

To Whom it may concern.

I would like to thank Rotarian Philip Freeman for the opportunity to address a number of questions relating to the 2016/2017 accounts and specifically the RIBI Conference.

As a not-for profit, unincorporated membership Association, RIBI is not required to produce audited accounts. However, to assure the membership of its sound financial standing, the Association produces these on an annual basis.

Up until the 2015/2016 the underlying financial reporting framework applied to the associations accounts was based on United Kingdom Generally Accepted Accounting Practice (UK GAAP). From 2016/17 onwards, these principles have changed to the Financial Reporting Standard 102 (FRS 102), which has led to a number of smaller changes in the presentation of the latest accounts compared to prior years.

The change in accounting law was supported by the new team of auditors appointed by the membership at the Annual Business Meeting (ABM) in April 2017. The reason for the change in auditors was due to best practice and to further assure the membership that the association is not becoming too comfortable with one external contractor at any one time.

For those not privy to the letter supplied to the Association by Rotarian Freeman, he specifically asked how it is that changes in the appearance from one year to another can be accommodated within the accounts. I believe the changes required under the change of accounting law mentioned above give a clear explanation. The principle is simply that comparison figures from one year to another need to be shown and can be identified by the auditors in place. Once they have satisfied themselves that there is no cost or income missing, the same figures can broadly be distributed differently in the accounts from one year to the next.

A change of this kind is usually done to accommodate amendments to business practices, as is the case with the impending plans to separate the ABM from the Conference. By showing the costs for both under separated headings it will be easier for the future to look at each event independently. This will allow for greater flexibility when it comes to cost saving and organising the events in a more efficient manner.

Furthermore, questions were asked about the budgeting and costing of the conference and how it is that there are great differences in venue costs from one year to another and the overall costs of the conference for the past 10 years.

You will find that Rotary in Great Britain and Ireland is constitutionally obliged to hold a Conference once a year (RIBI By-Law Article 10). The venue for past events has been chosen by the RIBI President working with of the Conference Committee and is usually picked out of a number of options. To ensure that the Conference is available to all members equally the venue has to change from North to South and East to West as best as possible.

Was the committee in 2016/2017 wrong to assume that this prestigious annual event deserves a venue like the Manchester Central to not only celebrate another great year in Rotary but also the Centennial year for the Foundation? In hindsight many might say it was, however, no other conference has had as much BBC coverage as the one held in Manchester, which I believe needs to be recognised.

We need to remember that this event is a way to market our Association to all involved and marketing of any kind unfortunately comes at a cost. But a cost that should bear fruit for years to come, even if it is just simply by recognition of the organisation.

However, what the Manchester Conference and others in the more recent past have shown the Association is that the event has to change; and that is exactly what the current and future Conference Committees have been working on.

Starting with the conference in Torquay, where the venue has come at a fraction of the price of previous ones due to the support of the local council. Not only was the cost a driver in this case, but also the fact that it will be a more intimate affair. With an expected attendance of 1300 members and attractive functions, it is on target to break even. Nottingham, the venue for the "Showcase" is not only bringing the annual event to the Midlands but also separates it from the Annual Business Meeting. The final attendance and cost can't be anticipated fully at this point, but the changes discussed by the Committee are a positive change and break from the old tradition. Time will tell if these changes have the desired impact, but I am confident that these are positive changes which will carry the membership forward.

I would like to refrain from details relating to the exact costs for each conference in the past years. This is not, as you may think, to detract from the fact that it is a costly event, but simply because I feel to focus on one cost within our accounts is simply not reflecting the work that has been put in to the whole of the organisation.

It is easy to compare the budget with the actual for one line in the accounts and yes, assuming that one event should come in at a surplus but is actually having a significant cost is not ideal, but a budget is done well in advance as a best guess and estimate at any one point in time. When it was clear that the budget set for the Manchester Conference was not going to be giving us the outcome anticipated, steps were taken to counteract the issue. As most know it was not only the Conference that caused the Association to re-think its processes but also the unexpected Brexit vote which led to a significant deterioration in the pound dollar exchange rate. The investment into the property owned by the Association was felt by many to be unnecessary; however, it had been planned a good number of years previously and we have seen a major transformation of the building which has opened a great number of opportunities, with the BBC not only paying a rental charge for office facilities for a new TV series for the first 5 months of this year, but actual filming taking place in the Foyer (the series is called "Shakespeare & Hathaway Investigators" and due to air in February). I would like to take a little bit of your time to go over some numbers; whilst they are not the ones quoted by Philip Freeman, they are the ones I personally feel are of importance to our members: In the year 2013/2014 the organisation budgeted for a deficit of £2,522 in fact, due to realised gains on the investment the Association made a surplus of £49,108. The following year 2014/2015 the Association was asked to reduce the reserves and a planned deficit of £146,077 was budgeted. Due to a number of changes and restrained spending, as well as some capital gains, the organisation ended up with a surplus of £121,496.

This left the association with the difficulty of increased reserves rather than decreased ones, as the membership had requested at the time. So the budget for 2015/2016 was set with a reduction in reserves of £162,878 (i.e. a deficit) and indeed in this year a deficit was incurred, but not as great as anticipated. With significant savings in the RIBI Assembly and specifically the administration costs the deficit was £110,427.

This leaves us with the 2016/2017 accounts. Due to the changes in the accounting law outlined above, it is a bit difficult to see the direct comparison, however, as shared with the District Governors, the planned deficit of £118,310 would have been a smaller deficit of £101,553 had we continued under UK GAAP.

I therefore feel that the Association has proven without any doubt that even setbacks such as the 2016 Conference costs or the Sterling to Dollar deterioration in the same year are being met by the competent and able members in charge of the Association and that possible counter actions are

taken as soon as these are required. The challenges are being seen as opportunities for change and that these changes are being put in place (as seen for the budget in 2017/2018 and subsequent forecasts).

This should give any member the confidence that the organisation, with a solid reserve level of £1.8m, will continue to exist and in fact thrive.

Rotarian Freeman will no doubt notice that I have not yet addressed a final matter he has raised, and for the sake of completeness I should like to address this now. To manage the changes mentioned above, to act, re-act and possibly foresee some of the challenges that lay ahead, the organisation requires strong leadership. This does not only come from the Executive and General Council, but the one person put in place by the Association to act on it's behalf, the General Secretary.

However, for the General Secretary to focus on the strategy, the organisation needs to allow for the capacity required and this has been grossly overlooked in the past and at present, as identified by the Operations Review and Audit Committee (OR&A).

The General Council was presented with the most cost-effective proposal to achieve this additional support required by the General Secretary, by utilizing existing managerial staff in the Finance Department. With the Finance Department working on full capacity at the moment support from an external consultant has been sought to assess existing process and investigate possible streamlining and time savings through improved efficiencies. The cost for this external support (£14K) is anticipated to be limited to this Rotary Year only; however, the changes to the processes will have a lasting impact on the running of the organisation.

I hope this helps to clarify matters.

Yours in Rotary

Niall Blair

Hon. Treasurer

Response from the DG

I endorse the response from RIBI who has recognised shortcomings in their projected incomes from previous Conferences which have resulted in substantial losses.

I am confident that lessons have been learnt and the RIBI President Denis Spiller and his team are working hard to achieve a break even budget for the Torquay Conference.

I believe that it now time to move forward and work together to face the challenges ahead and to ensure that this organisation continues to thrive for years to come.

Robert Lovick