

Agenda item 7 – FINANCIAL MATTERS

The financial matters submitted to the Council consist in examining the budget for the new period, the cash flow situation as at 31 October 2014, the membership rates for 2015 and the financial impact for termination of membership.

7.1 Budget for 2015

The budget for 2015 is presented in Annex 7.1 with an estimated result of €72,217.10 after the impact of provisions.

- Income

An increase in income is planned to take into consideration the adhesion of new members and an annual growth of 3% in the contribution rates compared to 2014. The budget for contributions is based on 77 National members (including Canada), 54 Associates and 114 Industrial members, according to the last updated list of IALA members.

No workshops/seminars have been scheduled outside IALA in 2015.

The total expected income is €2,147,317.

- Expenditure

An increase in expenditure is due to an additional appropriation in the personnel budget in order to cope with the expectations of the Secretariat review. Additional staff is planned in the budget for 2015. However, it should be noted that this personnel cost budget is preliminary and may vary according to the final conclusions of this Council.

The Strategy budget has been renamed “Contingencies” and will be used to face unexpected expenses such as lawyers’ fees (when legal advice is required) or expenditure for experts if needed in the perspective of change of status.

Finally, a new budget line will deal with all costs associated to the Change of Secretary General.

The Council is invited to approve the budget for 2015.

7.2 Financial forecast 2016-2018

The financial forecast for the new period is presented in Annex 7.2 and reflects:

- an increase of 3% in the membership contribution rates (income)
- an increase of 2% only in the expenditure considering the low inflation rate in France (around 1% since January 2014).

This four-year budget provides sufficient funds to deal with stronger staffing requirements.

With the increase of IALA activity, investments in IT equipment and software remain important over the years in a view to continuously improving the level of IT services at IALA.

The expected results over the years should therefore remain around €120,000.

This financial forecast is preliminary and may require financial adjustments after the conclusions of the Secretariat review planned for discussion at this Council and after the venue of the new Secretary General in 2015.

The Council is invited to note the financial forecast 2016-2018.

7.3 Cash flow situation as of 31st October 2014

This year, IALA's objective was to maintain a positive cash flow and thus continue to reduce debt. The Cash flow statement (presented in Annex 7.3) shows a positive result of €280,733.74 which is approximately the same amount compared to last year at the same period. A comparison with 2013 is presented in the document.

The Cash flow includes a very small part for contributions received in advance for 2015 because invoices have been sent in October instead of July. On the other hand, more contributions have been collected in 2014.

Income:

The total income received as at 31st October 2014 is €1,901,974.04 which is an improvement of 2% compared to 2013.

The budget for Membership contributions has been slightly revised to take into consideration the last number of members in October: 76 National members, 114 Industrial members and 54 Associates.

More income has been collected in 2014 for various reasons:

- The number of members has increased by 6% compared to 2013
- Efforts have been made to recover unpaid contributions
- The Conference (and the Industrial Exhibition) had a positive effect on the payment of contributions this year as new members decided to adhere to the Organisation in this perspective
- The activity of the Academy helps to attract more members (especially those from French-speaking African countries)

As regard to workshops and seminars, because of the Conference, 2014 was less busy than the year before with the organisation of only one workshop in Hamburg: the Common Shore-based System Architecture Workshop.

Concerning interests on bank accounts, good income have been generated by deposit accounts that have been blocked during 4 years and came to maturity in August.

Expenditure:

The annex 7.3 demonstrates a smooth budget execution. The global level of expenses has decreased compared to 2013 due to the following reasons:

- **Corporate rental:** IALA has only 2 company flats instead of 3 compared to last year.

- **Building costs:** This budget is no longer affected by the cost of the bank loan that IALA had contracted to buy the premises in Saint Germain-en-Laye. The repayment of the loan had been made in May 2013.
- **Publications:** the new personnel arrangement for the editing of the Bulletin resulted in savings.
- **Missions:** this line has been reduced by 22% mainly due to the fact that the number of external workshops has been reduced to the minimum in 2014.

However, recent events had an impact on the budget and it appeared necessary to create two new budgetary lines entitled as follow:

- **“Contingencies”** this budget will be permanent and will face all unexpected expenses due to:
 - o the new Strategic Vision implemented recently
 - o the change of status approved by the last Assembly in Spain. This decision to move IALA to an International Intergovernmental Organization may have financial implications in the future (such as the provision of legal advice if needed or assistance from experts).
 - o Any miscellaneous requirements.

A sum of €30,000 has been allocated to this budget

- **“Change of Secretary General”** this appropriation is intended to cover all costs related to the recruitment process, together with the expenses involved in removal expenses for the current Secretary General; relocation and installation for the new Secretary General. A total of €40,000 has been forecasted in the 2014 budget and another €30,000 budget is planned for 2015.

Transfers have been done between budget lines in that sense but the global budgetary envelop approved by the Council at his 59th Session in Goa remain the same: €1,954,316.89 for total expenditure in 2014.

The Council is invited to note the cash-flow situation as of 31st October 2014.

7.4 Membership rates for 2015

The Finance and Audit Committee members (F.A.C.) have been requested to provide their recommendations to the Council in September in order for the secretariat to send all invoices to members early in October 2014.

Therefore, the F.A.C. has recommended an increase of approximately 3% in the membership rates for 2015. These new rates have been approved inter-sessionally by the Council on 30 September 2014. The part for the Industrial Member Committee remains the same and is equal to €500. The following rates will be applied with effect 1st January 2015:

IALA MEMBERS	2014	2015	Variation
National	14 000 €	14 400 €	+ 2.86%
Industrial	5 200 € (+ 500€)	5 350 € (+ 500€)	+ 2,88%
Associate	2 730 €	2 810€	+ 2,93%

Provisions for the change of status are not reflected yet in the contribution rate but may be needed in the future depending on the adhesions and/or resignations received in the years to come, in reaction to the last General Assembly decision. For the time being, the increase in the number of new members since the beginning of the year 2014, and particularly since the Conference, is encouraging (IALA has registered 19 new applications for 6 resignations in 2014).

The Council is invited to note the 2015 membership rates.

7.5 Members in a position to be taken out of the list of IALA members for non-payment

The Council is invited to discuss Membership termination for non-payment as the level of debts over the years becomes critical. This year, IALA took stronger actions and undertook negotiations with members in financial difficulty. The measures taken to recover overdue contributions are described below for each category.

- **National members:**

The accumulated debts are shown in the table below:

	2014	2013	2012	2011	2010	2009	Total
NATIONAL							
Benin	14 000,00	13 600,00	13 200,00				40 800,00
Jamaica	14 000,00	13 600,00	13 200,00	0,00			40 800,00
Mozambique	14 000,00	13 600,00	13 200,00	12 800,00	12 450,00		66 050,00
Sierra Leone	14 000,00	13 600,00	13 200,00	12 800,00	0,00	12 200,00	65 800,00
Venezuela	0,00	0,00	0,00	0,00	0,00	12 200,00	12 200,00
Total	56 000,00	54 400,00	52 800,00	25 600,00	12 450,00	24 400,00	225 650,00

Stronger reminders have been sent by the IALA Secretariat in 2014 to the members in financial difficulty. The conclusions are encouraging for some of them:

- **Benin** explained that a new General Director of the Port Autonome of Cotonou has been appointed. He has been provided by the Secretariat all necessary information as regard to IALA debts. Benin expressed the wish to continue its collaboration with IALA.
- **Jamaica** made an effort by paying the 2011 contribution in April.
- After negotiations in Maputo, **Mozambique** has officially agreed on a new repayment plan in a view of paying all the debts before end of 2015.
- **Venezuela** who accumulated a debt of €78,705.27 since 2008 responded positively during the Conference and settled most of its debt. One year is still due.

Actions and efforts are still required to recover unpaid contributions from these members but IALA trusts that they will settle their debts in a near future.

- **Sierra Leone**, whose €65,800 debt is the largest in the list, has received reminders by phone, by e-mail and by post but did not answer to IALA's requests. A new deadline has been fixed on 15 November 2014 on which payment should be made to avoid the suspension.

- **Associate members** pay their contributions in a satisfactory manner.

- **Industrial members:**

Three members have accumulated debts since 2010, as presented below:

	2014	2013	2012	2011	2010	Total
Divers Marine Contracting - United Arab Emirates	5 200,00	5 050,00	4 900,00			15 150,00
Pegase Systems – France	5 200,00	5 050,00	4 900,00			15 150,00
Resinex Trading - Italy	5 200,00	5 050,00	0,00	4 760,00	4 640,00	19 650,00
Total	15 600,00	15 150,00	9 800,00	4 760,00	4 640,00	49 950,00

- **Divers Marine Contracting, United Arab Emirates:** This member has been requested to send a payment before 15 November 2014 to avoid potential suspension.

- **Pegase Systems, France:** the company has moved to another place and invoices have been forwarded to the new headquarter. But despite continuous reminders by post, e-mail and by phone, this member did not demonstrate any interest in remaining an IALA member.

- After stronger negotiations with **Resinex Trading (Italy)**, a new payment schedule has been proposed in October. This repayment plan has not been yet accepted formally and IALA is still waiting for their feedback.

As a conclusion, the following members are now in a position to be suspended:

- *Sierra Leone (National member): €65,800*
 - *Divers Marine Contracting (United Arab Emirates): € 15,150*
 - *Pegase Systems (France): € 15,150*
 - *Resinex Trading (Italy): € 19,650*
- Total due: € 115,750

In order to help the Council to decide on membership termination, it must be reminded that:

- It is now in the interest of IALA to decrease its critical level of debts accumulated since 2009. Each unpaid invoice represents a loss that reduces the final result of the year.
- The four members concerned have been marginally involved in IALA's activity over the past few years.
- To date, all negotiations could not result in any financial arrangements with the members concerned.
- Any suspended Industrial member will be able to reintegrate the Organisation at any time but will remain obligated to IALA for the entire amount in arrears plus penalty fees outstanding at the time of suspension.
- For a National member, total or partial cancellation of the debt can be granted.
- If the Council decide to cease membership for the four members concerned, the total financial impact on the annual accounts would be limited to **€58,850** considering that most of the loss would be compensated by the provision for bad debts made in the balance sheet to cover the risk of non-payment of contributions.

The Council is requested to decide if these members should be removed from the list of IALA members.