

Proposal made to the Board of Directors:

- Approval of the Annual Report for the 2017 financial year.
- Approval of the Net Income of -14,459.31€ for the 2017 financial year.

# Execution of the Revised 2017 Budget

Implementation as at 31st December 2017

## **Contents:**

1. 2017 Budget (execution to 31st December 2017)
2. Reserves (31st December 2017)





# **MANAGEMENT REPORT 2017**

**As at 31st December 2017**

**This document reports on the association's activity for the financial year ended 31st December 2017.**

**The draft Audit Report prepared by the Auditor for the financial year ended 31st December 2017 is attached as an Annex. The final Report will be produced once the Board of Directors has approved the accounts.**



REVISED BUDGET 2017 (MAY 2017) AND EXECUTION AS AT 31ST DECEMBER 2017

STRATEGIC BUDGET 2017

		Budget 2016	Budget 2017			
		execution 31/12/16	revised April 2017	execution	balance	%
<b>INCOME</b>						
A	Membership fees	343.488 €	369.000 €	361.457 €	7.543	98%
B	Partnerships	144.827 €	562.820 €	507.159 €	55.661	90%
	Guangzhou Award Contribution	50.000 €	- €	- €	0	
	Guangzhou Publication	25.000 €	- €	- €	0	
	Guangzhou Partnership	- €	150.000 €	142.000 €	8.000	95%
	UCLG - EU	17.646 €	15.000 €	17.000 €	-2.000	113%
	World Congress	52.181 €	397.820 €	348.159 €	49.661	88%
C	Administration (grants)	177.879 €	350.000 €	272.879 €	77.121	78%
	Metropolitan Area Barcelona	177.879 €	210.000 €	207.879 €	2.121	99%
	Barcelona City Council	- €	65.000 €	65.000 €	0	100%
	Fundraising strategy	- €	75.000 €	- €	75.000	0%
D	Financial products	- €	300 €		300	0%
<b>TOTAL INCOME</b>		<b>666.194 €</b>	<b>1.282.120 €</b>	<b>1.141.494 €</b>	<b>140.626</b>	<b>89%</b>
<b>EXPENDITURE</b>						
A	Services	192.764 €	321.200 €	278.294 €	42.906	87%
	Initiatives	115.775 €	63.500 €	22.645 €	40.855	36%
	Pilot Projects	- €	52.000 €	22.981 €	29.019	44%
	Metropolis Women	5.942 €	23.300 €	35.751 €	-12.451	153%
	Youth Network	123 €	10.000 €	- €	10.000	0%
	Learning and capacity building	10.000 €	30.000 €	11.168 €	18.832	37%
	Observatory	19.223 €	39.000 €	58.487 €	-19.487	150%
	AppScore	10.000 €	- €	- €	0	
	Urban innovation	31.702 €	70.400 €	117.026 €	-46.626	166%
	Policy transfer platform	- €	33.000 €	10.238 €	22.762	31%
B	Statutory meetings	34.151 €	398.094 €	305.262 €	92.832	77%
	Board meetings	16.764 €	15.000 €	9.967 €	5.033	66%
	World Congress	12.908 €	367.094 €	272.300 €	94.794	74%
	Secretary General meetings	382 €	8.000 €	7.588 €	412	95%
	Regional Secretaries	4.097 €	8.000 €	15.407 €	-7.407	193%
C	Corporate activities	74.048 €	126.025 €	111.597 €	14.428	89%
	International representation	22.474 €	35.000 €	35.538 €	-538	102%
	International representation			14.777 €	14.777	
	Institutional relationships			7.229 €	7.229	
	Strategic partnerships			6.676 €	6.676	
	Promotion & positioning			6.856 €	6.856	
	Marketing and communication	18.818 €	76.025 €	59.420 €	16.605	78%
	Strategy and Orientation	32.756 €	5.000 €	6.639 €	-1.639	133%
	Cities Alliance Programme	-	10.000 €	10.000 €	0	100%
D	Administration	363.775 €	436.800 €	460.800 €	-24.000	105%
	Secretariat General expenses	303.494 €	406.800 €	422.795 €	-15.995	104%
	Audit & Finance	38.294 €	30.000 €	38.006 €	-8.006	127%
	Costs 2015	21.987 €				
<b>TOTAL EXPENDITURE</b>		<b>664.739 €</b>	<b>1.282.119 €</b>	<b>1.155.953 €</b>	<b>126.166</b>	<b>90%</b>
<b>NET INCOME</b>		<b>1.455 €</b>	<b>0 €</b>	<b>- 14.459 €</b>	<b>-14.459</b>	

*Note: The salaries have not been spread across the various budget lines and are entirely included in the Secretariat General expenses line, except that of the Communications officer, which is entirely included in the Marketing & Communications budget line.*

#### OBSERVATIONS:

While during 2016, the focus had been on separating and coordinating internal management solutions from Metropolis' core business, 2017 has focused on organising the Secretariat General (SG) in order to implement the 2018-2020 Action Plan. The internal management system is structured to respond to the strategic objectives of the Action Plan, and the reporting system allows for careful monitoring of its accomplishment.

Metropolis's accounts do not reflect all of the expenses incurred for the association's activities. It is also necessary to take into consideration the valuable contributions made to the association, which are not reflected in our budget, namely:

- **Barcelona City Council**, which provides the Metropolis headquarters' premises and covers the cost of maintenance. In addition, it covers the salaries of three people and the Secretary General from January to June 2017.
- Besides a significant grant given by **Barcelona Metropolitan Area**, which also covers part of SG operating costs, the member also covers the salary and social contributions of the Executive Director (January – June) and the Secretary General (July-December).
- Support by the five Regional Secretaries, the Presidency, the Co-Presidents and the Treasurer of Metropolis: **Berlin, Dakar, the State of São Paulo (January – June), Mexico City, Guangzhou, Montevideo (July – December), Johannesburg (January – June), Gauteng Province (July – December) Barcelona Metropolitan Area, Montreal and the Brussels Capital Region.**
- Some of Metropolis's most active members, who pay a portion of the expenses related to the association's initiatives, training or other activities.
- Host cities, where meetings related to Metropolis's activities are held, which gives support that is crucial to those meetings' proper functioning.
- Support from **Seoul**, which hosts the Metropolis International Training Institute (MITI), and from the four MITI regional centres (**Mashhad, Cairo, Mexico City and Paris Île-de-France**).
- Support from the Presidency and the antennae of Metropolis Women.

Thanks to all these contributions, Metropolis is able to work at reduced cost.

## INCOME

### A. FEES (€361,457)

A total of €361,457 or 98% of the membership fees budgeted for in the 2017 financial year were collected by 31 December 2017.

The internal reorganisation by geographical areas has allowed a focus on members by region, and a greater coordination between the SG and the Regional Secretaries, allowing members' payments to be tracked by the Regional Secretariats of Metropolis, which now play a more active role in this regard.

After the World Congress in June 2017, an ad-hoc committee was formed to study and propose a sustainability strategy for the association. This includes various forms of increasing income, of which membership fee restructuring is one. The proposed membership fee reform will be presented for approval at the Board of Director's meeting in August 2018 in Gauteng Province, South Africa.

### C. PARTNERSHIPS (€507,159)

- **Guangzhou Partnership (€142,000)**

This grant agreement implements the decision made by the Municipal People's Government of Guangzhou and Metropolis, in 2015 and 2016. It is a 2-year programme, which aims to promote international objectives of urban innovation, city-to-city partnerships, and the Guangzhou Awards. Furthermore, it promotes activities and engagements of the Metropolis Regional Secretariat of Asia Pacific.

The amount received for 2017 is 150,000€, however 8,000€ have been accrued to 2018, given the budget surplus on 2017 for this grant.

- **UCLG / European Commission's strategic partnership agreement (€17,000)**

Metropolis's Secretariat General and UCLG entered into an agreement in the framework of the Operating Grant from the European Commission for 2015 and the Strategic Partnership Agreement.

Based on this agreement, in 2017 Metropolis receives a grant amounting to **€17,000**, which funds a proportion of the Metropolis Secretariat's operating costs (general costs, translations, travel and accommodation) related to the activities laid out in the Activity Report 2017. These are: 4th World Forum on Local Economic Development, Praia; Global Task Force / High Level Political Forum on Sustainable Development, New York; High Level Panel New Urban Agenda & future of Habitat III / meeting with new UN SG; Cities Alliance, annual meeting of the General Assembly - (strengthening alliance); Cumbre Mercociudades, Cordoba - meeting Mercociudades to strengthen liaison in CGLU framework; Cities Alliance Contribution agreement 2017.

The aim of this grant is to strengthen the activities carried out by Metropolis, and to allow it to develop its capacity in order to promote its activities on an international level, and gain visibility in international forums.

- **World Congress 2017 Grant (€348,1559)**

Metropolis and OBNL Congrès Metropolis 2017 entered into an agreement for the organization and hosting of 12th Metropolis World Congress 2017. It was signed on March 7, 2016. The total amount of the Agreement was €450,000. The financial disbursements of the agreement were as follows: franchise to Metropolis €80,000, administrative costs of Metropolis €70,000, global promotion campaign €150,000, sponsored delegates and speakers €150,000.

Of these, in 2016 Metropolis received the €80,000 for the franchise and €150,000 for the global promotion campaign. In 2017, Metropolis received €70,000 to cover admin costs. OBNL did not disburse the remaining €150,000 for sponsored delegates, and it was through a new agreement signed with Canada Global Affairs that Metropolis was able to cover these costs.

The balance on this budget line is given by the execution of the real amount against the agreed maximum amount of the grant. The grant was divided into two parts. OBNL Metropolis funded an amount of 223,385€ which covered franchise, communication and promotion and administrative costs. Global Affairs Canada funded an amount in euros equivalent to 206,474.51CAN (138,637.43) to cover expenses for sponsored delegates from CAD list countries. The balance between the budget (397,000€) and the total expense (348,000€) relates to lower expenses incurred in the OBNL fund.

#### **D. ADMINISTRATION GRANTS (€272,879)**

- **Barcelona Metropolitan Area (€207,879)**

Barcelona Metropolitan Area and Metropolis signed an agreement on 6<sup>th</sup> October 2017, to regulate the collaboration framework in the international arena, between the parts. More in detail, it aims to develop and support actions and projects of shared interest. These are, in particular, planning and management of the territory, environment, housing, transport, mobility, social and economic development, strategic planning and metropolitan governance.

Finally, it establishes collaboration mechanisms in the field of international cooperation to facilitate actions, contacts, projects and / or training in this area.

Metropolis received an annual grant of **€207,879** dedicated to the Metropolis Observatory (€90,000), Pilot Projects (€10,000), City Managers (€5,000) and other Metropolis activities and running costs (€92,879), of which the Observatory officer's salary is one.

- **Barcelona City Council (€65,000)**

Barcelona City Council and Metropolis signed an agreement on the 8<sup>th</sup> of September 2017. The activities developed within the framework of this addendum complement the ones detailed in the main framework agreement signed in 2015. These pivot mainly on the axes of gender equality and metropolitan governance.

The aims of the addendum include support for the president of Metropolis Women in the definition of a lobby on behalf of Metropolis, in defence of gender equality and the empowerment of women. It also aims to ensure gender mainstreaming in all activities. Furthermore, it supports Metropolis' training strategy to incorporate the strategic guidelines of the association, the design of an on-line course on metropolitan governance in French, Spanish and English, and the design and preparation of a session in the framework of the "European Forum of Urban Security". It also covers some running costs, of which the Women officer's salary is one.

- **Fundraising strategy (€0)**

The fundraising strategy in Metropolis was activated after the Montreal Congress 2017, where an ad hoc committee was established in order to propose a strategy to the Board of Directors. During 2017, the committee worked on a first draft, which includes both a restructuring of the membership fees and external sourcing.

The results of the strategy, if accepted by the BoD in August 2018, and implemented thereafter, will be visible starting from 2019. However, during 2017, Metropolis began its work by participating in a bid (25,000€) within the framework of the EU Creative Culture program on immigration with the University Ramon Llull, that was not chosen. Again, it participated the bid for the framework of the European Program with the Citizens on ODS's with ALDA (€ 20,000), again not approved. The SG has also began talks with DEVCO for the Annual Action Programme on Local Authorities, as well as a possible framework partnership agreement.

## EXPENSES

### A. SERVICES (€278,294)

- Initiatives (€22,645)**

The expenses incurred for the different agreements related to Initiatives amounted to €22,645 as at 31 December 2017. This was the last year of those initiatives which began in 2015 and had a 3-year duration. Here below is a summary of the total expenses for each initiative, and the relative balance.

#### Metropolis Initiatives 2015 - 2017

	<b>TOTAL BUDGET</b>	<b>TOTAL SPENT</b>	<b>SURPLUS</b>
AMB CLIMATE METROP	20.000	20.000	-
GEST SOCIAL HABIT B AIRES	30.000	29.982	18
BCN ESPORTS INCL SOCIAL	12.000	9.996	2.004
CIUDAD LÚDICA MÉXICO	22.500	22.087	413
CARING CITIES JOBURG	40.000	14.472	25.528
POLICY TRANSFER BERLIN	60.000	47.884	12.116
SUSTAINABLE AIRPORTS	30.000	30.158	- 158
KREANTA CREATIVE CITIES	45.000	44.986	14
AGRA PILOTING DIGITAL TECHN	60.000	2.567	57.433
BOGOTÁ CITIES AND WATER	20.000	16.790	3.210
SAO PAULO FINANCIAL ALTERNATIVE	30.000	11.998	18.002
	<b>369.500</b>	<b>250.919</b>	<b>118.581</b>

The balance of €40,855 is mainly given by: approximately 10,000€ from Berlin Policy Transfer initiative, which has been released and granted to the Policy Transfer Platform; Barcelona Sports Initiative balance of 1,600€; 10,000€ of the Sao Paulo initiative which was closed, given that the city is no longer member of Metropolis; and 19,000€ recovered from the 2016 provision for the Caring Cities initiative which was not activated in 2017.

- **Pilot Projects (€22,981)**

2017 was the first year of Metropolis Pilot Projects. It opened a call to identify, among its members, pilot projects that generate spaces for exchange and learning on different spheres of the metropolitan life, as well as being aligned with the vision of the association.

Metropolis provided funding to support capacity development, and the exchange of knowledge and practices on metropolitan management, among its members and partners, in the framework of specific pilot projects. Each project could receive a maximum amount of twenty six thousand euros (26,000.00€), which must be spent on related activities between July 1, 2017, and June 30, 2019.

Six projects were selected and funded. The first year budget was €7,000 per project. However, not all projects executed their activities foreseen for 2017; hence, the balance of those not executed has been provisioned to 2018.

- **Metropolis Women (€35,751)**

On the 8th September 2017, Metropolis signed an addendum to the MoU with the Barcelona City Council, to regulate the project "Strategic Action Metropolis 2017". It funded Metropolis Women actions and activities during the second half of 2017, as well as other strategic actions, such as learning & capacity building in metropolitan governance.

The amount reported in this entry refers only to direct expenses in Metropolis Women, excluding Metropolis Women Officer's salary, which is included in SG expenses. The other expenses covered by the grant are entered in their respective budget lines, mainly promotion & positioning, learning & capacity building, institutional relations and Regional Secretaries. The execution rate of the project was 100%. In March 2018, the project was audited, approved and presented to Barcelona City Council in April 2018, which approved it in May 2018. The grant process is hence finalised.

- **Youth Network (€0)**

The Metropolis Youth project has still to be activated.

- **Learning and capacity building (€11,168)**

The sum of €11,168 entered under this heading relates to MIT MetroLab, Boston; Capacity & Institution Building (CIB), Durban; 100 resilient Cities, New York; SHRDC, Seoul, and the first part of the process regarding the design and implementation of the online course on Metropolitan Governance. This project was initiated towards the end of 2017, so the main expense for this will burden on 2018.

Part of the balance relates to the budget reallocated to Women (see Women Network), for coherence with the Action Plan and internal project management.

- **Observatory (€58,487)**

The Metropolis Observatory is funded by the Metropolitan Area of Barcelona grant. The final budget for the Observatory was 90.000€ once the agreement was eventually signed in October 2017. The initial amount of 39,000€ was based on a prudential forecast of the essential activities to be done on the Observatory, before we had the certainty of the final amount upon signature.

Of the 90,000€, the amount relating to direct costs is reported in this entry and the difference (human resources) is part of the SG expenses. The execution rate of this project was 100% in 2017. The financial and narrative reports were presented on time (November 2017) and Metropolis finally received payment of the remaining 90% of the grant at the end of February 2018. It is to be noted that this delay in payment gave Metropolis a very severe treasury problem at the beginning of the year. We consider the grant process finalised.

- **Urban Innovation (€117,026)**

The effective budget for Urban Innovation for 2017 is 150,000€ of which the corresponding part of direct expenses for the project is included in this entry, and the part relating to human resources are in SG expenses. Finally, 8,000€ have been provisioned to 2018 as they were not executed during 2017. The execution rate of the project is 100%, net of the 2018 provision.

Amongst the activities carried out during 2017, there is the drafting of Urban Innovation publications, and the organisation of workshops on Urban Innovation in various Metropolis regions. Metropolis and Guangzhou are currently working together to improve and reach consensus on reporting requirements for the grant. This should enable a more fluid management.

- **Policy Transfer Platform (€10,238)**

In 2017, after the World Congress, it was decided to scale-up the Policy Transfer Platform, and make it a Metropolis strategic action. The resulting balance from the former initiative was allocated to this new action, and increased by further 20,000€.

The PTP was initially allocated 33,000€. Since, the project managers in Berlin have revised the budget and asked to defer part to 2018, while spending approximately 10,000€ in 2017, mainly on system programming of the Platform.

The MoU, regulating the Policy Transfer Platform activities, between Berlin and Metropolis was drafted in 2017 and finally signed in 2018.

## **B. STATUTORY MEETINGS (€305,262)**

- **Board of Directors meeting in Montreal (€9,967)**

This budget line includes the direct costs covered by Metropolis for the Board of Directors meetings held in Montreal in June 2017. Although most expenses incurred for the BoD were covered by the OBNL grant, some direct costs (mainly translations of pre and post BoD documents) had to be covered by Metropolis directly.

- **World Congress 2017 (€272,300)**

The initial budget of 367,094€ includes an 80,000€ franchise which was effectively spent in other budget lines, hence the balance. In other words, expenses regarding the World Congress (mainly running costs) have been allocated to the specific budget lines, for greater coherence with the strategic budget.

Effectively, the difference between the budget for the World Congress (here) and income (page 8) is approximately 80,000€.

- **Secretary General meetings (€7,588)**

This entry relates to expenses incurred in the management and organisation of statutory meetings and affairs. As of 2018, it shall be named “Statutory affairs”, given that the expenses incurred do not relate necessarily only to Secretary General meetings.

- **Regional Secretaries (€15,407)**

Given its weight in the Action Plan and its importance in Metropolis' strategy, the Regional Secretaries' strategy was enhanced during 2017. This was done not only with two specific meetings held in Barcelona, but also with various visits carried out by the SG's Focal points, to their respective regions in order to improve SG/Regional Secretaries' coordination. This explains the over budgeting of this line.

#### **D. CORPORATE ACTIVITIES (€111,597)**

- **International Representation (€35,538)**

International representation has been broken down into 4 sub-categories, to better reflect the Action Plan and Metropolis' internal project management structure. The first of the four is still International Representation and includes expenses relating to membership activation in the 5 regions, as well as all activity relating to statutory meetings within the UCLG framework. Institutional relationships, strategic partnerships, and promotion & positioning relate directly to other priorities of the Action Plan

The overall budget for International representation for 2017 has been executed in line with the forecast.

- **Marketing and Communication (€59,420)**

Expenditure on communication includes, as was informed in the last Financial Committee, the Communications Officer's salary. The balance refers partly to communication costs being expended to the World Congress (mainly those specific to the event and covered by the OBNL grant), as well as to other budget lines. Furthermore, much of Metropolis' communication strategy was carried out in-house, instead of outsourcing, thereby reducing costs further on this budget line. This also explains having included the Communication's Officer salary costs here as of 2017.

- **Strategy and Orientation (€6,639)**

In 2017, the ad hoc committee for the sustainability strategy was activated, several internal meetings organised and material translated, thereby involving the Regional Secretaries in the process.

At the end of 2017, Metropolis SG also held 2 days of Internal Planning for the year 2018, which set the foundations for the 2018 budget, based on the Action Plan and Metropolis' strategic objectives.

- **Cities Alliance Programme (€10,000)**

This entry refers to the first of the two-year payment due according to the agreement held with Cities Alliance. Metropolis supports the implementation of the Cities Alliance Programme: a global partnership for poverty reduction and the promotion of cities in sustainable development.

#### **E. ADMINISTRATION (€460,800)**

- **Secretariat General (€422,795)**

As mentioned above, the Secretariat General's operating costs have been financed with funds received from the **Barcelona Metropolitan Area, the OBNL Congrès Metropolis 2017, Guangzhou Partnership, Barcelona City Council** and by **membership fees**.

This budget line includes salaries, travel and accommodation expenses, administrative supplies and depreciation/accruals. Specifically, it includes all salaries except the Communication Officer's, as well as all other running costs not assigned to the specific strategic lines, mainly running costs of Metropolis SG in Barcelona.

Exceptionally, in 2017 it also includes 15,000€ which Metropolis had to return to Barcelona City Council for a grant received in 2015. Metropolis had sub-granted an amount equal to 12,500€ to the NGO Amputats de Sant Jordi, for them to execute the project. The latter have to date only justified a very small part of the grant, so Metropolis was forced to return the entire grant to Barcelona City Council, in order to present new grant requests to the donor. Metropolis has issued a demand for the amount due by Amputats de Sant Jordi, however for prudence sake this credit has not been registered in 2017, given the low probability of it ever being cashed-in.

The increase in the budget line, compared to 2016, is due to various other factors. In 2017, three new positions were confirmed, two of which are directly funded by the grants given by Metropolitan Area of Barcelona (Observatory officer from April) and the Barcelona City Council (Women officer from July). The third is the Officer for Pilot Projects and International calls for projects (from November), which is essential to the implementation of both activities, as derived from the last Board of Directors. Other costs include the training of the Communications Officer in Compliance management and implementation, to respond to action line 3 of the Action Plan. Furthermore, the second phase of the internal management restructuring, the selection process for the Secretary General and the implementation of the new ERP system for the management of the Secretariat.

- **Audit & Finance (€38.006)**

This entry includes costs relating to audit and consultancy services for finance and accounting, and is in excess of the budgeted amount mainly due to legal advice, the SG selection process and extra audit costs for the 2017 Congress.

## CONCLUSIONS

The accounts as at 31 December 2016 show a €14,459 deficit. This is due to having absorbed the loss of €15,000 on the 2015 grant from Barcelona City Council for the Amputats de Sant Jordi. Without this, the budget would be balanced.

Total income is 100% greater than 2016, which has allowed Metropolis to carry out a greater number of activities and services, and to do so, has increased its human resources to rise to the challenge. In particular, income from membership fees has increased thanks to careful monitoring and close follow up of the regional officers.

The year 2017 has served to implement and refine the internal management system, which responds to the strategic objectives of the 2018-2020 Action Plan. Although 2017 precedes the activation of the Action Plan, it has been used as a transition and test year, giving valuable information on its strengths and areas for improvement. Activities and services have been geared toward strategic objectives, and aim for efficiency and transparency in the management.

## RESERVES

RESERVES												
Date	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017
Available	39.589,37	92.107,60	270.527,31	138.710,38	411.263,88	55.575,41	315.384,27	214.450,46	170.051,81	238.918,09	449.795,26	70.366,29
Unit trust/Mutual fund	502.592,04	410.118,45	270.300,00	520.300,00	520.300,00	590.300,00	310.000,00	205.000,00	105.000,00	73.880,24	73.880,24	73.880,24
<b>Total funds</b>	<b>542.181,41</b>	<b>502.226,05</b>	<b>540.827,31</b>	<b>659.010,38</b>	<b>931.563,88</b>	<b>645.875,41</b>	<b>625.384,27</b>	<b>419.450,46</b>	<b>275.051,81</b>	<b>312.798,33</b>	<b>523.675,50</b>	<b>144.246,53</b>

The funds available in Metropolis's bank accounts as at 31 December 2017 were much lower than those at 31 December 2016 because the association had anticipated the funds to cover 90% of the Barcelona Metropolitan Area grant, amounting to approximately 198,000€, which payment was received in 2018.

The fees owed to **UCLG**, **ASPAC** and **FLACMA** for the 2016 financial year were not paid in 2017, but early 2018.