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## XXXVI SCAR Delegates Meeting

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# Finance Report

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### Summary

SCAR finances are healthy, albeit after a difficult 2020 due to Brexit and the COVID-19 pandemic. The Executive Committee has modified our usual budget provisions to accommodate new ways of working and support those likely to be most compromised.

A substantial part of the 2020 subsidiary groups' budget was carried forward to 2021, as a great part of their planned actions were either postponed or cancelled due to the pandemic. Special actions were taken to protect the SCAR financial assets and the Secretariat staff while the pandemic continues.

It will be necessary to consider increases in National Contribution levels, largely unchanged since 2012, in the coming years. Proposals will be developed to address this issue and presented to the Delegates meeting in 2022 in Hyderabad, India.

The Finance Committee have met, in advance of the Delegates Meeting, and reviewed and approved the Statements and Budgets submitted to the Delegates Meeting.

## Key Progress in Finance Activities 2018-2020

### Significant finance activities:

- Following the 2018 Delegates Meeting in Davos, with Belarus joining as an Associate Member and both Portugal and Ukraine becoming full Members, the total National Contribution income due reached USD\$ 651,800 in 2019;
- Arrears have been kept at a minimum (less than 12%), with the exception of Venezuela which has not paid dues for 4 years, although some communication has been received to acknowledge the issue. We have not received contributions from Iran due to UK banking restrictions.
- Investment portfolio established with regular updates provided by investment managers Rathbone Greenbank.
- Notwithstanding the world economic instability due to the COVID-19 pandemic, our investment portfolio reached a 4% net increase above the UK inflation rate in the period 2017–2020.
- Special actions taken to protect SCAR finances during the COVID-19 pandemic. Highlights: (1) USD\$ 160,000 of the budget put aside to cover emergency expenses for our Secretariat during the pandemic time, representing over 6 months of Secretariat salaries and expenses; (2) USD\$ 20,000 allocated for a special project to evaluate the impact of the pandemic on SCAR actions and Antarctic research programmes.

### Summary of budgets and statements prepared for Delegates 2021

The 2019 statement has been agreed by our accounts and independent auditors, so it's the final version and it has been submitted to the UK financial oversight bodies (i.e. Companies House and the Charity Commission), satisfying all financial regulatory reporting. The 2019 reflects changes to national contributions as a result of the 2018 Delegates Meeting.

The 2020 statement has not yet been audited (accounts are currently under preparation and will be followed by a full independent audit). No estimate is provided as to the appropriate creditor/debtor figures as these need to be agreed with the auditors.

For the 2019 and 2020 statements the value of the investment portfolio at the year end has been included to provide a record of the investment value at each final report or revision of the equivalent financial records.

For the 2021 and 2022 budgets an assumption of increased salary costs of 4% was included. No assumptions are made in the future budgets about either the recoverability of arrears or the addition of new members (or changes in membership level) when determining income levels. In both budgets the overall balance is achieved by assuming additional income from contingency funds and/or external income will be sufficient to address the overspend implied from planned expenditure. The GBP/USD currency exchange rate has also been adjusted to reflect the average figure for 2020. The Executive Committee believe this is prudent due to the large contingency fund available at the end of 2020.

Table 1 below summarises the percentage budgeted for the core activities of Science, Science Advice, Capacity Building and Salaries and associated staff costs. Exchange rate fluctuations impact most directly on salary costs, notable from 2016 through 2018, and increased staffing levels are included in the 2019 – 2021 figures. It should also be noted the 2018 figure for salaries and staff costs reflect the Executive Director being employed for only 6 months of the year. In both 2017 and 2019 additional income was also received in the form of Additional Voluntary Contributions to the Capacity Building schemes. Budgeted Science allocations are maintained in absolute terms in 2 yearly cycles.

*Table 1 - Summary of the percentage 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%)*

Year	Science (Budgeted) %	Science (Carried Forward) %	Science advice (Budgeted) %	Science advice (Carried Forward) %	Capacity Building %	Salaries and staff costs %
2016	<b>34</b> (\$242K)	<b>14</b> (\$100K)	<b>4</b> (\$33K)	<b>4</b> (\$28K)	<b>7</b> (\$50K)	<b>26</b> (\$192K)
2017	<b>31</b> (\$256K)	<b>11</b> (\$90K)	<b>4</b> (\$35K)	<b>3</b> (\$21K)	<b>8</b> (\$65K)	<b>20</b> (\$162K)
2018	<b>29</b> (\$246K)	<b>15</b> (\$122K)	<b>4</b> (\$34K)	<b>1</b> (\$6K)	<b>7</b> (\$55K)	<b>22</b> (\$184K)
2019	<b>36</b> (\$259K)	<b>8</b> (\$55K)	<b>6</b> (\$41K)	<b>4</b> (\$29K)	<b>14</b> (\$100K)	<b>30</b> (\$217K)
2020	<b>29</b> (\$246K)	<b>12</b> (\$101K)	<b>4</b> (\$36K)	<b>4</b> (\$33K)	<b>5</b> (\$44K)	<b>26</b> (\$221K)
2021	<b>27</b> (\$244K)	<b>15</b> (\$136K)	<b>4</b> (\$36K)	<b>2</b> (\$22K)	<b>5</b> (\$49K)	<b>26</b> (\$230K)

## Investment Portfolio

In 2016 an independent investment advisor was engaged to advise us on our investment plans, following which Rathbones Greenbank were chosen as our investment portfolio managers, initiating the investment portfolio in September of 2017. At this point USD\$300,000 of funds were transferred to Rathbones. The performance of the fund since then is shown in Table 2.

*Table 2 – Performance of Investment Portfolio to date (January 2021).*

Date	Fund value in GBP	Change relative to initial fund value
September 2017	£225,830	
June 2018	£225,382	-0.02%
October 2018	£216,424	-4.16%
June 2019	£236,412	+4.68%
December 2019	£243,417	+7.78%
June 2020	£237,877	+5.33%
December 2020	£253,337	+12.18%

As can be seen from Table 2 the portfolio lost value during the global market retrace in late 2018 but has since recovered to post a relatively strong return to date.

Although the portfolio suffered more than 10% devaluation in mid-2020 by the COVID-19 and the uncertainties of Brexit, it has recovered all of its value by the end of 2020.

The accumulated inflation rate in UK from 2017 to end of 2020 was about 8% (calculated from the Bank of England figures). So, our investments have produced a net interest of 4,4% over the 2017 value. This is a good investment return considering the recent impacts of Brexit and the 2020–2021 COVID-19 pandemic.

## Future Financial Planning

In order to estimate the impacts of current trends in income and expenditure on funds available the following projection of income and expenditure over the next 5 years has been prepared (Table 3).

*Table 3 – Estimated SCAR income and expenditure until 2025. Note the income does not consider any contributions of eventual new country members or move of a country to full membership or higher membership levels.*

	2021	2022	2023	2024	2025
<b>Income</b>	USD\$645k	USD\$645k	USD\$645k	USD\$645k	USD\$645k
<b>Expenditure</b>	USD\$673k	USD\$686k	USD\$699k	USD\$712k	USD\$727k
<b>Additional income required</b>	USD\$28k	USD\$41k	USD\$54k	USD\$67k	USD\$82k

For these projections only the “Salary and staff costs” and “Legal, Audit and Finance fees” budget lines have been adjusted for inflation at 5% and 3% respectively.

All other spending is considered to be limited to budget allocations made at 2019 levels (this was the last year with full SCAR expenses before the COVID-19 pandemic).

On the income side the National Contribution from Venezuela, which has not been received for 4 years, has been deducted. No contribution from Iran has been received due to the difficulties in receiving their payment through UK banks.

Finally, no contributions of eventual new countries member or move of a country to a full membership have been considered in these figures.

The projection demonstrates that additional income will need to be secured to ensure that SCAR meets its objectives over this period. Along with an increase to existing annual membership fees, other potential sources include new full members annual contributions, external funding offsetting planned internal expenditure, contingency funds and additional voluntary contributions from members. Proposals will be developed to address this issue and presented to the Delegates meeting in 2022 in Hyderabad, India.

There remains a large degree of uncertainty for any future projections based on the future exchange rate changes for Sterling (GBP) versus the US Dollar (USD). Brexit has led to a wide range of values from 1.50 to 1.20 USD equivalent to 1 GBP.

The main sensitivity for SCAR relates to the payment of secretariat salaries in GBP, compared to the receipt of most National Contributions in USD. The impact of a

stronger USD then reduces the budgeted salary costs, whereas a stronger GBP increases those costs. At the time of this report, 1.40 USD is equivalent to 1 GBP, whereas the average for 2020 was 1.28 USD equivalent to 1 GBP.

### **Actions taken to protect SCAR finances during the COVID-19 pandemic**

The COVID-19 pandemic required adaptation of SCAR's finances, considering that several of the scheduled actions were cancelled or postponed to 2021 and 2022. In particular, the cancellation of the Open Science Conference in Hobart (Australia) required the rescheduling of the conference to virtual format. As a result of the pandemic, the global financial situation became unstable and it was necessary to keep a constant monitoring of the market and mainly in the variation of the USD \$ / Sterling rate (considering that part of our expenses are in sterling and the national contributions in USD \$ as discussed previously). Thus, throughout the year we have taken several administrative and financial measures to reduce possible losses to SCAR's financial assets, protecting the core activities of the Committee and our Secretariat staff in Cambridge. Among the actions carried out, we highlight:

- We allocated USD 20,000 for a special project on the impact of the pandemic on Antarctic research and SCAR actions;
- We added USD \$ 8,400 to the Fellowships fund to allow the final award;
- We added a second Visiting Scholar award for 2020 (an additional USD \$ 5,000);
- As the subsidiary Groups were unable to use the majority of their budgets in 2020, we claimed 70% of the unspent budgets to contingency. The remaining 30%, plus the authorized extra spending for specific requests and other administration budgets were carried forward to 2021.
- We have kept a constant monitoring of our investment portfolio;
- Finally, we set aside USD 160,000 to cover emergency expenses from our Secretariat if the proportion of contribution arrears increases. This amount will convert to core activities expenses of Science, Science Advice and Capacity Building after the end of the pandemic. This was not moved to a separate account, but considered as a ring-fenced balance in our accounts which should be the minimum to be maintained. Cash balances increased throughout 2020 and have also risen in the early part of 2021, giving confidence that this minimum cash level can be maintained without impacting planned activities.

**Summary of the SCAR finances by 31 December 2020**

<b>FINANCIAL SUMMARY 2020</b>	
<b>Opening Balance 1 January 2020</b>	<b>\$393,428</b>
Actual Income -Expenditure	\$127,377
Less encumbrances (Change in External balances)	<b>-\$40,294</b>
<b>Closing Balance 31 December 2020:</b>	<b>\$561,099</b>
Unspent funds (c/f to 2021)	\$237,081
Residual of closing balance	\$324,018
<b>Opening Balance as for Bank Statements (01 Jan 2021)</b>	<b>\$561,099</b>
<b>Less Creditor, Add Debtor *</b>	\$0
<b>Actual Balance **</b>	<b>\$561,099</b>
* Figure to be determined in consultation with auditors	
** This figure is exceptionally high when compare to previous years and reflects funds of activities postponed due to the COVID-19 pandemic.	

<b>Investment portfolio (Rathbones Greenbank)</b>		<b>% of Original value</b>
<b>Original value</b>	£225,830	
<b>Valuation as at 31/12/2019</b>	<b>£243,417</b>	107,78
<b>Valuation as at 31/12/2020</b>	<b>£253,337</b>	112,18
<i>Net increase (or decrease)</i>	£27,507	