Update to Financial Strategy
Executive Summary

Title: Update to Financial Strategy

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Relevant URLs or references to other reports: http://www.scar.org/members/financial/

Introduction/ Background: SCAR faces a challenge in matching available funding to demand on resources while maintaining a healthy and vibrant organization. SCAR’s core funding comes from membership fees supplemented by grants and contracts from external sources. External funds can offset increases in membership fees but come with additional tasks that have a significant effect on Secretariat workload. SCAR will form an advisory body (a Development Council) to identify fund-raising opportunities and develop a plan to engage the organization in these efforts. Yearly financial information is presented based on aspects of the mission and this information will be used to assess the consistency between allocations and organizational goals.

Important Issues or Factors: Inflation and the increased costs of doing business will require an increase in membership fees or a reduction in activities. The last increase in fees was agreed in 2004.

Recommendations/Actions and Justification: An increase in fees of 20% (based on a cumulative 3% yearly increase) to take effect in 2012 is recommended.

Expected Benefits/Outcomes: Having a balanced and well thought out financial strategy is critical if SCAR is to continue to carry out its Mission to be the leading, independent, non-governmental facilitator, coordinator, and advocate of excellence in Antarctic science and research and to provide independent, sound, scientifically-based advice to the Antarctic Treaty System and other policy makers.

Partners: SCAR will partner with Foundations and other bodies in order to ensure efficient use of resources and to obtain external funds to supplement SCAR’s activities.

Budget Implications: The Financial Strategy is core to SCAR’s budget.
Financial Strategy

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 possible\(^1\). An annual audit is carried out by an independent auditor to ensure that SCAR conforms to accounting practices for UK Charities\(^2\). SCAR budgets are approved for a biennium\(^3\). SCAR’s core funding comes from membership fees and is supplemented by grants and contracts from external sources\(^4\). 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.

Membership Fees

In order to keep pace with inflation, escalation of salaries and wages, and increased operating costs; membership fees need to be increased on a regular basis. Fees can be increased either by yearly cost of living increases (as, for example, our sister organization the Scientific Committee on Oceanic Research, SCOR does) or approved as larger increases accumulated over a number of years (say every 6 years). In the past, the latter alternative has been employed but a yearly incremental increase in fees should be reconsidered.

The last increase in membership fees was approved in 2004 for implementation in 2006. If a 3% increase per year were adopted then this would be equivalent to just under a 20% cumulative increase since 2006. It should be noted that the Scientific Committee on Oceanic Research (our sister organization in ICSU) have an average annual increase of around 3% per year.

As the budgets stand, in 2011 and 2012 we will be overspending by $26k and $39k, respectively. This deficit will continue to increase. A 20% increase in fees for 2012 in terms of membership payments would mean an additional $93.4k income to SCAR for 2012, changing a deficit of $39k to a surplus of $54.4k:

<table>
<thead>
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<th>Category</th>
<th>Contribution</th>
<th>No. Members</th>
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<td>13</td>
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<tr>
<td>E</td>
<td>$ 5,000</td>
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<tr>
<td><strong>Total:</strong></td>
<td><strong>$467,000</strong></td>
<td><strong>35</strong></td>
<td><strong>$467,000</strong></td>
</tr>
</tbody>
</table>

\(^1\) Income includes membership fees, other income, and external income. Expenditures include scientific activities; scientific advice; capacity building, education and training; routine business meetings; and publications.

\(^2\) The annual audit has to conform to UK company and charity accounting procedures. Although the audit is useful it does not provide the detail that are required by the SCAR Delegates and Secretariat to make budgetary decisions.

\(^3\) The Standing Committee on Finance is chaired by a SCAR Vice President. During the Delegates meetings the committee considers all requests for funds and assesses organizational income. With the guidance of the Secretariat, the Committee develops a recommended two-year budget for Delegate approval or revision. The Secretariat and EXCOM jointly review the budgets at least every six months and budgets are revised at the EXCOM meeting in the years the Delegates do not meet. All budget considerations are based on the principles outlined at the beginning of this section and the over-riding principles are that yearly budgets must be balanced and reserves maintained. Cost savings and budget reductions are the major tool in balancing the organization’s budget.

\(^4\) In 2009, SCAR income of ~$915,000 USD was derived 57% from membership fees and 43% from external sources; however, external source funds are often “pass through” or directly associated with additional tasks.
Cost savings measures will be a part of proposed membership fee increases, but increases are inevitable if all activities are to be maintained. When economic conditions preclude increases in membership fees a reduction in the scope of SCAR’s mission and activities must be enacted.

Arrears are around 10% of total membership due in 2009. In order for SCAR to operate effectively Member countries need to pay their fees in the year due.

External funds are actively sought to support SCAR activities. It should be noted that, while SCAR charges a modest management fee to manage projects, additional tasks in terms of dealing with claims and invoices, preparation of reports, finance summaries and meetings have to be carried out by the Secretariat. External funds are usually only available for a restricted set of activities such as capacity building, education, training and public outreach.

A Development Council will be formed to assist the Secretariat and EXCOM in identifying potential sources of income. SCAR will also work to its best advantage as a Charity, including taking advantage of special rates for travel and bank charges as well as soliciting donations.

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5 Examples include: management of the Census of Antarctic Marine Life finances supported by the Sloan Foundation and Memorial University; administration of the Martha T. Muse Prize for Science and Policy in Antarctica supported by the Tinker Foundation; support for continuance of the SCAR Marine Biodiversity Network (SCAR MarBIN) by the Total Foundation, and a travel grant programme for attendance at the IPY Oslo conference supported by the Tinker Foundation.