



FINANCIAL REPORT 1995-1997

BY THE TREASURER AND GENERAL SECRETARIAT

In this section:

1. [INTRODUCTION](#)
2. [FINANCIAL POSITION IN GENERAL](#)
3. [REVIEW OF INCOME AND EXPENDITURE](#)
 1. [Income](#)
 2. [Expenditure](#)
4. [FUTURE SCENARIOS](#)
5. [INFORMATION TO MEMBERSHIP](#)
6. [ACKNOWLEDGEMENTS](#)

Other 16th General Assembly sections:

- [Report of the CIB Board for the Period 1995-1998](#)
 - [Introduction](#)
 - [The Board 1995-1998](#)
 - [The Programme Committee 1995-1998](#)
 - [The Administrative Committee 1995-1998](#)
 - [Developments in the Composition of the CIB Membership 1995-1997](#)
 - [List of Publications Produced 1995-1998](#)
- [Financial Report 1995-1997](#)
- [Proposed Amendments to the CIB Constitution and By-Laws](#)
- [Election of New Officers and Board 1998-2001](#)



1. INTRODUCTION



Article III.8 of the By-Laws stipulates that at each General Assembly the Treasurer will submit, on behalf of the Board, a Financial Report for the term just closing.

It should be noted that the Financial Report does not cover the precise period of the Triennium.

This is because CIB's financial year runs from 1st January to 31st December, so this Financial Report ends with the situation on 31st December 1997.

The Triennium itself, on the other hand, is counted from the General Assembly at one CIB World Building Congress up to the General Assembly at the next CIB World Building Congress some three years later.



2. FINANCIAL POSITION IN GENERAL



Overall CIB's financial situation during the period under review gave grounds for satisfaction. This is despite the General Reserve actually decreasing from Dfl. 1.562.530 on 31st December 1998 to Dfl. 1.518.786.

That there was this modest fall of 2.8% is attributable to the fact that the deficit of

Dfl. 105.687 incurred in 1997 exceeded the surpluses made in each of the two preceding years by Dfl. 43.744.

It should be emphasised that, in itself, the General Reserve is simply the aggregated surpluses less the aggregated deficits at each year end, after any adjustments necessary to accommodate a decision by the CIB Board as to the disposition of the surplus.

What is important is that the level of the General Reserve at the end of 1997 meant that CIB had attained its stated objective of having a reserve approximately equal to between one and one and a half times total operating expenses, which the principles of prudent management would demand.

Moreover, all liabilities that might be foreseen to occur after the Triennium ended are adequately covered and the quality of the Investment Portfolio is high.



3. REVIEW OF INCOME AND EXPENDITURE



An overview of Income and Expenditure for the period 1995 - 1998 is set out below.

The Tables show the traditional principal sources of Income and the traditional principal items of Expenditure.

3.1 Income

Year	1995	1996	1997
Membership Fees Invoiced	986.2	1017	1014.3
Income from Investments	134.3	126.7	124.2
Revenue from Sales of Publications and Royalties	17.1	19.4	20.4

Table 1. Sources of Income 1995-1997
(Thousands of Dutch Guilders)

3.1.1 Membership Fees Invoiced

It is clear from Table 1 that Membership Fees continued to generate by far the largest single source of income.

Despite past efforts to lessen CIB's financial dependency on this source and the incidence of other non-recurring sources of income (see Table 4) its importance cannot be said to have undergone a permanent diminution.

Even so, it is the item which impacts most directly on the CIB Membership and the Administrative Committee carefully scrutinises the levels of fees on a regular basis.

Its policy in this regard was clearly enunciated at its 38th Meeting in 1997 in the proposal subsequently approved by the CIB Board, that with effect from 1999 the principle would be introduced of an annual increase in the CIB membership fees by no more than a per-

centage equal to the inflation rate in the Netherlands and then only if considered necessary.

The Administrative Committee also considered the implications which membership fees have on CIB's cash flow in that it is of paramount importance for CIB that members should pay their fees as early as possible in the year to which they relate.

The General Secretariat exercised a strict form of credit control and reported regularly on the situation to the Administrative Committee.

The figures in Table 1 are Invoiced Amounts.

Table 2 below shows the amounts actually received in the same year as they were invoiced and the percentages which these receipts represent of the total.

Year	1995	1996	1997
Amount Received	847.4	898.5	952.0
Percentages of Total Invoiced	85.9%	88.4%	93.9%

Table 2. Amounts and Percentages of Total Membership Fees

Received in Same Year as Invoiced 1995 - 1997

(Thousands of Dutch Guilders)

The Table indicates a favourable trend.

However the figures do conceal the fact that a number of members postpone their payment until very near the end of the year.

This situation has prompted the CIB Board on the recommendation of the Administrative Committee to propose an amendment to the By-Laws to the effect that membership fees should be paid by the end of the first quarter in the year to which they relate.

An equitable solution has to balance the conflicting interests of the member as debtor and CIB as creditor.

3.1.2 Income from Investments

The Board Reports for the two previous Triennia have highlighted that the income derived from CIB's Investment Portfolio has grown from insignificance to the point when it makes up a perceptible addition to the total income.

The importance of such a contribution was fully in evidence in each of the years under review.

CIB has pursued an active investment policy during this period and has been guided by experts from its Bankers, the ABN-AMRO Bank in Rotterdam.

This policy is executed within defined parameters as regards the ratios which the different components in the portfolio bear to each other.

In 1995 the decision was taken to switch a specified percentage of the traditional secure bonds and debentures into shares.

These shares have all shown a substantial rise in market value since, in line with rising trends everywhere, and the decision to enter the share market has been more than vindicated by results.

The Auditor's Reports for the years 1995-1997 are on display at the General Assembly for members to consult. They feature a comprehensive breakdown of CIB 's investment portfolio.

Before concluding this Section, it should be stated that the investment portfolio is composed of money received from Members and is the guarantee for CIB's financial viability in the years to come.

Conservatism and long-term security are the prime considerations and there is no justification for risk taking.

To ensure adherence to the approved policy, every buy and sell transaction during the past three years has required the prior agreement of the Treasurer.

3.1.3 Revenue from Publications

Since the commercial aspects of the publishing operation fall within the scope of the Administrative Committee they merit inclusion in this Financial Report.

Table 3 does show a small but consistent increase in the revenues from Publications.

However, this was offset by the trend whereby during the period under review the expenses incurred in producing the Publications far exceeded the revenue generated by their sales.

Year	Production and Other Costs	Revenue from Sales
1995	17.1	29.4
1996	19.4	26.5
1997	20.3	27.9

Table 3. Comparison of Costs and Revenues of CIB

Publications 1995-1997 (Excluding Information Bulletin)

(Thousands of Dutch Guilders)

These figures must be evaluated against the prevailing policy, formally endorsed by the Ad Hoc Committee on Publications, that commercial viability of a specific Publication is not the prime consideration when taking a decision as to whether or not to publish it.

Even so, with total production costs during this period exceeding sales revenue by a factor of around 11/2, in purely financial terms the operation does cost CIB money.

However, there is a favourable development that is discernible over the most recent past.

An analysis of the figures for the previous three years indicates that the cost to income ratio is continuing to drop. It is now under 2, down from a high of nearly 4 ten years ago.

3.1.4 Other Sources of Income

It was stated above that Table 1 contains the principal **traditional** sources of Income.

CIB has come to receive these on a regular basis over a period of many years and without these established sources CIB would be unable to fulfil its financial obligations and hence operate for the benefit of the membership.

During the Triennium, certain Provisions were made to cover known contingencies and hence to preserve CIB's financial stability.

These were for such contingencies as unfavourable effects from application of the new fee system. Also a more logical method for accounting for the benefits from distribution of the surplus assets from the Bouwcentrum Pension Fund was devised and this resulted in an extra item of Income appearing in the accounts for 1997. These are considered to be non-recurring sources of income as opposed to traditional sources.

In the Table and Diagrams in Section 3.1.5 below these are brought together under the classification "Other Income" and the consolidated percentages which the individual items form of the total are consequently modified.

3.1.5 Ratios of Individual Sources to Total Income

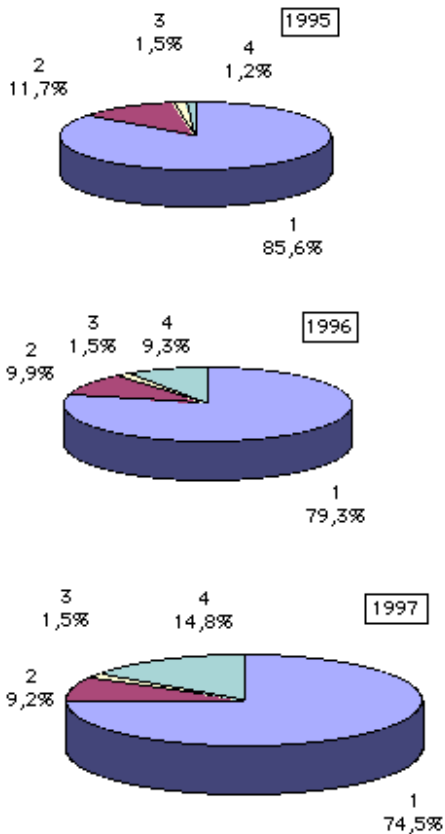
Year	1995	1996	1997
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1. Membership Fees Invoiced	85.6%	79.3%	74.5%
2. Income from Investments	11.7%	9.9%	9.2%
3. Revenue from Sales of Publications and Royalties	1.5%	1.5%	1.5%
4. Other Income	1.2%	9.3%	14.8%

Table 4. Percentages of Total Income 1995-1997

Attributable of Individual Sources
(Thousands of Dutch Guilders)

Graphical Representations of Table 4



3.2 Expenditure



3.2.1 Total Expenditure 1995-1997

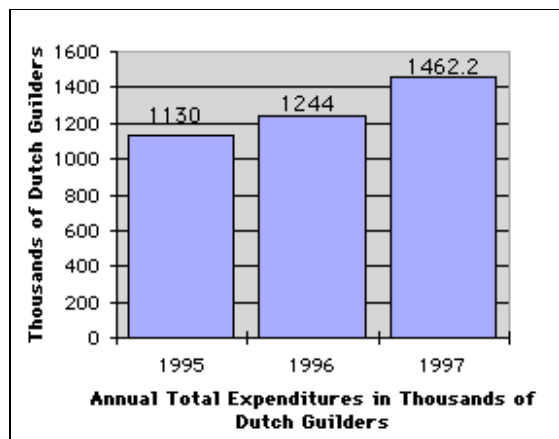
The total annual expenditure for each of the three years under review is shown in Table 5 below.

The figures include Provisions which have been set aside for a specified purpose (e.g. the CIB World Building Congress) but not yet paid.

Year	Total Expenditure
1995	1130.0
1996	1244.0
1997	1462.7

Table 5. Total Expenditure 1995-1997

(Thousands of Dutch Guilders)



3.2.2 Selected Items of Expenditure 1995-1997

The Table which follows shows the amounts for selected regular items of expenditure incurred.

The major ones are subjected to further analysis in succeeding sections.

Item	1995	1996	1997
Personnel	630.4	668.6	781.6
Office	229.3	279.6	321.4
Travel	69.4	92.9	81.3
CIB Publication (Reports, Proceedings etc.)	29.4	26.5	27.9
Information Bulletin	38.1	34.7	40.6
Marketing plus Coordinators' Promotion Material	28.9	3.4	17.4
Realised Provision for Doubtful Debts	53.2	56.7	73.6
Financial Administration (Outsourced): Bookkeeping, Auditor, Salary Administration	27.7	24.1	27.6

Table 6. Selected Items of Expenditure 1995-1997

(Thousands of Dutch Guilders)

3.2.3 Personnel

The major item of Expenditure is Personnel and this has been subjected to particular scrutiny during the past three years.

The largest single component in Personnel is salaries for staff of the General Secretariat.

The policy as regards staff salaries, which was pursued during the period under review, was to restrict increases to the minimum and in any case not to exceed the official rate of inflation in the Netherlands.

The result was that the average yearly increase calculated on the actual total amount paid out in salaries was around 2%.

No other increases were awarded but there was a system of recognising and rewarding meritorious performance by paying a one-off bonus, (calculated as increments of the gross monthly salary) in such

cases.

It should be made clear that the Item Personnel includes other components beside salaries.

CIB, as employer, pays part of the contributions to the Bouwcentrum Pension Fund to which CIB Staff belong.

The regulations that govern this Pension Fund provide for the redistribution of surpluses above a determined limit among the members. The actual amounts are impossible to forecast in advance (if indeed there is to be a distribution at all) which exercises a direct but retrospective influence on expenditure.

This was one of the causes underlying the sharp rise in expenditure on Personnel in 1997.

Other components incurred in Personnel Costs, which again were by their nature difficult to forecast accurately were the need to recruit temporary personnel during periods of exceptional activity and certain extraordinary costs arising from specific matters affecting CIB Staff.

3.2.4 Office Costs

Members are referred to the Auditor's Reports for the years 1995-1997 for a detailed breakdown of Office Costs.

The year on year increases during the Triennium were approximately 22% and 15% in 1996 and 1997 respectively.

It is essential for CIB to maximise its operational efficiency by applying modern office procedures in the areas of automation and to project itself as a dynamic international organisation through the World Wide Web.

Members were advised in the previous Financial Report that the CIB Board had given its approval for plans in this connection which would exert pressure on expenditures during the Triennium just concluded. Office Costs reflect this outlay which will certainly continue during the coming three years.

These and the other Office Costs have been and continue to be carefully monitored against the requirement to provide a positive and responsive service to the Membership at the lowest cost.

3.2.5 Developing Countries Fund

During the period 1995-1997 a total of Dfl. 18590 was dispensed in assistance from the Developing Countries Fund. The corresponding amount during the previous Triennium was Dfl. 16481.

This went on helping experts from CIB Member Institutes in Developing Countries to attend CIB related Symposia and other events which they judged to be of enduring professional interest.

The Directors of the Institutes involved and the Coordinators were consulted to ensure that the limited resources of the Fund were allocated to the most deserving cases.

The net effect of all the movements was to reduce the credit balance of the DCF from

Dfl. 118.891 at 1st January 1995 to Dfl. 100.312 at 31st December 1997.

3.2.6 The General Secretariat

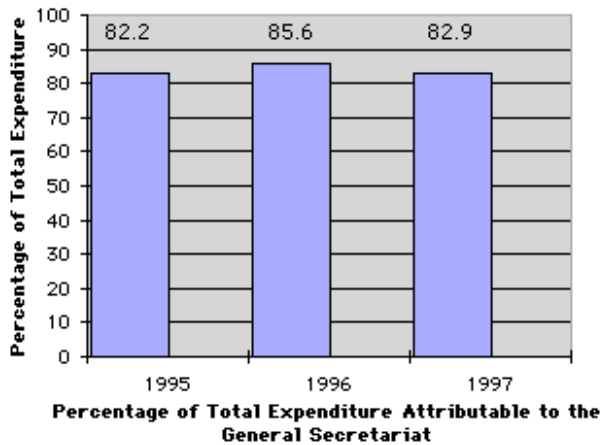
The first three items in Table 6. may be aggregated under the classification of General Secretariat.

It is clear that expenses on these items: Personnel, Office and Travel and Representation account for most of the expenditure as Table 7 clearly demonstrates.

Year	Percentage of Total Expenditure
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1995	82.8%
1996	85.6%
1997	82.9%

Table 7. Percentage of Total Expenditure
Attributable to the General Secretariat 1995-1997
(Personnel, Office & Travel)



4. FUTURE SCENARIOS

Planning CIB's finances for the future has been facilitated by developing computerised financial scenarios. These are proving to be a particular useful tool in formulating detailed budgets and future forecasts.

5. INFORMATION TO MEMBERSHIP

At the previous General Assembly in May 1995 there was a request that the information flow to Members on important financial issues should be improved.

The Administrative Committee has taken note of this and Articles on CIB's finances as they impact on the Membership have been included in Issues 5/95, 2/96 and 3/97 of the CIB Information Bulletin.

These have been in addition to the routine Circulars and correspondence.

6. ACKNOWLEDGEMENTS

By way of concluding this Report from the Treasurer there should be a clear statement of recognition that a series of tables and data provides only a very inadequate reflection of the Membership's inputs to CIB's activities. In reality for most Members what they pay as the annual membership fee is but a part and sometimes only a relatively small part of their total contribution to CIB.

None of the other responsibilities which they shoulder (provision of Coordinator, organisation of or participation at a meeting, preparation or publishing documents), appear in CIB's accounts. Nevertheless, they represent considerable expenses by those members and the benefits are enjoyed by many others. Not least on behalf of those who derive these advantages, the Treasurer would like to record his appreciation that much of this is undertaken without any charge to CIB.

He also wishes to thank the Administrative Committee Members, the Board and the staff of the General

Secretariat who have enabled him to discharge his function during the term for which he was appointed.

