



a million voices for nature

Treasurer's report to members at the AGM held on the 8 October 2011, delivered by Alan Martin, Honorary Treasurer

When I addressed the AGM last year I spoke of being optimistic. Now, in the face of economic turmoil, and talk of further recession and deeper public expenditure cuts, you are probably thinking that I might have changed my tune ... and I have; but perhaps not by as much as you might expect. We certainly face more challenges now than any of us would like but I remain optimistic; you may say foolishly or defiantly so, but over the course of the next 15 minutes I hope to persuade you otherwise.

The RSPB has an annual income in excess of a £120m; pretty impressive, but tiny by comparison with the turnover and profits of many commercial organisations. And then when you hear numbers bandied around in the context of global finances and EU financial rescue packages; £120m is a drop in the ocean. And yet, in our own way, we too want to be part of a rescue package; the construction of a global rescue package for nature and for the environment.

So we have to be optimistic – we cannot construct this package on our own; we can only succeed by inspiring and focussing the support of others. Just seeing so many of you here today goes a long way towards justifying my optimism - for none of us would be here if we didn't think we could help to make the future a little better. If there were a FTSE of enthusiasm for nature – I am sure the trend would be consistently upward, very different to the real FTSE.

Turning to the numbers, the year 2010-2011 had a happy ending – a surplus of £4.7 million. However, accountants have a knack of taking the gloss off any good news and if you read my report in *Birds* magazine, you will know that those of us at RSPB are no exception. It is true that part of that surplus arose simply because poor weather prevented us from completing work before year end on restoring Bowers Marsh in South Essex. But we should celebrate that the grant funder was still able to give us the money (and that was by no means always certain); so the work will get done. Indeed, it is progressing well and the reserve will be opened to the public shortly.

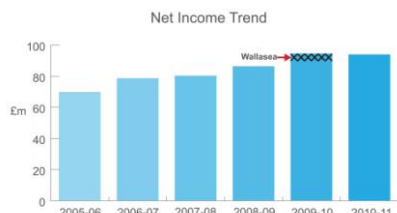
In an ideal world income and expenditure would be perfectly matched. Of course, the real world is seldom like that and, as in the example I have just given, nature – with little regard for schedules or financial years – occasionally likes to remind us who is in charge.

So although the whole of last year's surplus goes into financial reserves, I expect about half to have been spent before the end of March 2012. The other half will remain in financial reserves and I have to say, we are grateful for the opportunity to replenish those a little. The ambitions in our new corporate strategy require investment, and we are ever mindful of the 'difficult' circumstances we continue to face – grants threatened, gift aid benefits reduced, costs increasing way ahead of inflation; just as an example, the cost of mailing to members has increased by almost 20%.

Now I am not saying that our financial reserves are abundant - 'adequate' might be a better description for they represent nine weeks worth of expenditure. There is a fine balance to be struck between holding sufficient reserves to allow work to progress without fear of interruption, and allowing excess sums to sit in the bank. We divide our financial reserves into those held for specific purposes, and 'free reserves'. Naturally, Trustees focus mainly on the latter; measuring them in

terms of the number of weeks expenditure that they represent. The RSPB Council has set an acceptable range of 8-16 weeks. So nine weeks, is fine.

So far so good. The optimism of which I spoke earlier was still intact at last year end – but will it stand up to closer scrutiny?



For example, the accounts show net income has fallen. But this is deceptive – the apparent dip being the result of a large, one-off payment in 2009-2010 towards the Wallasea project. Taking a look at the longer term trend you will notice that income has grown year-on-year; underpinning this growth is the generosity of members who were kind enough to increase their contributions in spite of challenging economic circumstances. Turning back to 2010-11, as in previous years we again benefitted from significant grants towards our international work – not least, £2.5m to fund the restoration of peatlands in the Ukraine and Belarus. However, with adjustment for the current high levels of inflation, the underlying income trend for last year was flat in real terms.

Of course, with unprecedented conservation challenges and opportunities, we would love to be on a sharply upward income curve. But we should feel proud that we have been able to sustain our major work programmes in spite of everything that has been thrown at charities (and indeed, us all) over the last few years. That is a great achievement in itself – and we sincerely hope we can steer a similar course through the grant cuts minefield following the Government's Comprehensive Spending Review.

On this occasion last year – I struck a less optimistic note when I expressed concern about the prospects for legacy income. I am pleased to report that those concerns proved unfounded. Odd though it may be for a treasurer to admit, there are times when I'm very happy to be wrong. It is tremendously gratifying that so many people want to help safeguard nature for the benefit of those who follow in their footsteps. Nevertheless, this is not an area in which it pays for us to be too bullish. Legacy income is notoriously difficult to forecast, and we must continue to be wary of committing to expenditure that we can't afford should legacy income fall. So please forgive me, for once again I shall err on the side of caution in projecting this particular income stream.

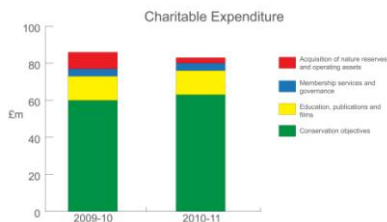
Biodiversity is something about which we hear a great deal, both positive and negative – sadly, more often the latter. But diversity of income is also of great importance to us. In previous reports we have mentioned our investment in a new approach to member recruitment and more recently, mail order has benefited from a customer service makeover. We knew that our confidence in the Trading Team and in RSPB's supporters had been completely justified when the budgeted annual income was exceeded after just nine months, and customers gave us lots of great feedback. People's expectations of organisations are rising all the time and that applies as much to supporters of charities as to customers of companies. We must continue to be prepared to invest in order to fulfill these expectations.

Having had the benefit of looking at the mid-year numbers, I can tell you that mail, telephone and web orders are again thriving but in retail, activity is strangely subdued. The good news is that the Christmas range looks great, so I still feel optimistic for the year as a whole.

Turning to expenditure, we felt that it was right to keep up our challenge to the organization, of increasing delivery for conservation without significantly increasing costs. You may recall that we (along with the rest of the world) had to rein back our ambitions in the wake of the collapse of

Lehman's brothers and all that followed. Now the emphasis is on prioritization – ensuring that our limited resources are directed where they can make the biggest impact for nature and the environment – I think “bangs for bucks” is the technical term.

Of course, that is not to say that efficiency isn't also important; it is and staff and volunteers, as always, have responded magnificently. We are particularly proud of the RSPB support services, such as Human Resources, Finance and Information Systems, where costs as a proportion of overall expenditure fell for the fifth consecutive year. To help maintain this trend, we will be looking closely at purchasing activities over the next year – working even more closely with our suppliers to jointly find further opportunities for getting better value for money.



Our charitable expenditure fell by £2.9 million, mainly due to reduced land purchase, as rising land prices, limited opportunities and a decrease in grants available took effect. But, after a run of several years at a historically high rate of expenditure, one or two years at a more modest level gives an opportunity to draw breath. We would, of course, become concerned if this proved to be longer lasting. Acquiring land is the most enduring way of safeguarding habitat; it would be a disaster for nature conservation if future generations were left to suffer further loss of biodiversity as a consequence of our generation's financial woes. Rest assured, the RPSB is doing all it can to ensure this doesn't happen – and even in a year of comparative constraint, we still managed to extend existing holdings. I won't dwell too much longer on this chart but it is worth noting that expenditure on conservation objectives increased by £3m, in green on the chart.

International work represents a modest proportion of our total expenditure at about 12%, albeit a very exciting 12%. We are particularly proud of our work on rainforests in Sierra Leone and Sumatra, on the peat restoration in Belarus and the Ukraine, as already mentioned, and our work in the southern oceans to reduce the terrible decline in albatross populations.

As I speak a new and bold initiative has just taken place in the Pacific Ocean: the eradication of introduced rats from Henderson Island, part of the UK's Pitcairn Overseas Territory. This is home to over 55 species found nowhere else on earth, including 5 birds, one of which is the endangered Henderson petrel. We must act – but it is a costly business. I want to make particular mention of the perseverance of the team who refused to accept that funds could not be found for this project – over £1.5 million. They and their fundraising colleagues applied themselves to finding new sources of income. This is just one example of the determination and ingenuity essential for all of our work - but especially on the international stage. Those of you who gave so generously to this project can take great pride in the fact that you helped to make possible an important project that looked likely to fall victim to economic circumstances.

So, in answer to my earlier, somewhat rhetorical, question; yes, my optimism does stand up to closer scrutiny. Looking back over the past year, there is much to fuel that optimism. In fact, if I didn't read the papers – particularly the financial pages, I would be looking to the future with unbridled optimism;.....although perhaps I exaggerate a little.

Of course we do have to read the financial pages and we do have to respond sometimes to rapidly changing events. I can't stand here and tell you that everything will definitely work out just fine; but what I can tell you is that a substantial amount of my finance committee's time is spent thinking about the possible consequences of economic turmoil and what RSPB should be doing to safeguard our interests and to take advantage of any unexpected opportunities.

Examples of such steps include very closely monitoring detailed income trends, ensuring we get value for money, maintaining a low risk charity investment portfolio, sharing with staff the pension risk and broadening our income base.

I opened by referring to financial markets and would like to finish by drawing another comparison with that world: please forgive me for the very simplistic economics. Fifteen years ago western economies were booming and now they're not. But some things haven't really changed. Governments may be struggling to find solutions but all the people who fifteen years ago wanted to go to work, to earn a decent living and to provide for their family... well, the good news is they still want to. But many of them have lost confidence and when that happens they stop spending – and then jobs disappear even faster. So a key challenge for governments around the world is to restore confidence: to persuade people to believe in the future.

And so it is for nature and the environment. Most of us want to live in pleasant surroundings, to enjoy the countryside and the benefits it provides – the challenge is to persuade people that the way they live their own lives can make a difference; to allow people to believe that large scale change is possible - and that it can all start by each of us taking a single Step Up For Nature.

In supporting the RSPB, each and every one of you has already taken at least one major step - for that and for being the enduring source of my optimism for the RSPB, I thank you.