

FICSA/C/74/A&B/CRP.2
Provisional agenda item 11

Session: 21 January 2021 @ 12:00 Geneva Time (Teams)
22 January 2021 @ 12:00 Geneva Time (Teams)

Proposal to update FICSA Financial Rules in order to establish new funds as per 73rd FICSA Council decisions FICSA/C/73/D/33 (Training Funds), FICSA/C/73/D/34 (reserve funds).

Background

Decision FICSA/C/73/D/33 was put forward by the Ad-hoc Committee on Strategic Development (SD) and Ad-hoc Committee on Administrative and Budgetary Questions (A&B), as following:

SD: A training fund will be established as a transitional measure for the next two years with a maximum amount of CHF 25,000 from the reserve funds. The use of these funds should be limited to member organizations that lack the resources to organize their own training. The Executive Committee should establish terms of reference for this training fund and share it with the membership. Further, the FICSA membership should be encouraged to announce its planned training activities well in advance on the FICSA website.

A&B: The Council established a Training Fund in the amount of CHF 25,000 from the reserves, and the FICSA Executive Committee should draft guidelines to be shared with all members. That would cover a transition period of two years, with a review of the effectiveness of the Training Fund at the end of that period. The guidelines should include criteria as mentioned in the 73rd FICSA Council Report.

Decision FICSA/C/73/D/34 was put forward by the Ad-hoc Committee on Administrative and Budgetary Questions (A&B), as following:

A&B: The FICSA Executive Committee should establish terms of reference for the level and use of the reserve funds and incorporate them into the Financial Rules before the next FICSA Council.

A list of all 73rd Council decisions are available at [here](#).

Review of existing funds and recommendation to establish new funds or update existing funds (Refer to [FICSA/C/74/A&B/3/](#) for the status of all funds)

1. **Termination Indemnity Fund** - established by the 44th FICSA Council in 1991 to cover the Federation's liabilities for terminal payments to its secretariat staff should this become necessary. Refer to the document FICSA/C/74/A&B/3/ for the current levels.

Recommendation: This fund includes the cost of unused annual leave and repatriation, however, FICSA has no funds allocated for onboarding new recruits in the International Professional category of staff. The ExCom proposes that this fund includes a chapter for installation that includes settling-in and relocation grant, so that it covers from onboarding up until separation/termination. This is estimated at around USD 58,000 for a P3 to be recruited from anywhere around the world to take up a position at the FICSA headquarters in Geneva. The name of the fund should then be amended to **Termination Indemnity and Installation Fund**.

2. **Legal Defence Fund** - established by the 48th FICSA Council in 1995 to provide financial support to eligible legalcases. Provisioned at CHF 60,000.

3. **Staff Development Fund** - established by the 59th FICSA Council in 2006 to finance training opportunities, skills enhancement and career development of FICSA secretariat staff, and maintained at 1% of total salaries. The fund was fully provisioned and unchanged at CHF 6,026 as at 31/12/20.
4. **Training Fund** – established by the 73rd FICSA Council in 2019 to assist staff associations/unions with limited resources or facing budgetary constraints, even after tapping into and using their organization’s Staff Learning & Development Fund/Budget, to request partial financial assistance to organize a training or workshop which is deemed necessary. See the [Training Fund Guidelines and Form](#), which would be reviewed during the 75th Council. For more information, including the operation and replenishment of the Training Fund (page 6). This fund has not been utilised during 2020 and remains at CHF 25,000.
5. **Establishment of Reserve Fund and Terms of Reference for the Level and Use of the Reserve Fund** - FICSA ExCom, having considered input from experts, i.e. comptrollers or directors of finance in UN organizations, as well as the practices of some FICSA Member Associations/Unions, and having noted that the FICSA reviewer highlighted again during auditing of FICSA's accounts, that the level of reserves is too high and Council should prepare guidelines on how to use the reserves, and after reviewing the trend of last five year FICSA budget figures, propose the following **recommendation** to the 74th FICSA Council:
- A separate and dedicated fund called FICSA Reserve Funds to be created. This is in addition and separate to the existing dedicated funds that FICSA has (listed above).
 - The fund shall be provisioned to cover 18 months of FICSA operations as indicated in its program budget, on a three years average, i.e. the average budget amount over the last three years of FICSA program budget plus an additional 50%.
 - This would ensure that in case that FICSA ceases to exist, it can cover all the current liabilities as budgeted in the present year budget (but not funded until all members pay their dues), plus any outstanding liabilities from the past year.
 - The reserve fund should also include any other known short and long-term liabilities that FICSA may incur, that is not stated in the annual program budget, and the Executive Committee can utilize up to a maximum of 25% of the reserves for unforeseen emergencies not covered by any other article of the financial rules upon by unanimous agreement of the Executive Committee. The circumstances which required such action shall be communicated to the Council at its next regular session.
 - For 2021, the recommended level of this fund should be:

Budget 2018	Budget 2019	Budget 2020	Average over last 3 years	Average over last 3 years + 50%
CHF 696,020	CHF 648,578	CHF 485,285	CHF 609,961	CHF 914,941.50

As of 31 December 2020, FICSA has a total of cash in hand and in banks in the amount of CHF 1,268,699

Cash in hand and in banks, 31 Dec 2020	CHF 1,268,699
1. Termination Indemnity Fund	CHF 174,063
2. Legal Defence Fund	CHF 60,000
3. Staff Development Fund	CHF 6,026
4. Training Fund	CHF 25,000
5. Reserve Fund	CHF 914,941.50
Fund Balance	CHF 88,668.50

FICSA Council is invited to note that after the creation and update of the above funds, the fund balance of **CHF 88,668.50** is available and not earmarked for any purpose. This can be used to offset the dues of upcoming years if

this is the decision of the Council, to cover the rebates / discounts as per Article 2 (about CHF 25,000), or for other purposes or expenditure as it deems necessary. Amendments to the Financial Rules to establish this fund is listed in Annex I.

Proposal to update FICSA Financial Rules regarding the use of discounts / rebates (Article 2 of the Financial Rules) as per 73rd FICSA Council decisions FICSA/C/73/D/35

FICSA/C/73/D/35 - The Ad Hoc Committee recommended the Treasurer to conduct an analysis on the use of discounts in the past, and that an external auditor be consulted on the best practices on the subject of discount for members for early payment of dues, to report before the next FICSA Council for a recommendation.

The table below shows an analysis of the rebates / discounts over the last five years, and its impact on the reserves if members were to make use of the rebates - 5% for payment received by 31 March and 2.5% for payment received by 30 June, versus the actuals (mix between 5%, 2.5% and 0% for payments made after 30 June).

Analysis of impact of discounts on Member/Associate dues, 2015 to Nov 2020 (CHF)							
Year	Amount invoiced	Amount after 5% discount	Discount / Rebates	Amount after 2.5% discount	Discount / Rebates	Actual situation	Discount / Rebates
Nov 2020	361,897	343,802	18,095	352,850	9,047	335,948	25,949
2019	554,143	526,436	27,707	540,289	13,854	534782.23	19,361
2018	561,522	533,446	28,076	547,484	14,038	540753.525	20,768
2017	577,832	548,940	28,892	563,386	14,446	554993.26 5	22,839
2016	589,610	560,130	29,481	574,870	14,740	575748.62	13,861
2015	609,520	579,044	30,476	594,282	15,238	579,070	30,450
Average Rebate Per Year			27,121		13,561		22,205

In summary, the average impact of the discount / rebates per year range between 0 (if all members pay after 30 June) to 27,121 CHF if all members pay before 31 March, with the actual average (mix between 5%, 2.5% and 0%) over the past five years being at 22,205

The proposal is to amend the Article 2 of the Financial Rules (see Annex I), to specify that the rebates will be covered from the fund balance (funds not earmarked in any special funds) for each respective year, since this was previously not mentioned.

During the review of Article 2, it is also proposed to remove the line "Rebates shall not be granted to Full and Associate Members and associations/unions holding other status when their contributions are assessed at CHF 2,000 or less." since this is not in line with the current practice. At the moment, the rebate is given equitably to all members depending on the date of the payment (by 31 March or by 30 June).

Annex I – Proposed Amendments to the [Relevant Financial Rules](#)

Original	Proposed Amendment(s)
<p>Article 2 Regular contributions from the Membership and associations/unions holding other types of status shall fall due on the first day of the financial year. One quarter of assessed contributions becomes payable on each of the following dates: 31 March, 30 June, 30 September and 31 December. Any assessed contributions received by 31 March will entail a 5 per cent rebate and any assessed contributions received by 30 June will entail a 2.5 per cent rebate. Rebates shall not be granted to Full and Associate Members and associations/unions holding other status when their contributions are assessed at CHF 2,000 or less.</p>	<p>Article 2 Regular contributions from the Membership and associations/unions holding other types of status shall fall due on the first day of the financial year. One quarter of assessed contributions becomes payable on each of the following dates: 31 March, 30 June, 30 September and 31 December. Any assessed contributions received by 31 March will entail a 5 per cent rebate and any assessed contributions received by 30 June will entail a 2.5 per cent rebate. The rebates will be covered from the fund balance for each respective year.</p>
<p>Article 9 A special reserve fund shall be established to be called “Reserve Fund for Termination Indemnities for the Staff of the Federation's Secretariat”. The amount of such reserve fund shall be established by the Council annually which will also determine the type of investment. The decision to utilise this reserve for purposes other than termination rests exclusively with the FICSA Council.</p>	<p>Article 9 A special fund shall be established to be called “Termination Indemnities and Installation Fund” for the Staff of the Federation's Secretariat”. The amount of this fund shall be adjusted by the Council annually in accordance with the recommendation of the Treasurer. Unless authorized by the FICSA Council, this fund shall not be utilized for other purposes than termination or installation for new recruited staff .</p>
<p>Article 10 An emergency fund may be set up. It may be drawn upon by unanimous agreement of the Executive Committee, and the circumstances which required such action shall be communicated to the Council at its next regular session.</p>	<p>Article 10 <i>Integrated into Article 13</i></p>
<p>Article 13 Any surplus at the end of the year should be credited to a reserve fund, unless otherwise decided by the Council.</p>	<p>Article 13 Any surplus at the end of the year should be credited to a special fund called “Reserve Fund”, unless the Reserve Fund is already at the maximum stipulated level, in which case surplus will be available for use as will be decided by the Council.</p> <p>The Reserve Fund shall be provisioned to cover 18 months of FICSA operations as indicated in its program budget, on a three years average, i.e. the average budget amount over the last three years of FICSA program budget plus an additional 50%, to ensure that FICSA can cover all its liabilities, including any known short and long-term liabilities that FICSA may incur, that is not stated in the annual program budget. The Executive Committee can utilize up to a maximum of 25% of the reserves for unforeseen</p>

	<p>emergencies not covered by any other article of the financial rules upon by unanimous agreement of the Executive Committee. The circumstances which required such action shall be communicated to the Council at its next regular session.</p>
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