**28 June 2015/BH**

**MEMO FINANCIAL SITUATION**

**To the Executive Committee**

**From the EAPN Bureau**

This Memo provides, as requested by the EXCO during the last meeting, information about the current financial situation of EAPN and should serve to help make decisions regarding the budgetary deficit. The Memo recalls the cuts by the European Commission to the core budget in 2014. Consequently, EAPN started the year with 659.494,63 Euro less than in 2013 (full budget 1 million)[[1]](#footnote-1). It was at that stage that some difficult decisions had to be taken, namely letting some people go who were working in the secretariat.

Micheline Gerondal[[2]](#footnote-2) – salary: 68.844,40 Euro - cost of letting her go: 53.034,03 Euro

Claire Champeix – salary: 29.346,16 Euro - cost of letting her go: 23.882,69 Euro

Letizia Gomez[[3]](#footnote-3) – salary: 32.110,43 Euro - cost of letting her go: 0 Euro

Total short-term expenses: 76.916,72 Euro

Total long-term “savings”: 130.300,99 Euro / Year

However, EAPN was able to tap into a separate funding source by the European Commission, made available for the period of one year (with the promise of extension for another 2 years).

The funding for the project on joint alliances brought 325.396,84 Euro thus filling the gap that the reduction of core funding had created. However, the new project put an enormous strain on the capacity of the secretariat to fulfil its core function. While the core work had not diminished – despite the reduction in core funding; additional work and deliverables were created in the context of the separate funding for Joint Alliances.

Conclusion: While the additional project ensured that EAPN could live up to its legal commitment in relation to contracts and salaries, it created an untenable situation regarding capacity and delivery.

Although voluntarily, two more employees left EAPN in 2014:

* Vincent Carron – Salary: 65.103,12 Euro - Costs of leaving: 0 Euro - savings in the long run: 65.103,12 / year
* Coralie Flemal – Salary: 36.883,05 Euro - Cost of leaving: 0 Euro - savings in the long run: 36.883,05 / year

Even though EAPN was still facing a budgetary deficit of 121.160,35 Euro, which was compensated by:

- the Alliance Budget for which part of the salaries of personnel were covered: 97.055,44 Euro for work done by Sian Jones, Amana Ferro, Vincent Carron and Rebecca Lee on this project.

– the Minimum Income Budget for which part of the salaries of personnel were covered: 24.104,91 Euro for work by Fintan Farrell and Philippe Lemmens in this project.

EAPN ended the year with: no overspend in any of the 3 three activities (Core, Alliance Semester project and Minimum Income project).

**2015**

EAPN was able to obtain the same amount of core funding as in 2014: 1.246.253,63 Euro. This amount of money would not suffice to cover both salary commitments and statutory requirements for running the organization. However, and as in previous years, EAPN continued to rely on project funding to make up the difference. There was good reason to believe that EAPN would win the 2nd tender on Minimum Income. There was also good reason to believe that funding would continue for the Joint Action. However, the new commission decided to stop funding for the joint actions and the 2nd phase of funding for EMIN was delayed to the end of the year 2015.

This leaves EAPN in a difficult financial situation:

The current expected deficit for 2015 is: 149.959,36 Euro

The expected income from outside sources supplementing income is: 12.0000 Euro from Luxembourg for coordination of 14th European Meeting of Poverty (already deducted from Fintan Farrell’s cost for the Core budget).

The budgetary short fall is: 149.959,36 Euro

The Bureau suggest to cut the following items:

* Reduce spending in Enlargement visits (4.450 Euro)
* Limit spending of 3rd EUIS meeting to same as 1st EUIS (5.380 Euro)
* Cancel the 2nd Capacity Building (18.700 Euro)
* Reduce spending in the Representation visits (9.700 Euro)
* No consultancy in Capacity Building and Exco (3.200 Euro)
* No spending in consultancy for campaigns and promotional material (5.000 Euro)
* Reduced spending in Campaigns and folders dissemination (5.000 Euro)
* Reduced spending in CSR reports (1.500 Euro)

The results are: 38.797,00 Euro

Shortfall is: 111.162,36 Euro

Social Reserve: 154.000,00 Euro

Amount needed to compensate for the budgetary deficit: 111.162,36 Euro.

Although we still believe that some projects, namely the EMIN II, can help us in the future (2016), for this year there can be little doubt that EAPN will need to use the social reserve to cover some of the deficit. Therefore the new EXCO will need to make a longer term decision on how to ensure the sustainable functioning of the secretariat with a budget less than 1 million and project funding that may not come to fruition in future years.

1. Numbers refer to real income and real expenses. Please note that EAPN budget includes the 20 per cent co-funding required by the Commission. That 20 per cent of co-funding is contributed by NNs, BUT does not always contribute in real terms to the expenses of the running of the organization. [↑](#footnote-ref-1)
2. In reality Micheline Gerondal was working within the PEP activities, therefore in a Project yearly approach usually funded by the EC and sometimes with extra financial support from the EU Presidencies. However, somehow a decision of keeping her within the organisation after the end of those projects made her part of the permanent staff of the Secretariat and therefore when we had to let her go we faced the legal obligations of paying all the costs as if she was a full permanent staff member. [↑](#footnote-ref-2)
3. Letizia Gomez had already the intention to leave the organization for personal reasons. [↑](#footnote-ref-3)