



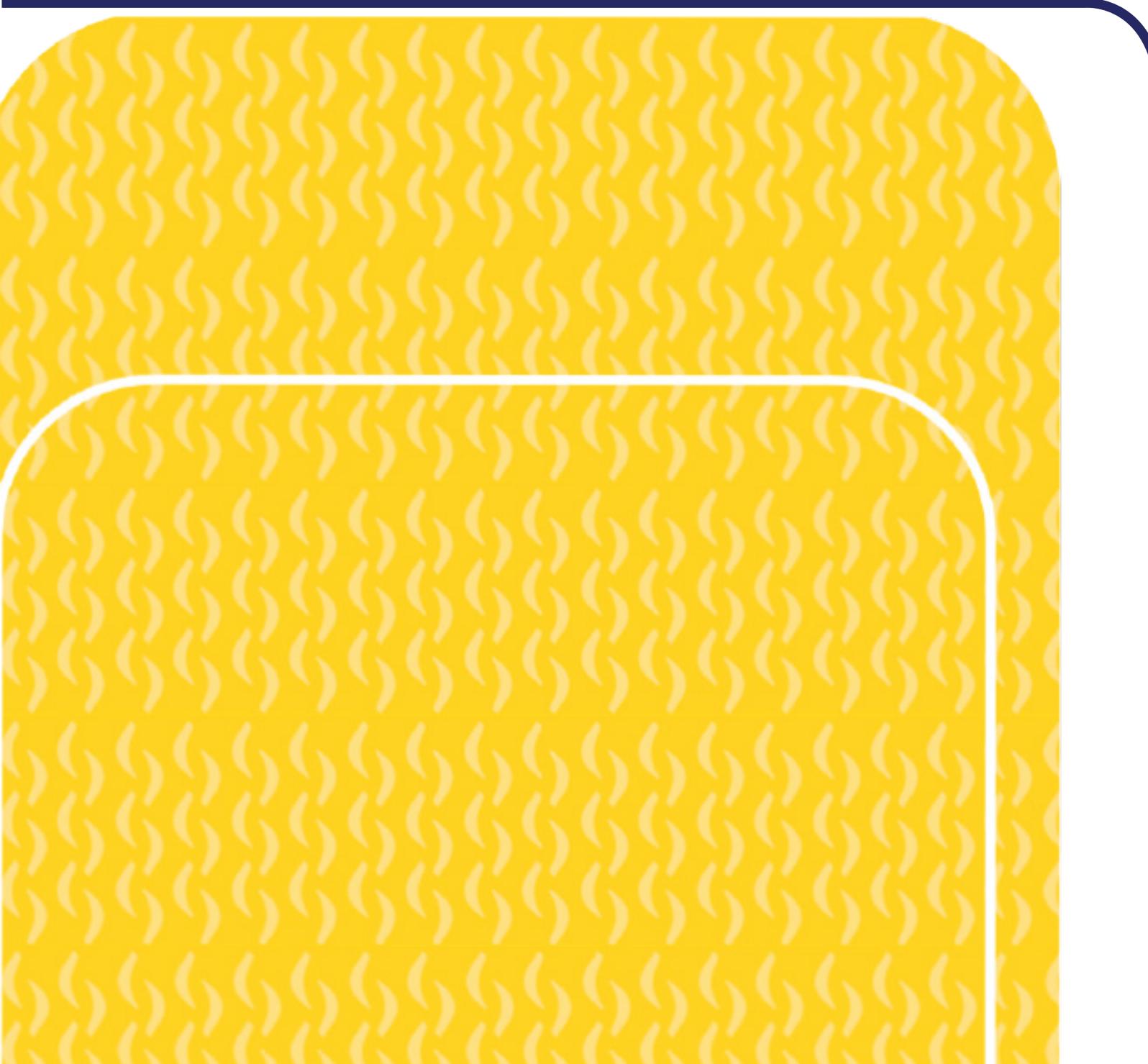
**WORLD ASSOCIATION  
OF GIRL GUIDES  
AND GIRL SCOUTS**

**2018-2020**

# **TRIENNIAL FINANCIAL REPORT**

**WORLD CONFERENCE DOCUMENT #6B**

**JULY 2020**



# FINANCIAL PERFORMANCE

Normally in a triennium financial report we would bring together the figures for the full triennium in a table comprising audited figures for the first year, pre-audit final figures for the second year and an estimated year end position for the year of World Conference. These would be compared against the budget agreed by the previous World Conference.

In early 2020 our world changed in a way that no-one could have forecast, due to the global impact of COVID-19. This means that our 2020 estimates will bear no relationship to the pre COVID-19 budget. Because of this we are presenting and analysing our triennium accounts in two parts: the normal pre COVID-19 period of 2018 and 2019, and then separately an analysis of 2020 to the best of our knowledge mid-year. This is based on a number of assumptions that are identified in the report.

Although we are describing 2018 and 2019 as 'normal' years, in financial terms they were significant, and the organisation took a number of steps to understand better its finances. This means that it is difficult to provide a direct comparison back to the 2015 – 17 figures as some of the treatment of funds has changed. In particular, the World Board took a number of actions relating to the categorisation of funds between unrestricted, designated, restricted, and endowed funds<sup>1</sup> across the Charity and Group accounts. (WAGGGS has a complex structure of entities that make up the Group and our annual report and accounts show both the Charity and consolidated Group accounts) The review resulted in more of WAGGGS funds classified as restricted funds and a corresponding reduction of unrestricted reserves. The World Board believe it is the correct treatment of funds in the current UK reporting environment.

For example, the World Board has taken the view that, although entities other than the Charity might hold unrestricted reserves (for example Our Chalet, AISBL, Sangam), the World Board does not have the right to use these unrestricted reserves other than for the entity to which they are related. As can be seen in Tables 1 and 2, this categorisation resulted in a reduction of £0.5 million in the unrestricted reserves position of WAGGGS in 2018 with a corresponding increase in the restricted reserves.

Following the review of the various WAGGGS funds, during the triennium the World Board took a deliberate decision to move the organisation toward a balanced budget position in unrestricted funds. This resulted in an organisation redesign and a change in how WAGGGS delivered services to Member Organisations. This was a difficult decision and but one that was necessary to ensure the long-term sustainability of the organisation. Further details on the impact of the organisation redesign are shown in Table 8 below.

Finally, the World Board made a decision to invest in key strategic areas to position the organisation for the future. These included enhancing our fund development capacity, the implementation of a new finance system and investment in key IT infrastructure (some of the IT enhancements have been deferred because of the COVID-19 pandemic).

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<sup>1</sup> **Unrestricted funds** are the funds at the disposal of the World Board to spend as they see fit to achieve the organisational strategy. **Designated funds** are previously unrestricted funds that the World Board has set aside to spend on a specific activity. These can be undesignated at any time if priorities change

**Restricted funds** can only be spent as the donor has specified and the World Board has no ability to change the way these funds are spent

**Endowed funds** are invested and only the income from those funds can be spent, usually on a restricted activity

# KEY HIGHLIGHTS 2018 AND 2019

Note: All figures in the tables represent thousands of pounds e.g. 224 represents £224,000. All figures in brackets are negative.

**TABLE 1. KEY HIGHLIGHTS: UNRESTRICTED FUNDS**

£ ,000	2018			2019		
	Audited actual	Triennium Budget	Variance	Unaudited actual	Triennium Budget	Variance
Unrestricted and Designated Income	4,774	5,486	(712)	4,992	5,325	(333)
Unrestricted and Designated Expenditure	5,321	5,673	352	6,175	5,644	(531)
Investment (loss)/gain	(224)	0	(224)	245	0	245
Recategorisation (transfer between funds)	(553)	0	(553)	23	0	23
Other (losses)/gains	(19)	0	(19)	(29)	0	(29)
<b>Decrease in Unrestricted Funds</b>	<b>(1,343)</b>	<b>(187)</b>	<b>(1,156)</b>	<b>(944)</b>	<b>(319)</b>	<b>(625)</b>

Unrestricted funds are the lifeblood of the organisation as they drive the organisation's mission, give flexibility to deliver organisational priorities, meet the needs of our Members, ensure we can respond with agility, fund necessary overhead and support costs, and provide a safety net if the unexpected happens.

In 2018, planned activities and deliverables resulted in a reduction of unrestricted reserves by £1.343 million. Although unrestricted income was £700k below the triennium budget, income from donations and legacies held steady against prior years. The triennium budget was aggressive in terms of unrestricted income and our experience was that donors preferred to give to restricted activities.

Half of the lower than budgeted income was offset by reduced expenditure. As explained above a significant portion of the reduction in unrestricted reserves was related to the categorisation of unrestricted reserves. As well, due to market conditions the value of the investments declined at the end of 2018 though they had recovered at the end of 2019.

In Quarter 4 2018 when preparing the 2019 detailed operating budget it became evident that supporting the existing organisational structure would again lead to a significant overspend of unrestricted funds. The World Board decided the current operating structure was unsustainable and as a result undertook an organisational redesign to ensure that WAGGGS could live within its means.

Although the unrestricted fundraising is below the triennium budget in 2019, the actual results in 2019 represent growth on 2018. Whilst expenditure in 2019 was £0.5 million above the triennium budget, it was £1.2 million lower than the initial 2019 operating budget. The unrestricted expenditure in 2019 includes the one off costs of the redesign, which was £271,000. Further information on this can be seen in Table 8 below.

## TABLE 2. KEY HIGHLIGHTS: RESTRICTED FUNDS

£ ,000	2018			2019		
	Audited actual	Triennium Budget	Variance	Unaudited actual	Triennium Budget	Variance
Restricted Income	2,346	2,117	229	4,121	1,569	2,552
Restricted Expenditure	3,092	2,263	(829)	4,146	1,695	(2,451)
Investment (loss)/gain	0	0	0	0	0	0
Recategorisation (transfer between funds)	553	0	553	(23)	0	(23)
Other (losses)/gains	26	0	26	(26)	0	(26)
<b>Restricted Change</b>	<b>(167)</b>	<b>(146)</b>	<b>(21)</b>	<b>(74)</b>	<b>(126)</b>	<b>52</b>

It is important to note that restricted funds must be used for the purpose stated by the donor; the World Board cannot redirect them. Discrepancies between restricted income and restricted expenditures are normally due to timing differences between receipt of restricted funds and when they are spent on programmes. In March 2018 the World Board made a decision to invest £350,000 to build additional capacity in fund development across the triennium. This was expected to bring in an additional £1.6 million over the three years and, as part of this, at least cover its costs with increased unrestricted income. As can be seen in Table 2 in 2019 we saw this investment pay off with a significant increase in restricted income. Over the triennium, restricted income is £3.863 million above the budget (£4.894 million without the impact of COVID-19) thus significantly exceeding the required return on investment.

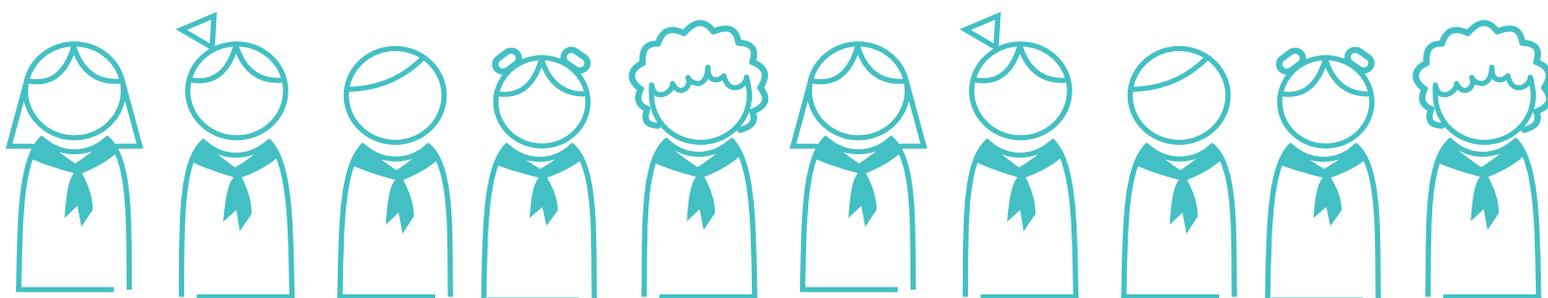


# UNRESTRICTED FINANCIAL PERFORMANCE (UNRESTRICTED AND DESIGNATED FUNDS)

**TABLE 3. ANALYSIS OF UNRESTRICTED INCOME**

£ ,000	2018			2019		
	Audited actual	Triennium Budget	Variance	Unaudited actual	Triennium Budget	Variance
Membership Fees	1,680	1,667	13	1,689	1,667	22
Fund Development	1,103	1,606	(503)	1,281	1,294	(13)
Investment income	289	245	44	194	240	(46)
Regional Funds	1	285	(284)	523	285	238
World Centres, trading and other charitable activity	1,701	1,683	18	1,305	1,709	(404)
<b>Total Unrestricted Income</b>	<b>4,774</b>	<b>5,486</b>	<b>712</b>	<b>4,992</b>	<b>5,325</b>	<b>(333)</b>

Membership fee income was in line with budget. Income from fund development was under budget in 2018 but because of a decision to invest in a targeted fund development strategy in 2018, fund development in 2019 was largely in line with budget. Over the two-year period, investment income was largely in line with budget, similarly with regional funds.



# RESTRICTED FUNDS

**TABLE 4. ANALYSIS OF RESTRICTED INCOME**

£ ,000	2018			2019		
	Audited actual	Triennium Budget	Variance	Unaudited actual	Triennium Budget	Variance
Fund Development	1,249	1,967	(718)	3,627	1,453	2,174
World Centres	155	0	155	39	0	39
Investment income	1	0	1	0	0	0
Regional Funds	46	150	(104)	105	116	(11)
Other	895	0	895	351	0	351
<b>Total Restricted Income</b>	<b>2,346</b>	<b>2,117</b>	<b>229</b>	<b>4,122</b>	<b>1,569</b>	<b>2,553</b>

Although 2018 fund development results may appear to be under budget, the difference is due to the classification of some income under other in the financial reports and we ended the year slightly above budget.

2019 saw a significant return on the World Board's investment in fundraising and is demonstrated by restricted income of over £3.6 million against a budget of £1.5million. This level of income is replicated in 2020 and has allowed significantly more MOs to benefit from programmes. As part of the redesign, the organisation has taken a rigorous approach to ensuring that the true costs of delivering restricted fund projects is recovered from the donor and there is not an unintentional subsidy from unrestricted funds. Staff involved in the delivery of restricted fund projects are employed on fixed term contracts and the true impact of these projects on support services such as finance and HR is fully calculated and recovered.



**TABLE 5. ANALYSIS OF SIGNIFICANT RESTRICTED FUND BALANCES**

£ ,000	2018			2019		
	Opening balance	Income	Expenditure	Income	Expenditure	Closing balance
Arlene Bartlow legacy	527	0	139	0	109	279
Advocacy	74	28	68	23	57	0
Varied Leadership funds	449	284	409	664	684	304
Varied Membership funds	63	354	75	100	207	235
Nutrition International	368	295	505	390	438	110
Avon	0	0	0	233	11	222
Juseon Byun Leadership Fund	0	0	0	59	0	59
Postcode Global Trust's Global Challenge	0	0	0	754	683	71
Swedish Postcode Foundation	0	0	0	140	93	47
Symantec 2019-21	0	0	0	310		310
UPS	353	481	515	250	423	146
YESS Girls Movement	52	342	390	446	418	32

Restricted funds are often carried across years as the funding can be provided for a number of years.

**TABLE 6. USE OF FUNDS (RESTRICTED AND UNRESTRICTED)**

£ ,000	Grants paid		Other direct cost <sup>2</sup>		Direct staff costs		Support costs <sup>3</sup>		Total
	2018	2019	2018	2019	2018	2019	2018	2019	
Expenditure on raising funds	7	1	421	237	276	192	74	101	1,309
Strategic theme 1- More opportunities for more girls	400	317	1,245	1,212	1,200	939	529	604	6,446
Strategic theme 2 - Greater global influence	166	235	434	409	677	574	450	561	3,506
Strategic theme 3 - Strong and vibrant movement	248	293	815	818	971	785	502	590	5,022
<b>Total</b>	<b>821</b>	<b>846</b>	<b>2,915</b>	<b>2,676</b>	<b>3,124</b>	<b>2,490</b>	<b>1,555</b>	<b>1,856</b>	<b>16,283</b>

Further information on the activities carried out under each theme can be found in the narrative triennium report.



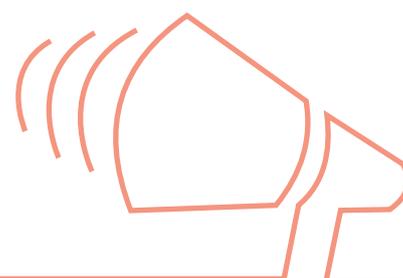
<sup>2</sup> Other direct costs includes all the costs of programme activity that are not grants or direct staff costs. This might include the development of educational material, workshops, training events etc.

<sup>3</sup> Support costs represent the indirect costs attributed to the programme for example a share of the costs of HR, finance, management, IT and office costs etc.

**TABLE 7. ENDOWED FUNDS AND RESERVES**

£ ,000	Audited 2018	Unaudited 2019	Forecast 2020
Contributions	460	11	30
Investment gains (losses)	0	40	(61)
Total Endowed Income	460	51	(31)
Endowed Expenditure	0	6	6
Net Increase (decrease) in Endowed Funds	0	45	(37)
Opening Balance, January 1	469	929	973
Closing Balance, December 31	929	973	936

WAGGGS endowed funds come from the Cheryl Watkins legacy which is set up for WAGGGS to spend the investment income to support older women who have been involved as volunteers in the Movement for more than 20 years to visit one of the World Centres. The capital cannot be spent under the terms of the legacy. Because this is a long-term investment the anticipated loss in value in 2020 should be recovered over time.



# IMPACT OF ORGANISATIONAL REDESIGN

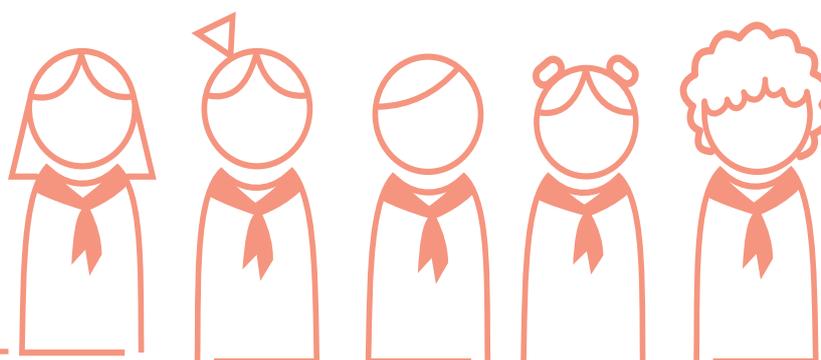
**TABLE 8. IMPACT OF REDESIGN ON UNRESTRICTED FUNDS (PRE COVID-19)**

£ ,000	2018 audited	Initial 2019 budget	Redesign 2019 budget	Unaudited 2019 results	2020 budget
Opening Unrestricted Reserves - Charity	4,740	3,635	3,635	3,635	2,617
Charity Unrestricted loss	(1,105)	(1,731)	(1,300)	(1,108)	(119)
<b>Closing Charity unrestricted reserves</b>	<b>3,635</b>	<b>1,904</b>	<b>2,335</b>	<b>2,617</b>	<b>2,498</b>

The organisation redesign was undertaken to create a sustainable operating model for WAGGGS that stayed true to our core mission and gave us the ability to be nimble in changing times. The key principle was that WAGGGS should have a core capability that is funded by unrestricted funding and have the capacity to scale up and down easily as restricted funding levels vary. The intention was to deliver a balanced budget such that unrestricted expenditure did not exceed unrestricted income and that there was not an unintended cross-subsidy of restricted funded projects. An essential part of delivering the redesign was the effective use of volunteers to deliver services. The success of this approach is outlined in the triennium report previously published.

Table 8 shows that, had we not undertaken the redesign, WAGGGS would have ended 2019 with £1.9 million in unrestricted Charity reserves. The redesign showed positive results and by the end of 2019 we saved £700,000 against the initial budget despite the inclusion of redesign costs of £271,000.

WAGGGS 2020 budget was close to a breakeven budget with a loss of £119,000 largely attributed to a pre-agreed investment of £112,000 in improved IT capacity. This demonstrates that the organisational redesign achieved our objective of balancing unrestricted income and expenditure.



# IMPACT OF COVID-19

In Q1 2020 we were on track to deliver the 2020 budget. Then, we were faced with an unprecedented global situation that challenged both our income streams and our ability to deliver for our Member Organisations. We modelled the potential impact on our income and expenditure for 2020 and 2021 and chose to adopt a 'worst case' planning scenario. By taking this approach, we could ensure the sustainability of WAGGGS. If the outcome proved to be better than we expected then we could either improve our financial results or look to increase our delivery to Member Organisations.

To calculate the worst case we planned based on significant delays to receiving outstanding 2020 Membership fees, the cancellation of World Conference, no travel until at least the start of 2021 and a significant decline in investment income. We included little or no World Centre income for the rest of the year as we expected the World Centres to be closed or operating a minimal capacity for the rest of 2020. Even with the World Centres closed we budgeted for approximately £157,000 in operating costs that cannot be covered by World Centre reserves.

This was offset to some extent by our largest ever unrestricted income from a single event with an income of £600,000 from a cause related marketing initiative around International Women's Day. We hope to continue to build on the experience gained of partnerships at this level in the future.

We further estimated a 40% reduction in our investment income and a reduction in our unrestricted fund development streams of 40 – 60%. We have modelled a worst-case scenario for 2021 to build a financial model to predict whether our unrestricted reserves are sufficient to survive the impact of COVID-19.

In UK, Belgium, and Switzerland we were able to take advantage of government employment support schemes where members of staff would not work for a period of time and a significant portion of their salary would be subsidised by government programmes. We are incredibly grateful to our staff for their commitment during this period, both those that have endured a long period not being at work, and those that have covered essential activities in their absence. Up to 2/3rds of our eligible staff were placed under these schemes. We worked based on not laying off any members of staff employed in countries that did not have support scheme available. We will have saved over £280,000 through our use of these schemes.

“ The impact of this scenario planning is shown in table 9. By assuming the worst case, the World Board is comfortable that WAGGGS will finish the Triennium as a solvent organisation able to move forward into 2021 and beyond. ”

**TABLE 9. IMPACT OF COVID-19 ON 2020 RESERVES**

£ ,000	World Board agreed budget 2020	Triennium budget 2020	Post COVID-19 forecast
Unrestricted and Designated Income	5,342	5,711	3,381
Unrestricted and Designated Expenditure	5,461	5,594	4,456
Investment gain/(loss)	0	0	(95)
<b>Net Movement on Unrestricted Reserves</b>	<b>(119)</b>	<b>117</b>	<b>(1,170)</b>
<b>Unrestricted Charity Reserves at end 2020</b>	<b>2,498</b>	<b>2,734</b>	<b>1,447</b>
<b>Unrestricted Group Reserves end 202</b>	<b>4,129</b>	<b>4,365</b>	<b>3,078</b>
Restricted Income	4,134	2,021	3,103
Restricted Expenditure	3,030	2,291	2,905
<b>Net Movement on Restricted Reserves</b>	<b>1,104</b>	<b>(270)</b>	<b>198</b>
<b>Restricted Group Reserves at year end (excluding property)</b>	<b>3,652</b>	<b>2,278</b>	<b>2,746</b>

There is no doubt that COVID-19 will affect WAGGGS finances in 2020, 2021 and beyond. We have managed to negotiate effectively with our restricted fund donors and agreed new delivery timetables or changed outcomes for the work at no cost to WAGGGS. In terms of unrestricted income, we are seeing a worst-case net loss in unrestricted funds of just over £1.1 million. Had we not undertaken the redesign in 2019, WAGGGS would not have been able to survive because the Charity reserves would have been too low. As it now stands, we will have sufficient reserves in hand to see us through 2021 even if our worst-case scenario planning on income is realised.

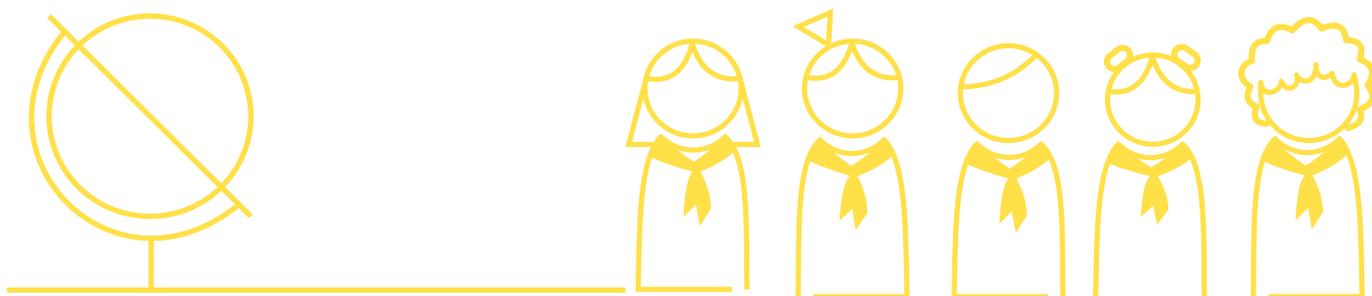
As we have consistently stated through this triennium, it is unrestricted income that provides WAGGGS with the ability to be agile, responsive and targeted in our work whilst unrestricted reserves allow us to deal with the unexpected (and nothing could have been more unexpected than COVID-19). Looking at our unrestricted reserves position, we will survive COVID-19 and be able to continue to build our strategic partnerships to deliver more to our Member organisations.

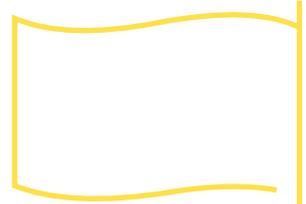
**TABLE 10. RESERVE POSITION FOR THE GROUP**

£ ,000	December 31st, 2017	December 31st, 2018	December 31st, 2019	End 2020 Pre-COVID-19 budget*	End 2020 Post COVID-19 Forecast*
Unrestricted and Designated Reserves	6,187	4,844	4,248	4,129	3,078
Restricted Reserves Excluding Property	2,756	2,633	2,448	3,652	2,746
Endowment Fund	469	929	973	973	936

\*See table 9 for an explanation of these figures

In conclusion, the World Board believes that the 2019 redesign, although challenging for Member Organisations, volunteers and staff did set up WAGGGS to live within our unrestricted means and to be agile to respond to a changing environment. Our experience in managing the impact of COVID-19 bears this out and we are comfortable that we have sufficient reserves to continue and thrive in 2021 and beyond, although we are completely aware that this will require tight financial discipline and moving forward together as a Movement.





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