



SDM	49
Agenda Item:	13.1
Person Responsible:	J Simões, E Griffin

**XXXV SCAR Delegates Meeting
Davos, Switzerland, 25-26 June 2018**

Finance Report

Report Authors

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Summary

An investment portfolio of USD\$ 300,000 has been established, new Secretariat salary scales introduced and plans for increased Secretariat staffing levels established. These changes are reflected in the balance between the core spending areas as a fraction of the overall budgets for 2019 and 2020, which maintain spending on Scientific activities at 2018 levels.

Recommendation

SCAR Delegates to note financial statements and future budgets and comment/ make suggestions as appropriate. SCAR Delegates to note new simplified national contribution levels and new secretariat remuneration policy and comment/ make suggestions as appropriate.



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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 (2016, 2017) and budgets (2018, 2019 and 2020) are presented so that they are as clear and easy to understand as possible. An annual audit is carried out by an independent auditor (PEM Cambridge Accounts, <http://www.pem.co.uk/>) 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.

Past, recent and Future Expenditure

The table below summarises the % 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%). Exchange rate fluctuations impact most directly on salary costs, notable from 2016 through 2018. In 2017 additional income was also received in the form of Additional Voluntary Contributions to the Capacity Building schemes. Salary costs for 2019 and 2020 reflect increased Secretariat salary scales and staffing levels. Budgets for 2016 through 2018 also reflect funds carried forward in the Science allocation, contributing to the apparent change in 2019 and 2020 budgets. Science allocations are maintained in absolute terms for 2019 and 2020, compared to 2018 at USD\$250,500.

Year	Science (Budgeted) %	Science (Carried Forward) %	Science advice (Budgeted) %	Science advice (Carried Forward) %	Capacity Building %	Salaries and staff costs %
2016	34 (\$242K)	14 (\$100K)	4 (\$33K)	4 (\$28K)	7 (\$50K)	26 (\$192K)
2017	31 (\$256K)	11 (\$90K)	4 (\$35K)	3 (\$21K)	8 (\$65K)	20 (\$162K)
2018	29 (\$246K)	15 (\$122K)	4 (\$34K)	1 (\$6K)	7 (\$55K)	22 (\$184K)
2019	38 (\$252K)		6 (\$36K)		3 (\$44K)	34 (\$227K)
2020	37 (\$246K)		5 (\$36K)		4 (\$44K)	36 (\$236K)



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2016, 2017 Financial statements and 2018-2020 Budgets (SDM50-54)

From 2017 the statements and budgets reflect the implementation and costs of the outsourced finance operations – the “Virtual Finance Office or VFO” – supplied by PEM. This arrangement is budgeted at USD\$13,500 annually.

In addition to salaries changes, since 2017, SCAR has been required by UK Law to offer a workplace pension to all of its employees. In the first year (2017) mandatory contributions only amount to 1% from both employee and employer. In subsequent years these contributions rise to 2% employer, 3% employee (2018) and finally 3% employer and 5% employee in 2019.

SCAR started the year 2017 with a balance of \$500k and finished the year with a closing balance of \$473k reflecting an increase in National Contribution arrears, discussed below.

For the 2018 budget salary costs have been revised to reflect exchange rate changes, staffing levels and salary scales as well as funding of a Special Advisor to the President with responsibility for the 60th anniversary celebrations.

For 2018 through to 2020 the budgets have been produced based on the exchange rate from USD\$ to GBP£ averaged over the whole of 2017. This particular exchange rate has a significant impact on the overall finances as most staff and administrative costs are expended in GBP£, whereas most income from National Contributions are received in USD\$.

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.

Proportion of membership arrears

When preparing statements and budgets all National Contribution arrears are considered to be recoverable and are not considered as part of SCAR debtors. Note is made of the level of these arrears each year with the purpose of ensuring that there are no significant increase from year to year. Some level of arrears are expected as a number of countries have been regularly paying in arrears. In this regard the combined figure for National Contributions plus National Contribution arrears is assessed, compared to the overall budgeted National Contribution for the relevant year. This gives a useful measure of the increase or



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reduction in arrears for the year.

Based on these figures the arrears reduced in 2016 by USD\$ 2,624 to year end total of USD\$ 107,646. For 2017 the arrears increased by USD\$ 56,025, however of those arrears at the end of 2017, a total of USD\$ 47,400 were paid in January 2018, at which point the increase in arrears attributable to 2017 reduce to USD\$8,625, for an overall total of USD\$ 116,271.

Actions taken following the XXXIV SCAR delegates recommendations

New National Contributions Levels

Beginning in 2018, members annual national contribution levels were simplified in 4 levels: (A) **Special Contributors**: identical to the former category A, present contribution level \$27,500; (B) **Well-Developed Programmes**: identical to the former category B, present contribution level \$21,200; (C) **Initial-Stage Programmes: a new category, present contribution of \$ 12,400**, (D) **Associate members**: now with an updated contribution level of \$7,000. The first three categories are for SCAR Full members.

Presently (2018), the following countries contribute at each level: (A) Russia, USA; (B) Argentina, Australia, Brazil, China; France, Germany, India, Italia, Japan, Korea (Republic of), Netherlands, New Zealand, Norway, South Africa, Spain, UK; (C) Belgium, Bulgaria, Canada, Chile, Ecuador, Finland, Peru, Poland, Malaysia, Sweden, Switzerland, Uruguay; (D) Austria, Colombia, Czech Republic, Denmark, Iran (Islamic Republic of), Monaco, Pakistan, Portugal, Romania, Thailand, Turkey, Ukraine, Venezuela.

This represents an annual overall contribution of USD\$ 634,000.

New secretariat remuneration policy and the new UK pension schemes

The remuneration of SCAR staff was outdated, having not accompanied the high livings costs in the Cambridge area, and were below the level paid by similar scientific organizations based in the same city. The EXCOM approved in 2017 Brno meeting the restructuring of the annual salary scales of our staff to the following ranges: Executive Director £57,764 - £73,015; Executive Officer £34,956 - £46,924; Administrative Assistant (part-time) £27,629 - £32,958. On average, this represented a mean annual increase of 7%.

Temporary hiring of an archivist

One of the projects funded from the 2016 contingency funds focused on the archives held at the SCAR Secretariat. This has resulted in two periods of temporary employment (5 months in 2017, 3 months in 2018) of an archivist to work



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on the project. The resulting salary costs of USD\$ 22,764 have been charged against the Archives project budget line.

SCAR investment policy

As noted in the SCAR XXXIV Delegates Meeting 2016 finance report, SCAR had not been receiving interest on funds held on deposit despite the average bank balance being above USD \$500k annually. After due approval by the Delegates Meeting in 2016 and approved implementation at the EXCOM Meeting in 2017, an initial amount of USD \$ 300,000 (£ 223,000 at the time of the investment) was placed under the responsibility of Rathbone Greenbank Investments (<http://www.rathbones.com>), targeting a mean annual return of about 2%. Investments that are included in the fund are chosen on the basis of environmental, social and ethical conditions set by members of the Executive Committee. At the time of the last report (June 2018) the SCAR funds invested by Rathbones amounted to £ 225,622 (= USD\$300,223 as at 1/6/2018)

(Note that the annual interest during the first year is smaller than 1% due to several taxes and administrative fees; the USD\$ value will also fluctuate dependent on the exchange rate).

The Investment fund reduces the exchange rate exposure for SCAR, as until 2017 the vast majority of SCAR funds were held in USD\$.

Financial Summary 2017 (in USD\$)

Opening Balance 2017	\$499,784
Actual Income – Expenses	\$259,477
Less Encumbrances (External Income)	\$285,033
Closing Balance (31 December 2017)	\$474,228