



2017 Organisational Development

Plans and Financial Forecasts

Explained

Executive Summary

Plans for organisational change are being put to the 2017 Business Meeting of Rotary International in Great Britain and Ireland. This document aims to explain the plans and rationale of the decisions taken by the General Council (GC) that are the basis of these changes.

For at least the past nine years budgets have been set and agreed by the membership on a deficit basis. At that time, the reason for this was that the reserves held by the Association were far greater than the required 85% of annual expenditure. As the reserves are built up from unused member subscriptions, the decision to reduce the held reserves level was taken rather than increasing the subscription level. As a result, in full knowledge of why this decision was being taken during those periods, subscriptions were set at a level that did not cover operational costs. The table below details the key financial indicators for the Association from 2011/12 through to 2015/16 (actuals), with recommended budget and forecasts from 2017/18 through to 2019/20.

30 th June	2012	2013	2014	2015	2016	2017	2018	2019	2020
Actual/Budget	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Forecast	Forecast
Members	53,904	52,732	51,449	50,364	49,180	48,500	46,500	45,500	44,500
Net Income	1,725,996	1,684,639	1,635,985	1,649,769	1,586,816	1,746,053	1,649,059	1,645,509	1,684,528
Ops Costs	1,911,648	1,878,675	1,649,113	1,632,688	1,690,689	1,864,363	1,648,388	1,644,306	1,673,008
Net Surplus/ (Deficit)	(185,653)	(193,975)	(13,128)	17,081	(103,875)	(118,310)	672	1,203	11,521
Capital Gains Surplus/(Deficit)	(6,298)	107,900	62,236	104,416	(6,552)	0	0	0	0
Net Surplus/ (Deficit)	(191,951)	(86,076)	49,108	121,496	(110,427)	(118,310)	672	1,203	11,521

With membership numbers falling faster in 2016/17 than had been forecast in 2015/16 along with a reduction in the value of the GBP against the US\$, the deficit will be higher than the budget at 30th June 2017. We are at a point where to continue drawing on reserves rather than setting subscriptions that reflect the true cost of running RIBI is not advisable, and from a business perspective certainly not best practice. Additionally, in recognising the changing shape of Rotary in Great Britain and Ireland it is also time to reflect on whether the traditional services of the Association are meeting the needs of both our current and future members.

Over the past eighteen months, enquiry, review and debate have taken place making full use of Presidential continuity resulting in the 2017 Business Meeting recommendations from General Council that build on previous developments and refocus the Associations services to its members. The decision to set balanced budget/forecast for a three year business plan has been taken (subject to ABM approval) with business changes in the following areas:

1. Governance and Management Refocus:

- a. The General (Governing) Council are responsible and accountable for strategic direction, financial management and organisational governance
- b. The Executive (Operational) Committee [OC], accountable to the GC are:
 - i. Responsible for delivery of the organisational business plan
 - ii. Managing and measuring output in specialist areas
 - iii. Selected based on skills required to deliver the organisational objectives
- c. Financial Sustainability will be improved by introducing activity based accounting and measuring impact of services delivered with a flexibility to adapt as required following evaluation of each activity

2. **District Governors:** to concentrate on the Leadership and Management of the District with a defined responsibility and expectation of new Club ('group') creation
 - a. Rotary's growth depends on membership retention but essentially requires new club formation for the regeneration of Rotary across Great Britain and Ireland
 - b. Assistant Governors are critical in the regeneration plans of Rotary with a three year target of re-establishing a total membership of 50,000 members in around 2000 clubs
 - c. District Team working to help strengthen clubs is key
3. **RIBI President:**
 - a. Focussed on activity that publicly promotes Rotary
 - b. To be involved in outward facing activities to promote Rotary in Britain and Ireland to external audiences e.g. attendance at national events of other organisations aligned to or otherwise supporting Rotary's values and aims
 - c. Working with the RI Director to strengthen Districts
 - d. Leading the Governing Council in multi-District strategic thinking
4. **Restructured Committees:**
 - a. Service Support and Administration Support to be provided
 - b. Reduction in meetings, freeing up staff time which will be used to support membership development activities, and increase in support to Districts
 - c. Focus on core business: Support and Strengthen Clubs; Increase Humanitarian Service; Enhance Public Image
 - d. RI Coordinators drive the support for Membership Development, Public Image and Rotary Foundation
 - e. RIBI drives new club formation with the Membership Extension Team with Rotary project support provided by the Domestic and International Teams
 - f. All teams working to the single objective of regenerating Rotary in Great Britain and Ireland with clear membership and public image dividends from all activities
5. **Communications Strategy:**
 - a. Aligned to RI initiative *People of Action*
 - b. Centralised communication to avoid duplication and overload
 - c. Web resources overhaul
 - d. Link print resources to digital content management
6. **Training and Education:**
 - a. Streamlined to create time efficiencies utilising online and face-to-face learning
 - b. Supporting District delivery with Train the Trainer programmes
 - c. Combination of regional and centralised training with a key venue for training being the Rotary Support Centre in Alcester
7. **Promotional Activity for Membership Development:**
 - a. Focus on local promotional activity with common resources to maintain brand values (utilising RI advertising campaign *People of Action* as the basis)
 - b. RIBI-wide campaign for Rotary regeneration – inviting people to create Rotary not purely join the existing network
 - c. Report on the brand impact through measurement of hours given and funds raised (tied in with the global initiative for RI)
 - d. Good news stories scheduled to reinforce the 'product' and Rotary brand impact
 - e. Investment in central resources to attract business engagement in Rotary activities.

Change is on the horizon...

The fourth General Council Meeting of 2016/17 (Feb 17) has resulted in a crystallisation of thoughts and planning being considered throughout the majority of this Rotary year by the Rotary International Great Britain and Ireland Leadership Teams.

As many members will be aware some unexpected challenges have been presented to the Association this year as the budget expectations of 2016/17 (agreed in April 2016) were overtaken by the devaluation of the GBP against the US\$, reduced income from affiliation fees and of course the impact of ever decreasing membership numbers. These three elements alone have resulted in a forecasted deficit against budget of just under £5 per member (£219K).

These 'losses' can be absorbed at this point without short term financial risk to the Association however this is clearly not a situation that any organisation would be able to sustain in the long term. Therefore, recognising the impact of external forces on the Association, opportunity has arisen to redefine the key focus areas and apply a full review of how support services are delivered to Rotary International Districts and Clubs across Great Britain and Ireland – some might call it 'the perfect storm'!

To reach the position where recommendations for change are being presented to the 2017 Business Meeting, much preparatory work has been undertaken by members of the Association elected to represent the clubs namely: District Governors; RIBI Officers and supporting committee members. These Rotarians use their professional skills to lead and manage Rotary International in Great Britain and Ireland but many members say they are not aware of the 'how' or 'why' behind the recommendations being made, so to gain understanding please read on...

How have decisions for change been reached?

The impact of the UK referendum decision of 23rd June 2016 was without doubt taking further effect by the time the new General Council (GC) of 2016/17 took up post on 1st July 2016. Half year dollar commitments were hedged on 16th June ahead of the referendum but when the Executive met in July and the GC met in August, the GBP was in free fall. Although by policy the organisation had not previously set a standing decision to annually hedge currency it was clear this decision needed to be taken to protect the organisation from adverse foreign exchange fluctuations. The decision to hedge US\$s has been taken and exchange rates of 1.3995 and 1.3300 were secured for the £1.1m of dues payable to RI in the year 2016/17.

In September 2016 the RIBI Finance Committee met to review operational costs. Budget recommendations were put to the Executive in October, and in November the Hon. Treasurer presented the recommended budget for 2017/18 based on the 'business as usual' model. Under these terms, a subscription of £62 per member would have resulted in a deficit budget of £119K requiring further draw-down from reserves with a break-even budget being achieved if a subscription rate of £64 was agreed.

Clearly exceptional circumstances were being experienced and a budget was not be decided on in November as usually happens. The General Council has a governance role and to set deficit budgets or unrealistically raise subscriptions would not have been reflective of good governance.

GC gave full consideration to how an increase in subscriptions of this magnitude would impact on members and a key decision was made to undertake a full business review. It was agreed that

the business review would show how income was allocated to cover the activities undertaken within the Association and that it would be carried out by four members of the GC for feedback into a Special General Council (SGC) meeting scheduled for 8th January 2017. The results of the review would be delivered by 31st December to give time for assimilation before the SGC.

In parallel to the business review of current practices, another working team was assigned to receive and analyse input from the District Continuity Teams (DCTs) of each of the 25 Districts across Great Britain and Ireland. The objective was to hear the thoughts of the DCTs on how RIBI might be structured and the services it might offer – fundamentally, a ‘blank piece of paper’ consultation exercise was being carried out.

Change is Challenging...

Having received the business review report ahead of the Christmas break, GC was cognisant that ‘business as usual’ could not be maintained with falling membership numbers. From a position of detailed understanding of how costs are allocated to the activities of the Association, discussions on how the future might look resulted in a number of cost savings being identified and the realisation that more work was needed to shape and drive the changes required to meet the support needs of Rotary in these islands.

A challenge was presented for subscription levels to be set at a realistic level, reflecting projected membership numbers whilst creating balanced budgets. Without significant changes to the way we operate this would not have been possible and the financial calculations presented to the Executive in late January showed that even with the recommendations from the SGC meeting, to set a subscription of £60, further radical review was required or the acceptance of yet another deficit budget this time running at around £155K (with the further devaluation of the GBP) to draw-down from reserves. As this was not a sustainable option, the Officers committed to produce recommendations for the February GC that would, if accepted, address the needs and concerns being expressed by members.

To ensure that not only the thoughts of the District Continuity Teams were being considered, the Officers invited (at short notice) a cross-section of experienced and newer Rotarians to share their views and ideas. Although the group size was small, it did offer representative member input from 8 out of 25 different Districts. This input, coupled with the work of the Officers themselves was presented to the February General Council meeting for consideration.

The Way Forward

Democracy is a great strength of Rotary here in Great Britain and Ireland. It gives a voice and vote to the members via their Club on issues that influence how Rotary support is delivered to best effect. It equally has the potential to present challenges for implementation of change as the timelines for agreement can be seen as either too tight or too long!

Balancing effective delivery of District/Club support against the forecast income streams is crucial to ensure financial stability and sustainability. This year the need to adjust and reshape is critical for our survival therefore General Council has had no option but to work within the ‘tight’ timelines of our organisation and trust that effective communication can enable Rotarians within Clubs to understand the rationale for the changes being proposed.

Regeneration – The Plan ‘Rotary 2’

Membership organisations predominantly rely on income from member subscriptions. Rotary’s current situation can be described as having:

- a falling membership with subsequent loss of income
- a poor public reputation as a dining club with bucket-shaking and cheque signing
- an increasing average age presenting a demographic time bomb

Couple those factors with the fact that volunteering without membership or commitment is easy to achieve elsewhere and it’s easy to see why Rotary is experiencing membership difficulties.

However, one thing we need to remember is that the impact Rotary has on our communities is as relevant today as it has ever been; in fact, the social needs that we see right here in the UK and Republic of Ireland, as well as overseas, might suggest that the need is actually greater than ever. With this at the forefront of our minds, the plan has to be for **significant Rotary growth**.

A new Rotary image for growth colloquially termed ‘Rotary 2’ has been agreed by the General Council 2016/17 and is embraced by the successive General Councils of 2017/18, 2018/19 and 2019/20 – *four cohorts of District Governors and RIBI Officers are united in the aim of growing Rotary.*

It is a simple plan with supporting activity that creates financial stability; a forward plan through to 2020/21 with everyone facing in the same direction to create the Rotary of tomorrow with a legion of Rotarians working within our communities, making a difference.

Parallel actions from Clubs, Districts and RIBI are required to **launch the new Model of Rotary** that is attractive to 20 to 50+ year olds:

– Clubs

- Recognition and ownership of the local membership issue
- Recruitment in each club to gain net +1 to 2 (gross 3 to 5)
- Generation of new local groups (satellites are proving effective)
- Alternatively, clubs can decide to maintain their status quo but accept that the District will generate clubs in the area

– Districts

- Survey clubs by AG area for opportunities to charter new clubs
- Seek Satellite Host Volunteer Clubs
- Direct **100%** membership and extension energy into generation of new and satellite Clubs

– RIBI

- RI Coordinator teams to promote Visioning and other club development techniques to existing clubs and District teams to support the above activities
- RIBI Membership Committee to be **100%** focused on support to district teams for extension activities
- RIBI restructures and re-organises to rationalise administration and reduce costs

Rotary International in Great Britain and Ireland has eight key areas of focus, each directly attributable to meeting the global Strategic Plan of Rotary International.



In addition to the three strategic areas of Supporting and Strengthening Clubs, Increasing Humanitarian Service and Enhancing Public Image, the Association offers: direct benefit to The Rotary Foundation through RFUK; provides enhanced training and education opportunities for District team leaders; manages territory-wide campaigns and promotional opportunities for the benefit of all Districts and Clubs as well as providing District/Club insurance and access to centralised Disclosure and Barring Service (DBS) facilities.

The focus areas are supported as follows:

Focus Area	Supported By
Promotion of Rotary's community impact and member benefits	RI Co-Ord Team and Support Centre (SC)
Public Image	RI Co-Ord Team [RI Strategy]
Membership Development	Support and Strengthen Clubs New Club Formation
Service Projects Support	Committees & SC [RI Strategy]
Foundation donations and Grants	RI Co-Ord Team
RFUK	SC on behalf of RI
Leadership Training and Development	LDTTC and SC
Financial Sustainability	Rotary International GB & Ireland

In providing these added value services, financial sustainability must be maintained without financially disadvantaging individual members. By this it is meant that the cost of being a Rotarian in Great Britain and Ireland should not be greater than being a member in another part of the world. The table below shows the cost comparison for the next three Rotary years based on the subscription recommendations being presented by the General Council to the 2017 Business Meeting.

	2017/18	2018/19	2019/20
The Rotarian magazine (digital edition)	\$ 12.00	\$ 12.00	\$ 12.00
RI Subscription	\$ 60.00	\$ 64.00	\$ 68.00
CoL Levy	\$ 1.50	\$ 1.50	\$ 1.50
Total \$ Dues to RI	\$ 73.50	\$ 77.50	\$ 81.50
FX Rate	1.20	1.22	1.23
GPB Equivalent	£ 61.25	£ 63.53	£ 66.26
Insurance £140.6K 17/18 (+3% pa pro-rata predicted membership numbers)	£ 3.11	£ 3.28	£ 3.45
TOTAL Direct to RI per member	£ 64.36	£ 66.81	£ 69.71
RIBI Recommended Subscription per member	£ 60.00	£ 62.00	£ 65.00

The regeneration of Rotary membership aims to have at least 50,000 members by 2021/22. We need to recognise the situation may worsen before it improves however the potential for realising the Rotary Growth Goal is very achievable.

As shown in the table below, simply creating one new group of ten people in each AG area would stem our current losses; creating two new groups would significantly shift our membership numbers (and demographic profile) up to a whole new level.

Goal Realisation	
Membership at close of 2016/17	46,000
Attrition Rate	-2000pa
New Model Club generation potential: 25 Districts x 8 AG areas x 1 group x 10 members 25 Districts x 8 AG areas x 2 group x 10 members	+2000pa +4000pa
Produce NET GAIN (with 2 groups per AG area)	+2000pa
Membership at close of 2021/22	54,000

The Vision is for a Rotary that:

- is attractive to those in the **age range of 20 to 50+**
- is Community/International **projects** based
- implements all the **flexibility** of the new rules to create a vibrant group
- offers **full diversity**
- offers business **networking opportunities**
- offers **family inclusive** social and fun programmes
- **meets as and when** required as per the rules
- offers **all the benefits** of Rotary International **and support** of RIBI e.g. insurance/DBS

Proactive Implementation Plan:

1. RIBI launch a campaign for the new Rotary model, produce introductory packs and create online links and support
2. AGs together with clubs and districts identify significant community/international projects
3. Local press, social media and radio are used to promote the Rotary project seeking volunteers with the view to create a new Rotary group
4. Group created as a satellite to existing host club
5. Project planned and undertaken by new group
6. Members recruited and supported through early stages
7. Resulting group can quickly be effective and would self-recruit friends and relatives

The Result of Plan success is that:

- Membership demographics will change dramatically as age profile drops
- Number of Clubs moves from 1,750 towards 2,000
- The Association's finances will stabilise and subscriptions could even reduce

In conclusion, the Governors and leaders of Rotary in Great Britain and Ireland recognise that our organisation is at a pivotal moment in its 104 year history of service to our members and communities. Re-generation of membership through organic growth with an exciting new image and new club initiative will enable continued service delivery and crucially, the involvement of the younger generations of professionals, business people and volunteers that have always been at our core.

We therefore call on clubs and districts to utilise the newly awarded flexibility to create new clubs and satellites, to engage in community projects and take full advantage of the huge benefits of being part of Rotary in Great Britain and Ireland.

The realisation of one new club per Assistant Governor Area across RIBI will significantly magnify our reach and public image, ensuring progressive growth year on year.

Finally, Appendix A details the recommended budget and forecasts covering a three year rolling financial period. The current forecast to 30th June 2017 identifies an income and expenditure net deficit after capital gains of £263,224 with a balance sheet forecast of £1,710,766 of net assets. As stated earlier in this report the Association does not have a short term financial risk but financial and operational refocus are necessary. The recommendations being brought to the 2017 Business Meeting provide for this refocus but it is for the voting members to determine whether change will be accepted.

Don't wait. Engage with your District, RIBI Membership and RI Coordinator teams for support, tools and best practice knowledge and start to effect change today and ***let's all go forth and multiply!***

Appendix A – RIBI Budget 2017/18 and Forecasts 2018/19 & 2019/20

Income & Expenditure summary	2015/16 Actual	2016/17 Budget	2017/18 Budget	2018/19 Forecast	2019/20 Forecast
No. of paying members on 1 July	49,180	48,500	46,500	45,500	44,500
Subscription amount due per member per annum	£ 49.00	£ 52.00	£ 60.00	£ 62.00	£ 65.00
Subscription					
Subscriptions income	2,434,835	2,553,150	2,821,450	2,849,400	2,919,950
Charter fee income (up to 2016 inc. affiliation fee)	41,715	48,000	3,375	2,100	2,100
RI Subscription payment	(945,433)	(918,149)	(1,225,505)	(1,263,320)	(1,297,764)
RI Charter fee payment	(966)	(1,948)	(2,786)	(1,721)	(1,707)
	1,530,152	1,681,053	1,596,534	1,586,459	1,622,578
Other income					
Investment income	56,664	55,000	52,525	55,450	57,450
Other income	0	10,000	0	3,600	4,500
	1,586,816	1,746,053	1,649,059	1,645,509	1,684,528
District Support & District Extension					
District grants	300,000	300,000	280,000	280,000	280,000
District extension	653	5,000	5,000	5,000	5,000
Youth Programme grants	10,536	10,500	10,500	10,500	10,500
Training support					
Training Assemblies (new format 2017/18)	124,844	128,051	98,000	98,000	98,000
Leadership, Development and Training Committee	3,433	3,685	3,065	3,065	3,119
E-Learning platform / Annual Go to Webinar license	2,311	7,900	5,000	5,000	5,000
Membership Promotion					
Conference	21,864	(8,264)	0	0	0
Promotional Activity (for membership development)	102,732	199,400	105,000	105,000	105,000
Magazine (public distribution 2017, smaller print-run)	55,618	19,750	37,000	37,000	37,000
Youth Competitions and Events (incl. Big Bang budget)	16,802	22,053	25,500	25,500	25,500
Governance					
Governing Council (GC) - new meeting format	31,200	33,100	21,018	20,268	20,268
Annual Business Meeting	28,420	33,264	20,000	8,450	14,200
Officer Costs	20,033	37,450	21,150	21,150	21,150
International attendance (former RI Obligations)	16,333	16,427	14,380	11,530	14,380
Services					
Committee costs (incl. Operational Cmt former exec)	30,501	40,419	40,110	39,414	39,746
Mid-Year Review	13,918	0	0	0	0
Insurance	135,921	142,381	140,623	143,436	146,305
Shop/club publications	(3,075)	(763)	200	300	300
Staff & Premises					
Staff	514,639	566,329	537,688	548,202	558,882
General Premises costs	70,587	78,747	74,677	76,916	77,996
Premises maintenance	14,749	10,000	5,000	7,000	10,000
Admin	89,467	99,945	89,477	88,575	90,663
Other					
Professional fees	23,902	19,987	19,000	19,000	19,000
Investment management fees	9,566	11,000	11,000	11,000	11,000
Exchange rate los/(gain)	(22,028)	0	0	0	0
Non reclaimable VAT	76,956	80,000	80,000	75,000	75,000
Corporation tax	807	8,000	5,000	5,000	5,000
	1,690,689	1,864,363	1,648,388	1,644,306	1,673,008
Net surplus/(deficit)	(103,875)	(118,310)	672	1,203	11,521
Capital Gains Surplus/(Deficit)	(6,552)	0	0	0	0
Net surplus/(deficit) for year	(110,427)	(118,310)	672	1,203	11,521