



WP **31**
Agenda Item: 10.5
Person Responsible: B Storey

EXCOM 2013
Barcelona, Spain 22/23rd July 2013

Finance Strategy – update

Executive Summary

Title: Finance Strategy - Update

Authors: M Sparrow, R Badhe, B Storey, J Lopez-Martinez

Introduction/ Background: This paper briefly summarises progress with aspects of the SCAR finances of most concern to SCAR Delegates.

Important Issues or Factors: The percentage of funds spent on Science has increased since 2010, Science Advice has remained level and Capacity Building has increased. Salaries and associated costs have come down. External fund raising is continuing to be successful and a Development Council has been formed. The Secretariat continue to explore ways in which to reduce costs.

Recommendations/Actions and Justification: EXCOM to note progress, make suggestions and approve a procedure to redistribute Contingency Funds.

Finance Strategy - update

Background

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 and budget are presented so they are as clear and easy to understand as possible¹. 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 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. SCAR members also host or financially support conferences, workshops, summer schools and other meetings.

2012 Delegates' Meeting

During the 2012 SCAR Delegates' meeting Members voted for an increase in Membership fees to offset the costs of inflation over the last six to eight years based on a Business Case submitted by the Secretariat and EXCOM:

http://www.scar.org/members/scarmeetingreports/xxxiiporland12/32_IP04_BusinessCase_July9.pdf

The following points were made during the meeting:

- SCAR is now a much more vital and relevant organisation than in the past;
- Although science is at the core of SCAR's activities, capacity building and advice to policy makers are important contributions that need to be fully supported;
- The fee increase would allow SCAR to meet its future objectives and goals and allow it to do more;
- SCAR's success in obtaining external grants should be recognised;
- The fee increase was necessary but SCAR should continually explore ways to (reduce administrative costs and increase expenditure on science;
- SCAR makes a significant and important contribution to Antarctic Science considering the relatively low cost of the membership fees;
- SCAR makes good use of its funds and should use these to increase its visibility, its science and its capacity building activities.

In summary, the SCAR Members agreed that a fee increase was necessary and that this reflected the increased vitality of SCAR. It was also agreed that although many countries were in a difficult financial situation, the proposed increase was relatively small. However, it was generally acknowledged that SCAR needed to continue to work to keep administrative costs low and to attract external funding, the latter being led through the new SCAR Development Council.

External Grants and Fundraising

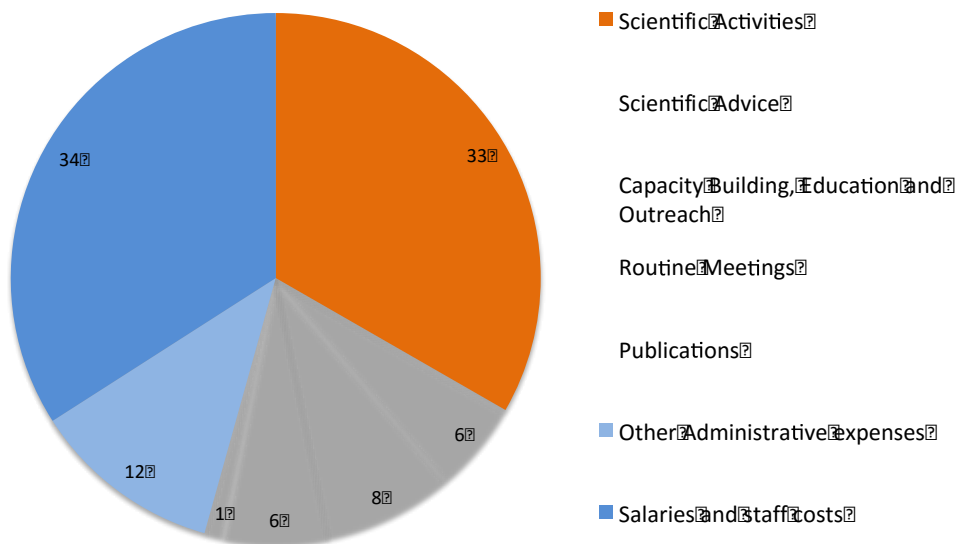
The SCAR Development Council has been formed to assist with external fundraising (see WP30) and this effort should be fully supported by EXCOM and the Secretariat. SCAR has traditionally been successful with obtaining external grants, which in the 2012/13 period have included the Martha T Muse Prize (Prize money and administration – Tinker Foundation), the SCAR Horizon Scan (Tinker Foundation), SCARMarBIN/COSMOS Prize, Climate Communications (Norwegian and UK Foreign Offices plus ASOC), GBIF and ICSU grants (ISMSS plus SOOS biology). However it must be remembered that all external grants come with significant additional workload to the Secretariat.

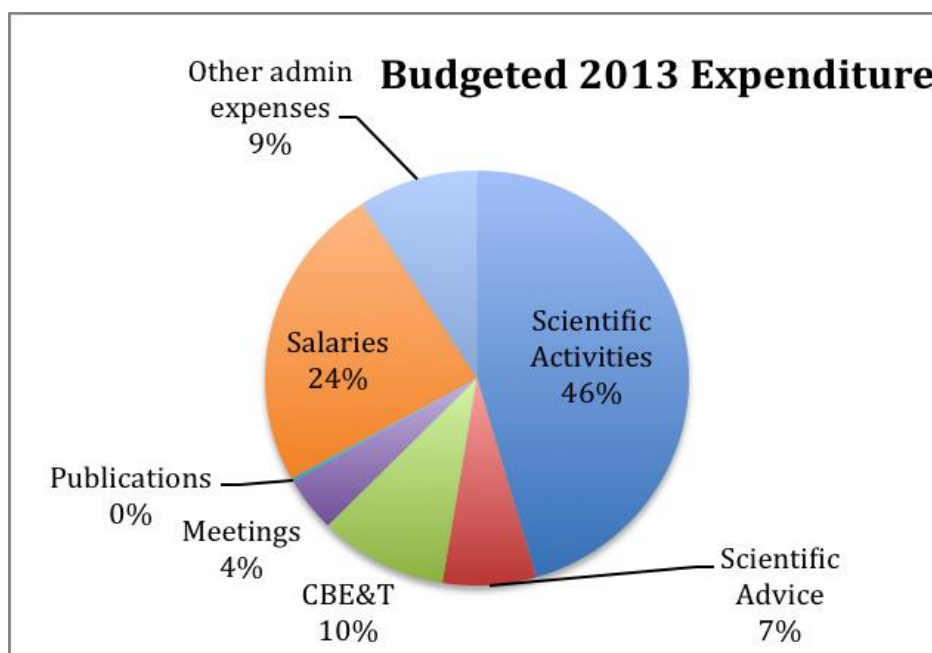
EXCOM are asked to note progress with fund raising.

Past, Recent and Future Expenditure

The below pie charts are taken from the Business Case (see above) and the 2013 Budget. The table below summarises the % spent or budgeted for the core activities of Science, Science Advice, Capacity Building and Salaries and associated staff costs. 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 contact, Capacity Building has increased slightly and staff costs have actually decreased.

Average Expenditure, 2006-2010





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 budget	46	7	10	24
2014 budget	41	7	9	29
2015 budget	41	6	7	33

EXCOM are asked to note progress and make suggestions as appropriate.

Reducing Costs

Keeping the same staff on over several years obviously has huge advantages in terms of corporate memory and efficiency as well as removing the associated costs with hiring new people. However over time this will mean that salary costs will increase up to a pre-defined limit (see WP 25, Secretariat Report for further details). SCAR will work to keep staff costs to a minimum whilst recognizing that staff should be fairly recompensed for their work.

Travel costs are another major expenditure. The costs of air travel in particular have increased year on year. Holding small-scale meetings via Skype or GoToMeeting have obvious cost and time benefits as well as reducing our carbon footprint. Booking flights as much in advance as possible also reduces costs. SCAR will continue to explore ways in which to reduce associated travel costs.

EXCOM are asked to note progress and make suggestions as appropriate.

Ensuring reassignment of unspent funds to core SCAR Activities

In the past unspent funds being carried from year to year was a problem. Now carry forwards are only allowed over a biennium e.g. allowed from 2011 to 2012 but not from 2012 to 2013. Unspent funds are redistributed into a "Contingency Funds" pot and need to be reallocated based on need

and the core activities of SCAR. (Or more accurately the contingency funds are the additional funds left to SCAR after committed funds and the Reserve have been taken into account).

Reassignment of the Contingency funds is currently undertaken by putting out an open request with a \$5000 limit on funds requested. EXCOM are then asked to decide on the reallocations based on recommendations from the Secretariat.

In order to make the system more efficient we recommend the following:

1. Once the Contingency Funds have been calculated calls are made to the SCAR groups via the COs with an upper limit (usually \$5,000) on a standard template. Calls go to SCAR groups only and not external organisations.
2. Secretariat identifies which overall theme the requests belong to e.g. Science, Capacity Building, Administration etc.
3. The COs of the relevant groups are asked to recommend whether something should be funded by contingency funds, funded by current funds (e.g. SSG core funds) or not funded.
4. An overall recommendation can then be presented to EXCOM that does not need to highlight the details of every single request. This all needs to be done as early as possible in the year with as little additional Secretariat administration as possible.

EXCOM are asked to approve the above procedure for reassignment of Contingency Funds.