REPORT OF THE FINANCE COMMITTEE

1) T. Wilson (USA) was replaced on the Standing Committee on Finance by S. Marenssi (Arg). Continuing Committee members were R. Dietrich (Germany) and C. Kennicutt (USA, Chair).

2) The Standing Committee on Finance was augmented by the appointment of F. Davey (New Zealand) and S. Malinga (South Africa).

3) The Committee met in the margins of the meeting and during lunch on Tuesday 18 July 2006 to review the budgets for 2004 and 2005, to adjust the 2006 budget and to revise the draft 2007 and 2008 budgets to be submitted to the Delegates. The permanent members of the Committee were in contact during the intersessional period to revise reporting tables and to discuss financial issues.

4) The Committee reviewed the statements of income and expenditure for the years ending December 31, 2004 (WP 37) and 2005 (WP 38 and 38a).

   • The 2004 budget (WP 37) was set at $350,000. Substantial revisions to the 2004 budget were noted, increasing the budget to $447,000. A major increase was Executive Committee authorization to spend $97,000 of the reserve to cover expenses during the restructuring (e.g., Executive Director salary) and transition to higher National Contributions in 2006. The 2004 expenditures were $414,372. The excess of expenditures over income was $117,274 due to less than expected national contributions. The accumulated balance as of 31 December 2004 was $265,354; including a carry forward of unspent funds of $138,000.

   • The 2005 budget (WP 38 and 38a) was set at $800,000. The large increase was due to the Sloan Foundation CAML project which included $260,870 of project funds and $39,130 of project management fees. Without CAML related funds, the base SCAR budget increased by nearly $60,000 due to the costs incurred by implementing the restructuring of the Secretariat. Authorization was again granted to spend the reserve to manage any shortfalls. Income was supplemented by the CAML project management fee, the double payment of national contributions of the UK and Germany in recognition of the IPY (to continue for three years), and collections of late national contributions. Projected national contribution payments lagged predictions but income was supplemented by the aforementioned additional income. Expenditures were $692,610, far below the budgeted amount. Underspending was primarily by the scientific activities. During the restructuring, the SSGs and the newly formed SRPs underspent their budgets by more than $100,000. The Secretariat incurred an unexpected expense for lawyer fees related to changing the legal status of SCAR in the UK. The emergency reserve was renamed the “Endowment Fund” and added to the SCAR ledger sheet. Income from the Endowment Fund is used to subsidize the Fellowship Program by decision of the Executive Committee. As of 31 December 2005 it contained $126,078. The total closing SCAR primary account balance (exclusive of the Endowment fund) as of 31 December 2005 was $272,816 with a carry forward balance of unspent monies of $107,389.
5) The initial 2006 budget (WP 39) was approved at SCAR XXVIII Meeting in Bremerhaven for $409,700. The budget was substantially revised to $690,150 by the Executive Committee to include the Sloan Foundation funds, additional national contributions, and changes in membership. The budget decrease from 2005 included a planned reduction in the CAML budget. The base SCAR budget, less the CAML funds, of $465,000 was reduced over 2005 due to the restructuring of the Secretariat Office staff and other cost savings outlined elsewhere (see WP 42). Science activities continue to underspend the budgeted amount. Additional funds were approved for Secretariat travel and legal costs related to SCAR’s legal status in the UK. The funding for the SRPs was increased by $6000/program to a total of $21,000 and the Fellowship Program was funded at $30,000 based on the revised income figures. If spending continues apace, the predicted year-end closing balance on 31 December 2006 is $273,451 with an estimated carry forward of unspent monies of $138,000.

6) The Finance Committee noted that overall the financial health of SCAR was good. Despite planned spending of the reserve during the restructuring and the transition to higher National Contributions, year-end balances had stabilized at about $270,000 in 2004. Large carry forwards were also noted by the Committee so the actual unencumbered cash reserve varied between $130,000 and $160,000. The Committee agreed that carry forward should be allowed during the restructuring and transition but a return to the policy (Paper 25 rev 2, SCAR Exec Mtg Sofia) of only allowing carry forward during a single two-year budgeting period should be enforced. Unspent funds will be returned to the general SCAR fund for reallocation after the 2007-2008 budget periods. Extraordinary requests for carry-forward can be made through the Secretariat following the agreed procedures.

7) In order to facilitate reallocation of unspent monies, a policy on the level of a SCAR cash reserve needs to be agreed. To provide routine budget authority to allocate monies, a clear statement of the level of adequate reserve should be decided. The Committee requests that the Executive Director develop a written policy for establishing a cash reserve, exclusive of the Endowment fund, that is consistent with UK law, mimics similar organizations within and external to ICSU, and provides a modicum of security for the financial integrity of SCAR. One member noted that a standard approach set the reserve at between 25 and 50% of the base yearly budget.

8) The Committee noted the increased activity in collecting past due National Contributions and complemented the Secretariat on progress in this area. The Committee encouraged Delegates Member to assist the Secretariat in this effort and the Secretariat should continue to press for timely payments and collection of past due National Contributions.

9) The Committee noted that it was provided incomplete information to revise the draft budgets for the coming biennium. After further review of the procedures, it was concluded that requests for funds were not following the agreed procedures. The Committee recommended the following actions by the Secretariat (in consultation with the Finance Committee) to remedy the situation:

- **Budget requests and justification for all scientific activities must be provided to the Committee on a standard form prior to the Delegates Meeting.** This
would include the SSGs, SRPs, and all individual line item scientific activities in the budget regardless of origin. One party noted that these forms already existed. The Secretariat should review and revise these forms (one page) as appropriate and develop instructions on how to fill out the form.

- Carry-forward requests and justification for scientific activities must be provided to the Committee on a standard form prior to the Delegates Meeting. The Secretariat should develop a form (one page) and instructions on how to fill out the form. Budgeted funds will automatically revert to the general fund at the end of the budget period unless a formal request is filed. Once returned to the general fund any delinquent requests for carry forward will be considered a new request for funds.

- The Secretariat, or appropriate Vice President, should attend each SSG to provide the budget and carry forward request funds and explain how to fill out the forms. These forms and instructions should also be widely distributed to any person or organizations requesting SCAR funds for science activities regardless of origin. These forms must be returned, compiled and provided to the Committee 30 days before the Delegates Meeting. The lack of adequate paperwork to justify requests will result in the request being tabled by the Committee until such information is provided.

- One-time budget requests and justification for scientific activities must be provided to the Committee on a standard form. This could be the same form as the budget request form, but the one-time nature of the request must be clearly noted.

10) The Committee considered the draft budgets provided by the Secretariat for 2007 (WP 40) and 2008 (WP41). The Committee had the general observations:

- The policy of “block funding” of major scientific activities should continue. The agreed level of funding is $17,000 for SSGs and $21,000 for SRPs (unless less is requested). These levels are supplemented as finances allow (the previously agreed base budget for SRPs was $25,000). The level of block funding should be regularly revisited and the leaders of these activities provided an opportunity to negotiate the level of funding. SSG Chief Officers and SRP Conveners should be given flexibility in expending these budgets as long as expenditures are fully accounted for and documented.

- Science activities are encouraged to responsibly spend their allocated funds in a timely manner. The Committees notes that carry-forward beyond the two year budget period will only be considered when supported by documented, extraordinary justification.

- Parties raised questions about the inclusion of Secretariat travel as a science activity in the budget and the distorting effect of including pass-through science project funds in the main SCAR budget. The in-coming President indicated he would review the Secretariat job descriptions to ascertain if they include a science aspect. The Secretariat, in consultation with the President, should develop a justification for these budget practices by the next Executive Committee Meeting.

11) The Committee noted that the 30% increase in National Contributions took effect as of January 1, 2006 and was reflected in the income projections for subsequent years.
The Committee also noted that the double dues payments by the UK and Germany and the CAML project revenues were time limited in their duration and subsequent budget adjustments would have to be made if no other sources of income were identified.

12) One party commented on the low return on the endowment. The Secretariat stated that once the legal status of SCAR is changed, the return on the endowment will improve. **The Committee encourages the Secretariat to maximize the return on the Endowment while minimizing risk of losses.**

13) The SCAR Secretariat submitted balanced draft budgets for 2007 and 2008 (WP 40 and 41) to the Committee for consideration. The following revisions to the draft budgets were approved by the Committee and submitted to the Delegates:

- The Committee felt it was prudent to budget $10,000 each year for major SCAR symposia that occur on a regular basis external to the SSG budgets. These funds are to be applied for by the sponsoring SSG following standard procedures. The 2007 funds are earmarked for the International Symposium for Antarctic Earth Sciences in 2007.
- SSGs and SRPs were “block funded” for the base amount or for the amount requested as discussed above.
- Additional income ($29,500) was added based on the changes in SCAR membership and voluntary changes in National Contribution level by Spain and Korea.
- The Expert Group on Geographical Information (EGGI) was elevated to a Standing Committee on Antarctic Geographic Information (SC-AGI) and the requested budget ($4000/year) was approved.
- The Secretariat travel budget was reduced by $4000/year.
- Carry-forward of unspent funds were projected to be $138,000 for 2007; $100,000 for 2008 and are returned to the general fund at the end of 2008.
- In 2007, expenditures are projected to be less than income by $30,930 and in 2008 expenditures exceed income by $21,315 resulting in an increase in the cash reserve over the two-year biennium 2007-2008.
- The projected closing balance at the end of the biennium is $283,015 with no carry forward of unspent funds. At the current rate of return the Endowment balance is projected to increase to $127,530 by the end of 2008.

14) The Financial Strategy paper was only briefly considered by the Delegates. There are several important long term strategic actions recommended in Working Paper 42. These issues include implementing a yearly cost of living increase to National Contributions, competitive bids to house the Secretariat, and soliciting new external income. **The Committee encourages the Secretariat to develop an action plan including a timeline for implementation of the major elements of strategic recommendations included in WP 42 for consideration by the Executive Committee at its next meeting.**
Scientific Committee on Antarctic Research  

Statement of Income and Expenditure for the Year ending 31 December 2004

INCOME

- National Contributions $229,857
- National Contributions Arrears $50,634
- Bank Interest and Gain on Exchange $1,589
- Sales $364
- Management Fee $9,654
- Donation to ACE $5,000

TOTAL INCOME $297,098

EXPENDITURES

- Scientific Activities $146,447
- Routine Meetings $57,857
- Publications $10,427
- Administrative Expenses $199,641

TOTAL EXPENDITURES $414,372

Excess of Income over Expenditure -$117,274
Accumulated Balance at 1 January 2004 $382,628
Accumulated Balance of 31 December 2004 $265,354
Scientific Committee on Antarctic Research

Statement of Income and Expenditure for the Year ending 31 December 2005

INCOME

- National Contributions $272,145
- National Contributions Arrears $90,276
- Additional National Payments $28,000
- Bank Interest and Gain on Exchange $2,930
- Sales $65
- CAML Grant $260,870
- Management Fee $39,130
- COMNAP Contribution to GCMD $6,666

TOTAL INCOME $700,082

EXPENDITURES

- Scientific Activities $408,450
- Routine Meetings $31,959
- Publications $10,898
- Administrative Expenses $241,303

TOTAL EXPENDITURES $692,610

Excess of Income over Expenditure $7,472
Opening Balance at 1 January 2005 $265,244
Closing Balance of 31 December 2005 $272,816
### INCOME

- National Contributions: $428,000
- National Contributions Arrears: $0
- Additional National Payments: $36,000
- Bank Interest and Gain on Exchange: $0
- Sales: $0
- CAML Grant: $195,650
- Management Fee: $29,350
- COMNAP Contribution to GCMD: $3,300

**TOTAL INCOME**: $692,300

### EXPENDITURES

- Scientific Activities: $423,650
- Routine Meetings: $43,000
- Publications: $8,000
- Administrative Expenses: $216,500

**TOTAL EXPENDITURES**: $691,150

### Primary Accounts

- Opening Balance 1 January 2006: $272,816
- Predicted Closing Balance 31 December 2006: $273,451
  (Carry forward to 2007 of unexpended funds $138,000)

### Endowment

- Opening Balance 1 January, 2006: $126,078
- Predicted Closing Balance 31 January, 2006: $125,429
### SCAR Budget 2007

#### INCOME
- National Contributions: $456,500
- National Contributions Arrears: $0
- Additional National Payments: $36,000
- Bank Interest and Gain on Exchange: $0
- Sales: $0
- CAML Grant: $274,230
- Management Fee: $41,130
- COMNAP Contribution to GCMD: $3,300

**TOTAL INCOME**: $811,160

#### EXPENDITURES
- Scientific Activities: $535,230
- Routine Meetings: $30,000
- Publications: $4,000
- Administrative Expenses: $211,000

**TOTAL EXPENDITURES**: $780,230

#### Primary Accounts
- Predicted Opening Balance 1 January 2007: $273,400
- Predicted Closing Balance 31 December 2007: $304,330
  (Carry forward to 2008 of unexpended funds $100,000)

#### Endowment
- Predicted Opening Balance 1 January, 2007: $125,429
- Predicted Closing Balance 31 January, 2007: $126,429
Scientific Committee on Antarctic Research

SCAR Budget 2008

INCOME

- National Contributions $456,500
- National Contributions Arrears $0
- Additional National Payments $0
- Bank Interest and Gain on Exchange $0
- Sales $0
- CAML Grant $265,875
- Management Fee $39,885
- COMNAP Contribution to GCMD $3,300

TOTAL INCOME $765,560

EXPENDITURES

- Scientific Activities $516,875
- Routine Meetings $60,000
- Publications $4,000
- Administrative Expenses $206,000

TOTAL EXPENDITURES $786,875

Primary Accounts

- Predicted Opening Balance 1 January 2008 $304,330
- Predicted Closing Balance 31 December 2008 $283,015
  (Carry forward to 2009 of unexpended funds $0)

Endowment

- Predicted Opening Balance 1 January, 2008 $126,429
- Predicted Closing Balance 31 January, 2008 $127,529