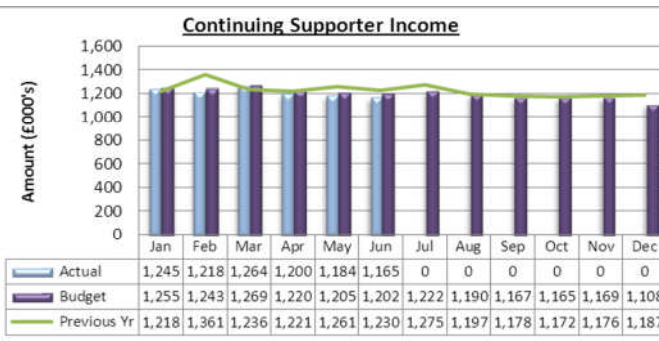




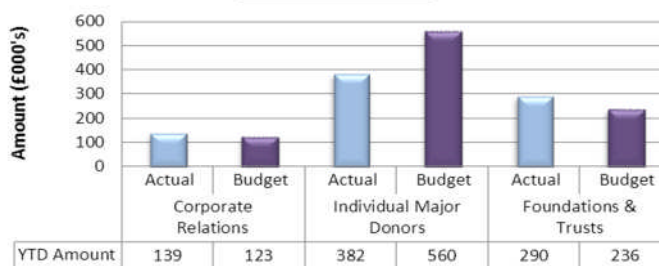
AIUK Financial Report to Members: 2013 - 2nd Quarter

“Continuing supporter” income (from existing supporters) is £118k under target to the end of June. This income line was forecast down £200k in April to £14,216k for the year.

This line will be constantly monitored for updates but there are no current plans to amend the forecast at this time.



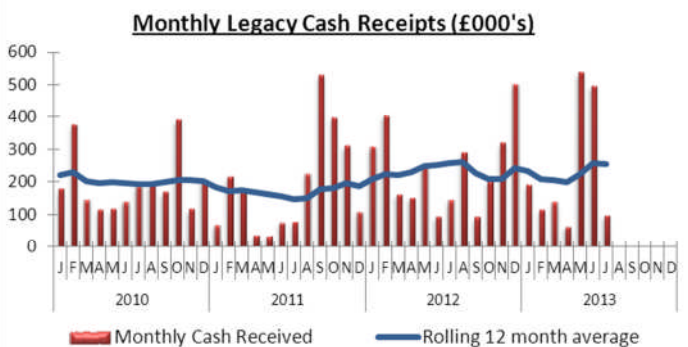
**Major Donor Income
YTD income vs budget**



Individual major donors are £178k behind target YTD; Foundations & Trusts are ahead £54k; and Corporates slightly up by £16k.

The outlook for the corporate programme is positive, with new partnerships confirmed for later in the year.

Legacy income is up on budget by £605k YTD. As a result of this and notifications we have received, the income forecast on this line has been increased by £500k to £2.6m for the year.



Projections to 2021

We have reviewed our financial projections to 2021, to cover the period of transition to an increased level of support for the international Amnesty movement. Our current financial reserve projections take into account our latest 2013 financial forecasts including the one-off cost reductions for 2013, and the increased cost of delaying the implementation of our restructure.

For income projections we are currently forecasting forward using 2% annual growth rates. Obviously these numbers need to be treated with caution as we move further ahead to outer years, as it is very hard to predict what the state of the economy and peoples real income will be especially from 2017 and beyond. For the short- medium term (2014/15/16) we will use the October FSC to review both the 2014 budget and projections, with a particular focus on fundraising plans.

Our expenditure assumptions are also based on 2% growth except for our agreed increasing contributions to the global amnesty movement and salary cost increases agreed with the Union at 0% for 2014, 1.5% for 2015 and 2.5% thereafter.



AIUK Financial Report to Members: 2013 - 2nd Quarter

A summary of our financial position going forward is as follows:

	Actual	Forecast	Budget Projections							
	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Opening Free Reserves	5.2	5.1	5.3	4.1	3.7	3.3	2.7	1.5	0.1	(1.9)
Ringfenced Marketing savings		(0.4)								
Annual Surplus/(Deficit)	(0.1)	0.6	(1.2)	(0.4)	(0.4)	(0.6)	(1.2)	(1.6)	(1.8)	(2.0)
Closing Free Reserves	5.1	5.3	4.1	3.7	3.3	2.7	1.5	0.1	(1.9)	(3.9)
Minimum Free Reserves	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Surplus/(Deficit) Free Reserves	1.4	1.6	0.4	0.0	(0.4)	(1.0)	(2.2)	(3.8)	(5.6)	(7.6)

The table above shows “free” reserves (we exclude the value of the HRAC and reserves where the donor has placed a restriction) of £2.7m at the end of 2017. The one off cost savings exercise in 2013 discussed above, and the agreement with the staff Union on salaries for 2014 and 2015 has brought us back into alignment with future budget projections agreed by the Board in February 2013.

Summary

Tight financial management during the first half year, and forecast cost reductions from AIUK’s Cost and Priorities Programme in the second half year have stabilised our financial position through to late 2016. From 2017 we will have to grow our income more or negotiate changes to our assessment as our projected annual deficits are unsustainable.

At the recent 2013 ICM it was agreed that the International Secretariat will work with Amnesty Sections to further review the assessment system, evaluate the necessity to make long term amendments, and submit proposals to the 2015 ICM. AIUK will of course play a major part in this process, and over the next 2 years will also be participating in a pilot scheme to generate increased income via restricted funds, as you will have seen from the recent ICM decision 2, supporting AIUK’s resolution. We see this as a significant opportunity to raise more money from major donors and charitable trusts such as the recent Comic Relief grant secured for work on housing and other rights in Nairobi shanty towns.