



WP 34

Agenda Item: 13

Person Responsible: E Griffin, B Storey

XXXIV SCAR Delegates Meeting

Kuala Lumpur, Malaysia, 29-30 August 2016

Finance Update

Executive Summary

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Important Issues or Factors: The percentage of funds spent on Science has increased significantly since 2010 (from an average of 33% to over 40%), Science Advice has remained level as has spending on Capacity Building. Salaries and associated costs are a large part of our annual expenditure (36% to 30%).

Recommendations/Actions and Justification: SCAR Delegates to note financial statements and future budgets and comment/ make suggestions as appropriate.

Introduction/Motivation

SCAR's ability to effectively carry out its Mission depends critically on its financial capacity. SCAR adheres to the highest accounting and ethical standards in all of its financial activities. SCAR's financial management principles include balancing the annual budgets, cost-effective management of resources to accomplish organizational goals, active solicitation of external funds, allocation of resources in concert with the organizational goals, maintaining a reserve, and fairly and equitably compensating employees.

SCAR's financial statements (2014, 2015) and budgets (2016, 2017 and 2018) are presented so that they are as clear and easy to understand as possible. An annual audit is carried out by an independent auditor to ensure that SCAR conforms to accounting practices for UK Charities. SCAR budgets are approved for a biennium. SCAR's core funding comes from membership fees and is supplemented by grants and contracts from external sources. A reserve is maintained to cover at least one year of administrative and routine meetings costs. Member countries occasionally make additional voluntary contributions to the Secretariat to support specific activities such as the SCAR Fellowships or Visiting Professorships. SCAR members also host or financially support conferences, workshops, summer schools and other meetings.

During the 2012 SCAR Delegates' meeting, Members voted for an increase in Membership fees to offset the costs of inflation over the previous six to eight years based on a Business Case submitted by the Secretariat and EXCOM. Although the fee increase was necessary SCAR will continually explore ways to reduce administrative costs, increase expenditure on science and attract external funding which has been led through the SCAR Development Council.

Past, recent and Future Expenditure

The table below summarises the % spent or budgeted for the core activities of Science, Science Advice, Capacity Building and Salaries and associated staff costs (other costs are excluded for clarity so the total does not add to 100%). Apart from 2011 (where there was significant underspend by SCAR groups – mainly because these groups were saving funds for meetings in 2012) expenditure on Science has increased, expenditure on Science Advice has remained roughly constant and staff costs have been variable. For the 2016 figures the initial percentage is comparable to the previous years. The percentage in brackets relates to a change in the calculation of the Science component, which is now including the funding provided for Fellowships, as recommended at the 2015 EXCOM meeting. These bracketed figures are then comparable to the 2017 and 2018 budget figures.

Year	Science %	Science advice %	Capacity Building %	Salaries and staff costs %
2006-2010 average	33	6	8	34
2011	21	7	6	36
2012	39	8	8	31
2013	46	7	10	24
2014	44	5	10	30
2015	40	5	10	36
2016 budget	42(47)	6(6)	6(1)	33(33)
2017 budget	48	6	2	31
2018 budget	46	6	2	32

2014, 2015 Financial statements and 2016 Budget

SCAR started the year 2014 with a healthy balance of \$520k following the membership fee increase and finished the year with a closing balance of \$384k. The reduced closing balance was due to a number of factors including unpaid National contributions, exceptional expenses related to underpayment of EO salary and transition to new EO, and currency exchanges (linked to the OSC and Horizon Scan meetings held in NZ).

For 2015 there were a number of one time costs to take into account. There were a number of one-off charges and savings relating to the recruitment of the new ED which will be discussed when presenting the 2015 statement and 2016 budget. No budget line had been included for 2015 relating to the Structure Review or expanded EXCOM meeting to develop the first draft of the new Strategic Plan. Other costs were incurred relating to establishing SCAR as a sponsor for UK visas and advice relating to immigration and tax matters.

For the 2016 budget the impact of the normalisation of the EDs employment in Cambridge from March 2016 has allowed greater certainty in the predicted salary costs. The figures have also reflected the updated average USD to GBP exchange rate for the first half of 2016.

The 2017 and 2018 budgets also reflect these changes relating to the currency exchange rate but also take into account the uplift provided by the inclusion of 4 new Associate Members.

Finance Issues for Discussion.

National Contributions

Members National Contribution levels and potential simplification is the subject of a separate Delegates Paper (WP 35).

Secretariat Remuneration

The salary scales and other details of the Secretariat salary costs are discussed in a separate Delegates Paper (WP 36).

Interest on deposit accounts

Up to now, SCAR has not been receiving interest on money held despite the average bank balance being above USD \$500k annually. There appears to be an income stream that has not been utilized previously.