

## International Whaling Commission – 2023/24 Balanced Budget Proposal REV 2

Prepared by the Budgetary Sub-Committee (BSC)

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### The Commission is requested to:

- **Note** the Bureau’s recommendation following IWC67 that only balanced budgets should be presented to the Commission.
- **Agree** to change Rules of Procedure rule B.3 text from ‘The Scientific Committee shall meet annually’ to ‘The Scientific Committee shall meet **at least biennially**.’
- **Agree – in line with the Finance & Administration committees’ recommendation - to grant the Secretariat flexibility to accept offers on the Red House, noting the aim to get the highest price.**
- **Agree/adopt** one of the balanced budget options presented:
  - Option 1: Balancing the budget through expenditure cuts.
  - **Modified Option 1.5: Fee increases for only Capacity to Pay Groups 3 and 4 from 2023 + expenditure cuts, with expenditure, income and fee distribution to be revisited at IWC69.**
  - Option 2a: Fee increases for all Capacity to Pay Groups from 2023 + expenditure cuts
  - Option 2b: Fee increases for all Capacity to Pay Groups from 2024 + expenditure cuts (no increases in 2023).
  - Option 3: Increases to fees for all Capacity to Pay Groups. Expenditure **unchanged**

### Budget situation

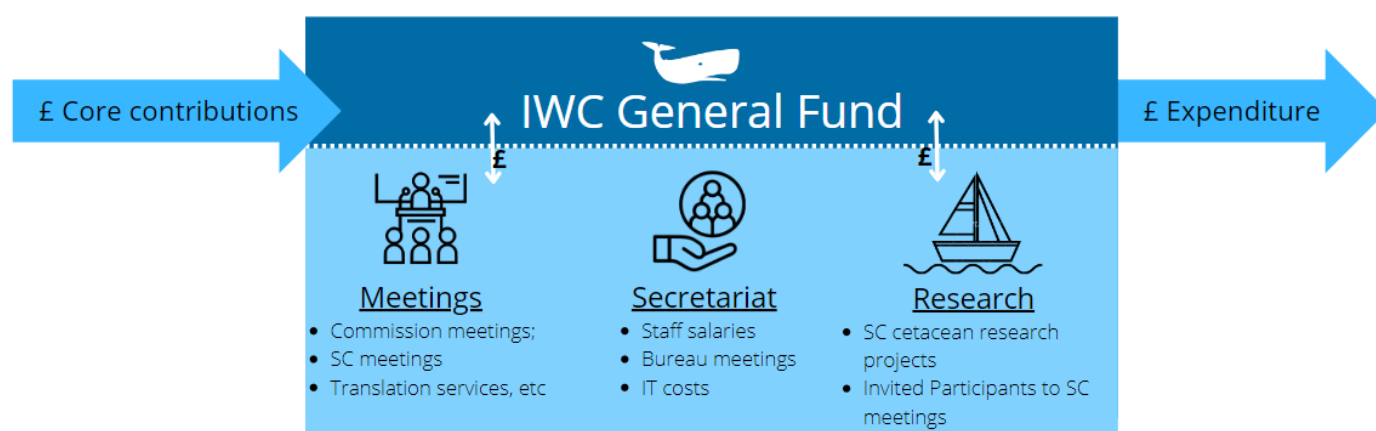
- Under status quo budgeting, the Commission’s expenditure in the 2023-24 biennium will exceed its income by around £622k. Savings from delayed in-person meeting during the pandemic (around £258k) will be used to address part of these costs, meaning the Commission is facing a total financial deficit of £364k over the biennium.
- The Commission is in this position due to consistently adopting deficit budgets, a frozen rate of contributions (i.e. a rate that has not been adjusted for inflation in almost a decade), and increased costs due to inflation. The Commission’s General Fund has been run down over the past decade, and the cash-flow situation is now critical.
  - The Commission was in this position prior to the pandemic. If Commission meetings had not been postponed, difficult budget decisions would have been on the agenda in 2020.

### *Handling of pandemic savings*

- During 2020 and 2021, there was less expenditure on meetings due to COVID-19. The Commission used this saving to create a Meeting Fund Reserve which includes the savings from holding virtual rather than in person meetings of the Scientific Committee, the Commission, and its subsidiary bodies.
  - This reserve has been used by the Commission to balance its 2021 and 2022 budgets and will also be used to reduce the starting deficit for the next two bienniums (2023-24 and 2025-26), meaning savings and/or fee increases can be implemented in stages to reduce the impact to the Commission's business and member governments.
- The Scientific Research Fund underspent in 2021 by £134k. This underspend has been returned to the Commission and is reflected in the 2023 starting position. The Budgetary Sub-committee recommends these funds be allocated to the Scientific Committee (research fund or meetings fund) to support any adjustments to operations in light of budget cuts.

### *General budget management*

- The Commission's core income (i.e. member fees) are paid into the General Fund. When the Commission agrees its biennial budgets, money is allocated from the General Fund to a Meeting Fund, Scientific Committee Research Fund, and the Secretariat Fund (see figure below. It does not represent a conclusive list of what each fund covers).
- At the end of the Financial Year, the General Fund is increased with any surplus or reduced when there is a deficit.
- The General Fund should contain reserves at a level sufficient to cover a minimum six months of operational costs, however reserves have been reduced due to delayed and non-payment of fees along with the Commission agreeing to deficit budgets in past years.



*Balancing the budget*

- In 2019, the Bureau encouraged the Budgetary Sub-committee to only bring balanced budget proposals (where expenditure **does not** exceed income) to the Commission.
- In this proposal for the 2023/24 budget, the Budgetary Sub-committee presents all possible approaches to balancing the Commission's budget: reducing expenditure (spending cuts), increasing fees, or a combination. ~~All options would establish a new baseline budget, with~~ Under all options additional adjustments are required in 2025/26 (i.e. the Commission will not default to pre-2023 budget configurations in 2025).
- The Budgetary Sub-committee acknowledges the difficult financial position of some members. However, the Budgetary Sub-committee has also heard from members that would prefer to increase their contributions than support major reductions in expenditure. The Budgetary Sub-committee asks the Commission to consider all three options and reach agreement on which to adopt.
- The Commission's membership, the Scientific Committee, and the Secretariat have been consulted on the budget challenges and possible solutions over several years. The Secretariat and Scientific Committee have provided advice on the risks associated with reducing their budgets and how the Commission could support the adjustments. A basic summary of impacts is available at **Annex A**, and as part of the SC68d report.
  - If reductions to expenditure are agreed the Commission will need to adjust its expectations of the Secretariat and Scientific Committee.
    - If the Commission agrees to biennial Scientific Committee meetings, the Scientific Committee will not be able to provide the same quantity of advice to the Commission. It will be necessary for the Commission to clearly advise the Scientific Committee of its top priorities.
    - If the Commission agrees to lower Secretariat staff compensation, this will limit its ability to attract and retain quality staff. This will affect the level of service available to the Commission, which could impact: the organisation of meetings and workshops, tracking the activities of various committees and subsidiary bodies, the maintenance of archives and databases, drafting documents to support Chairs, Convenors, and other leads, representing the IWC in other global and regional fora.
- None of the options include any new investment in services, infrastructure or expansion of the work programme. The Secretariat is working to full capacity and therefore any new work in the future would require either additional resources or further reductions in existing activities.
  - Over the last several years the Secretariat has implemented a number of cost saving measures and streamlined its organisational structure to ensure positions are directly correlated with Commission mandates. Examples include:
    - Reducing the number of staff attending Commission meetings in person, with more support from the Red House.
    - Replacing 'automatic' overtime with a tracking system for hours, and paying only flat time vs. time and a half.
    - Transitioned all positions to Cambridge UK salaries, from UN salaries received by staff in most Intergovernmental Organisations.

- Reducing office costs by eliminating all landline phone systems, reducing paper use by SharePoint and removing printers.
- The Budgetary Sub-committee will support implementation of the agreed budget and can support the development of strategies or plans to manage impacts. The Scientific Committee has established a working group to consider implementation of any changes to the Scientific Committee's budget and operations.
- Recognising that there is no easy answer to balance the budget, the Budgetary Sub-committee reminds the Commission that challenges associated with this decision do not justify delay. Waiting any longer will necessitate more extreme solutions.

#### *The Budget Reform Strategy and WG-OE proposals*

- The Budgetary Sub-committee has developed a separate Budget Reform Strategy, as part of the Working Group on Operational Effectiveness (WG-OE) package of reform proposals. The Budget Reform Strategy will establish best practise financial principles to ensure that the Commission's finances will remain sustainable in the long term. Two principles from the strategy most relevant to this proposal are:
  - **Balanced budgets:** The Commission will only consider balanced budgets going forward (aligning income with expenditure), to prevent ongoing reliance on deficit budgets.
  - **Zero-based budgeting:** The Commission will adopt a zero-based budgeting approach, which means budgets will be built from zero each biennium based on actual needs rather than rolling forward by default. Advantages include ensuring spending is allocated to ongoing or updated priorities, rather than simply following previous trends, and budget flexibility. It also allows Commission income to reflect the true cost of activities, i.e., the contributions formula is applied to the total of the agreed expenditure budget, so that deficits are ruled out by definition.
- ~~As part of WG-OE proposal 1 'Potential Reforms to Commission Meeting Structure and Meeting Operations', the Commission will consider whether to establish a Management Committee. As the Management Committee will consist of existing functions it does not carry any additional costs and will be supported by the Research Fund and Meetings budget. Depending on the Commission's decision at IWC68, the Budgetary Sub-committee can consider whether a new fund or adjustments to budget allocations are required for 2025/26.~~
- ~~WG-OE proposal 1 also suggests changes to Commission meeting structure. The budget agreed by the Commission may have implications for how and when the new structure (if agreed) is implemented, as virtual pre-meetings of the Conservation Committee, possible Management Committee, and Finance and Administration Committee may be needed to achieve the level of savings required.~~

#### *Note on other income sources*

- The budget proposal does not include voluntary contributions for subsidiary body (i.e. Conservation Committee and Scientific Committee) funds or projects which are accounted for separately. Contracting Governments are asked to consider making voluntary contributions which could assist in sustaining some Commission work programs if expenditure cuts are agreed.

- While external revenue-raising will be an important consideration for the Commission's budget in the longer term, it is essential that the cost of the Commission's operations and core business can be covered by the regular contributions of Contracting Governments.
  - The *International Convention for the Regulation of Whaling* that establishes the Commission is an agreement between governments. It would be inappropriate for member governments to rely on private donations to fund core operations.
  - Private/philanthropic donations are an insecure income stream, as they are by nature unpredictable. They also often come with conditions which may conflict with the Commission's independence and agreed priorities.
- In addition to establishing a balanced budget, the development of a fundraising work plan on build on the work of the now concluded Intersessional Correspondence Group on Strengthening IWC Financing (ICGSF) is underway.

#### *IWC Headquarters*

- The Secretariat's headquarters, the Red House, is on the market. The key benefit of this sale is the removal of annual maintenance costs and staff time associated with an aging building which is now too large for the Secretariat needs, along with reduced utility costs.
  - If the Red House sells, some of the income from the sale will be absorbed by moving and storage costs. The costs of renting smaller more appropriate facilities is roughly equivalent to the costs of staying in the Red House, so variable costs remain the same. The remaining income will be used to partially replenish the General Fund which will assist with cash-flow. Revenue from the sale will not be used to address the deficit as this would be a temporary solution to the budget problem which requires systemic changes to address.
  - The asking price for the sale is £1.5m. It has been listed since 21 April 2021. ~~The Commission may need to consider reducing the asking price to support a sale.~~
  - At the Finance and Administration Committee meeting prior to IWC68 plenary, the Secretariat introduced document FA/68/3.5.1/01 (*Report on proposed modified terms for the sale of the Red House*). The Secretariat noted that it had not yet received an offer to purchase the Red House for a minimum price of £1,500,000 but that it had received two offers of around £1,350,000, which still represented a return investment of around 3.6% annual growth on the original purchase for £1,000,000. Noting that the property market had declined in England due to rapidly increasing Bank of England base interest rates, the Secretariat requested the Commission grant it greater flexibility to accept offers on the Red House.
  - The F&A recommended some additional flexibility was endorsed, if necessary, but reiterated the aim was to get the highest price on the offer.

#### *Capacity to Pay Groups*

- The method for calculating the contributions of each Contracting Government is described here: <https://iwc.int/commission/iwcfunding/calculating-financial-contributions>
- Each government is divided into one of four capacity to pay groups. These groups are defined by thresholds for Gross National Income and Gross National Income per capita. The lowest capacity to

pay countries are allocated to Group One and the highest to Group Four. An exception is made for very small countries who are placed in Group Two.



- The thresholds for both GNI thresholds are adjusted each year to account for global inflation, and the allocation of individual governments into the capacity to pay groups is also updated using data from the World Bank.
- Once capacity to pay groups are determined, the contributions due from the lowest capacity to pay countries are reduced by 62.5% and the contributions due from the next lowest capacity to pay countries are reduced by 32.5%. This procedure results in a cash shortfall which is redistributed as follows:
  - Whaling countries: 10%
  - Group 3 countries: 30%
  - Group 4 countries: 60%

*Possible accommodations for Capacity to Pay Groups 1 and 2*



- Recognising the economic impacts of the pandemic on contracting governments, in particular developing countries, if the Commission agrees to increase annual contributions under options 2a or 3, the Commission could also consider allowing a grace period of up to 12 months for members in Capacity to Pay Group 1 and 2 to pay the increased portion of their contributions for the biennium. Invoices would be raised in such a way so as not adversely affect the voting rights of members who request the grace period.

## Options overview

The Budgetary Sub-Committee asks the Commission to consider and agree to one of five possible options for balancing the 2023/24 budget, with ~~some~~ additional adjustments required in 2025/26. ~~All options would establish a new baseline budget.~~

<p> <b>OPTION 1: Reduce expenditure</b></p> <p>This option includes permanently reducing expenditure by 8% in 2023 and a further 2% in 2024.</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• Significant change to the terms of Secretariat staff contracts to lower compensation. This will reduce the appeal of the Secretariat as an employer and may impact ability to retain staff.             <ul style="list-style-type: none"> <li>◦ And/or 2-3 staff redundancies without backfilling to reduce overall expenditure on salaries. This would mean a reduction in the level of support available to the Commission (possibly impacting meeting organisation, IT support and systems, SC and CC work program administration).</li> </ul> </li> <li>• Moving to biennial SC meetings from 2025 onwards*</li> <li>• No intersessional SC workshops**</li> <li>• No budget for Invited Participants (IPs) in non-meeting years (or 40% of the Research budget)</li> <li>• Bureau meetings virtual except at Commission meetings.</li> <li>• Virtual pre-meets for Commission meetings</li> <li>• Reduction of Commission meetings by 1 day</li> <li>• Bad debt provision reduction.</li> </ul>	<p> <b>Modified OPTION 1.5</b></p> <p><b>Increase fees by 5% in 2023, 1% in 2024 only for Capacity to Pay countries 3 &amp; 4 and reduce expenditure by 6%</b></p> <p><b>This includes:</b></p> <ul style="list-style-type: none"> <li>• <b>Moderate change to the terms of Secretariat staff contracts to lower compensation</b></li> <li>• <b>Moderate change to the research budget and moving to biennial SC meetings from 2025 onwards</b></li> <li>• <b>Bureau meetings virtual except at Commission meetings</b></li> <li>• <b>Virtual pre-meets for Commission meetings</b></li> <li>• <b>Reduction of Commission meetings by 1 day</b></li> <li>• <b>Bad debt provision reduction.</b></li> </ul> <p><b>NOTE: fee distribution and the level of contributions will need to be revisited at IWC69.</b></p>
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## Option 2:

 <b><u>OPTION 2a: Increase income in 2023 and 2024 and reduce expenditure</u></b>	 <b><u>OPTION 2b: Increase income in 2024 and reduce expenditure</u></b>
<p>Raise annual contributions by 5% in 2023, and an additional 1% in 2024 AND permanently reduce expenditure by 4% in 2023, and an additional 2% in 2024.</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• Moderate change to the terms of Secretariat staff contracts to lower compensation.</li> <li>• Moving to biennial SC meetings after in-person meetings from 2025, with some intersessional in-person workshops to progress priority agenda items.*</li> <li>• Reduced IP budget.</li> <li>• Bureau meetings virtual except at Commission meetings.</li> <li>• Virtual pre-meets for Commission meetings</li> <li>• Reduction of Commission meetings by 1 day.</li> <li>• Bad debt provision reduction.</li> </ul> <p><b>NOTE:</b> Contributions will likely need to be raised by a further 7% in 2025 or equivalent savings agreed</p>	<p>Raise annual contributions by 6% in 2024 AND permanently reduce expenditure by 4% in 2023, and an additional 2% in 2024.</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• Moderate change to the terms of Secretariat staff contracts to lower compensation.</li> <li>• Moving to biennial SC meetings after in-person meetings from 2025, with some intersessional in-person workshops to progress priority agenda items.*</li> <li>• Reduced IP budget.</li> <li>• Bureau meetings virtual except at Commission meetings.</li> <li>• Virtual pre-meets for Commission meetings</li> <li>• Reduction of Commission meetings by 1 day.</li> <li>• Bad debt provision reduction.</li> </ul> <p>NOTE: Contributions will likely need to be raised by a further 7% in 2025 or equivalent savings agreed.</p>



**Option 3****OPTION 3: Increase income**

Raise annual contributions by 10% in 2023 and an additional 2% in 2024.

- Expenditure will remain at current levels.
- Future deficits will be avoided through the use of zero-based budgeting approaching (i.e. the Commission will adopt budgets that reflect the true cost of activities and the contributions formula is applied to the total of the agreed expenditure budget, so that deficits are ruled out by definition).

**NOTE:** Contributions will likely need to be raised by a further 10% in 2025 or equivalent savings agreed<sup>1</sup>

**OPTION ONE: REDUCE EXPENDITURE**

	2023/24 Status Quo Budget £	2023/24 Proposed Savings £	2023/24 Proposed Budget £
<b>INCOME</b>			
<b>All Income</b>			
Financial Contributions	(3,313,200)	0	(3,313,200)
Interest on Financial Contributions	(12,300)	0	(12,300)
Interest Receivable on Cash Balances	(800)	0	(800)
Other Income	0	0	0
Meeting Fund Reserves Transfers	(258,532)	0	(258,532)
<b>TOTAL INCOME</b>	<b>(3,584,832)</b>	<b>0</b>	<b>(3,584,832)</b>
<b>EXPENDITURE</b>			
Staffing Costs	2,065,903	(78,728)	1,987,175
Staff Benefit Costs	206,182	(81,198)	124,984
Travel & Bureau Meeting Costs	74,174	(24,000)	50,174
Professional/Consultancy Costs	35,645	0	35,645
Secretariat Running Costs	127,733	0	127,733
Information Technology Costs	137,269	0	137,269
Meeting Costs	568,141	(75,409)	492,732
Bank Charges, Depreciation & Provisions Costs	257,792	0	257,792
Scientific Committee - Research Budget Costs	475,746	(104,418)	371,328
<b>TOTAL EXPENDITURE</b>	<b>3,948,586</b>	<b>(363,753)</b>	<b>3,584,833</b>
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>363,754</b>	<b>(363,753)</b>	<b>0</b>

**NOTE:** Further savings equivalent to £137k may be required in 2025.

This option includes permanently reducing expenditure by 8% in 2023 and a further 2% in 2024.

**Savings include:**

- Significant change to the terms of Secretariat staff contracts to lower compensation. This will reduce the appeal of the Secretariat as an employer and may impact ability to retain staff.
  - And/or 2-3 staff redundancies without backfilling to reduce overall expenditure on salaries. This would mean a reduction in the level of support available to the Commission (possibly impacting meeting organisation, IT support and systems, SC and CC work program administration).
- Moving to biennial SC meetings from 2025 onwards\*
- No intersessional SC workshops\*\*
- No budget for Invited Participants (IPs) in non-meeting years (or 40% of the Research budget)
- Bureau meetings virtual except at Commission meetings.
- Virtual pre-meets for Commission meetings ((BSC, CC, WKM&WI, ASW, F&A)
- Reduction of Commission meetings by 1 day.
- Bad debt provision reduction.

\*Depending on the SC's preference, biennial in-person SC meetings could be aligned with Commission years, or in 'off' years. This option does NOT include budget for full virtual meetings in 'off years'

\*\* With the exception of renewal years for ASW quotas

See an analysis of risks at **Annex A**.

**MODIFIED 1.5**

	2023/24 Status Quo Budget £	2023/24 Proposed Savings £	2023/24 Proposed Budget £
<b>INCOME</b>			
<b>All Income</b>			
Financial Contributions	(3,313,200)	(119,511)	(3,432,711)
Interest on Financial Contributions	(12,300)	0	(12,300)
Interest Receivable on Cash Balances	(800)	0	(800)
Other Income	0	0	0
Meeting Fund Reserves	(258,532)	0	(258,532)
<b>TOTAL INCOME</b>	<b>(3,584,832)</b>	<b>(119,511)</b>	<b>(3,704,343)</b>
<b>EXPENDITURE</b>			
Staffing Costs	2,065,903	(13,635)	2,052,268
Staff Benefit Costs	206,182	(81,198)	124,984
Travel & Bureau Meeting Costs	74,174	(24,000)	50,174
Professional/Consultancy Costs	35,645	0	35,645
Secretariat Running Costs	127,733	0	127,733
Information Technology Costs	137,269	0	137,269
Meeting Costs	568,141	(75,409)	492,732
Bank Charges, Depreciation & Provisions Costs	257,792	0	257,792
Scientific Committee - Research Budget Costs	475,746	(50,000)	425,746
<b>TOTAL EXPENDITURE</b>	<b>3,948,586</b>	<b>(244,242)</b>	<b>3,704,344</b>
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>363,754</b>	<b>(363,753)</b>	<b>0</b>

**NOTE:** Expenditure, income and fee distribution to be revisited at IWC69

Increase fees by 5% in 2023, 1% in 2024 only for Capacity to Pay countries 3 & 4 and reduce expenditure by 6%

This includes:

- Moderate change to the terms of Secretariat staff contracts to lower compensation
- Moderate change to the research budget and moving to biennial SC meetings from 2025 onwards
- Bureau meetings virtual except at Commission meetings
- Virtual pre-meets for Commission meetings
- Reduction of Commission meetings by 1 day
- Bad debt provision reduction.

**NOTE:** fee distribution and the level of contributions will need to be revisited at IWC69

See an analysis of risks at Annex A.

**OPTION TWO-A: INCREASE INCOME IN 2023 AND 2024 AND REDUCE EXPENDITURE**

	2023/24 Status Quo Budget £	2023/24 Proposed Changes £	2023/24 Proposed Budget £
<b>INCOME</b>			
<b>All Income</b>			
Financial Contributions	(3,313,200)	(180,733)	(3,493,933)
Interest on Financial Contributions	(12,300)	0	(12,300)
Interest Receivable on Cash Balances	(800)	0	(800)
Other Income	0	0	0
Meeting Fund Reserves Transfers	(258,532)	0	(258,532)
<b>TOTAL INCOME</b>	<b>(3,584,832)</b>	<b>(180,733)</b>	<b>(3,765,565)</b>
<b>EXPENDITURE</b>			
Staffing Costs	2,065,903	(22,004)	2,043,899
Staff Benefit Costs	206,182	(7,797)	198,385
Travel & Bureau Meeting Costs	74,174	(24,000)	50,174
Professional/Consultancy Costs	35,645	0	35,645
Secretariat Running Costs	127,733	0	127,733
Information Technology Costs	137,269	0	137,269
Meeting Costs	568,141	(78,000)	490,141
Bank Charges, Depreciation & Provisions Costs	257,792	0	257,792
Scientific Committee - Research Budget Costs	475,746	(51,220)	424,526
<b>TOTAL EXPENDITURE</b>	<b>3,948,586</b>	<b>(183,021)</b>	<b>3,765,565</b>
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>363,754</b>	<b>(363,754)</b>	<b>(0)</b>

**NOTE:** Contributions may need to be raised by a further 7% in 2025 or equivalent savings agreed.

**Financial Contributions increased by:**

2023 - £80k (5%)

2024 – further £21k (1%), total £101k

(total of £181k over the biennium)

AND

**Savings of:**

2023 - £80k (4%)

2024 – further £23k (2%), total £103k

(total of £183k over the biennium)

**Savings include:**

- Moderate change to the terms of Secretariat staff contracts to lower compensation.
- Moving to biennial SC meetings after in-person meetings from 2025, with some intersessional in-person workshops to progress priority agenda items.\*
- A 11% reduction to the Research Budget.
- Bureau meetings virtual except at Commission meetings.
- Virtual pre-meets for Commission meetings (BSC, CC, WKM&WI, ASW, F&A).
- Reduction of Commission meetings by 1 day.
- Bad debt provision reduction.

\*Depending on the SC's preference, biennial in-person SC meetings could be aligned with Commission years, or in 'off' years. This option does NOT include budget for full virtual meetings in 'off years'

See an analysis of risks at **Annex A**.

**OPTION TWO-B: INCREASE INCOME IN 2024 AND REDUCE EXPENDITURE**

	2023/24 Status Quo Budget £	2023/24 Proposed Changes £	2023/24 Proposed Budget £
<b>INCOME</b>			
<b>All Income</b>			
Financial Contributions	(3,313,200)	(180,733)	(3,493,933)
Interest on Financial Contributions	(12,300)	0	(12,300)
Interest Receivable on Cash Balances	(800)	0	(800)
Other Income	0	0	0
Meeting Fund Reserves Transfers	(258,532)	0	(258,532)
<b>TOTAL INCOME</b>	<b>(3,584,832)</b>	<b>(180,733)</b>	<b>(3,765,565)</b>
<b>EXPENDITURE</b>			
Staffing Costs	2,065,903	(22,005)	2,043,898
Staff Benefit Costs	206,182	(7,795)	198,387
Travel & Bureau Meeting Costs	74,174	(24,000)	50,174
Professional/Consultancy Costs	35,645	0	35,645
Secretariat Running Costs	127,733	(0)	127,733
Information Technology Costs	137,269	(0)	137,269
Meeting Costs	568,141	(78,000)	490,141
Bank Charges, Depreciation & Provisions Costs	257,792	(0)	257,792
Scientific Committee - Research Budget Costs	475,746	(51,220)	424,526
<b>TOTAL EXPENDITURE</b>	<b>3,948,586</b>	<b>(183,021)</b>	<b>3,765,565</b>
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>363,754</b>	<b>(363,754)</b>	<b>(0)</b>

**NOTE:** Contributions may need to be raised by a further 7% in 2025 or equivalent savings agreed.

**Financial Contributions increased by:**

2024 – £181k (6%)

AND

**Savings of:**

2023 - £80k (4%)

2024 – further £23k (2%), total £103k

(total of £183k over the biennium)

**Savings include:**

- Moderate change to the terms of Secretariat staff contracts to lower compensation.
- Moving to biennial SC meetings after in-person meetings from 2025, with some intersessional in-person workshops to progress priority agenda items.\*
- A 11% reduction to the Research Budget.
- Bureau meetings virtual except at Commission meetings.
- Virtual pre-meets for Commission meetings (BSC, CC, WKM&WI, ASW, F&A).
- Reduction of Commission meetings by 1 day.
- Bad debt provision reduction.

\*Depending on the SC's preference, biennial in-person SC meetings could be aligned with Commission years, or in 'off' years. This option does NOT include budget for full virtual meetings in 'off years'

See an analysis of risks at **Annex A**.

## OPTION THREE: INCREASE INCOME

	2023/24 Status Quo Budget £	2023/24 Proposed Changes £	2023/24 Proposed Budget £
<b>INCOME</b>			
<b>All Income</b>			
Financial Contributions	(3,313,200)	(363,754)	(3,676,954)
Interest on Financial Contributions	(12,300)	0	(12,300)
Interest Receivable on Cash Balances	(800)	0	(800)
Other Income	0	0	0
Meeting Fund Reserves Transfers	(258,532)	0	(258,532)
<b>TOTAL INCOME</b>	<b>(3,584,832)</b>	<b>(363,754)</b>	<b>(3,948,586)</b>
<b>EXPENDITURE</b>			
Staffing Costs	2,065,903	0	2,065,903
Staff Benefit Costs	206,182	0	206,182
Travel & Bureau Meeting Costs	74,174	0	74,174
Professional/Consultancy Costs	35,645	0	35,645
Secretariat Running Costs	127,733	0	127,733
Information Technology Costs	137,269	0	137,269
Meeting Costs	568,141	0	568,141
Bank Charges, Depreciation & Provisions Costs	257,792	0	257,792
Scientific Committee - Research Budget Costs	475,746	0	475,746
<b>TOTAL EXPENDITURE</b>	<b>3,948,586</b>	<b>0</b>	<b>3,948,586</b>
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>363,754</b>	<b>(363,754)</b>	<b>(0)</b>

**Financial Contributions increased by 10% from 2023 plus an additional 2% in 2024.**

- Expenditure will remain at current levels.
- Future deficits will be avoided through the use of zero-based budgeting approaching (i.e. the Commission will adopt budgets that reflect the true cost of activities and the contributions formula is applied to the total of the agreed expenditure budget, so that deficits are ruled out by definition).

**NOTE:** Contributions may need to be raised by a further 10% in 2025 or equivalent savings agreed.

## Annex A: Impact of proposed cuts

Secretariat		Scientific Committee
<p>Reductions to the Secretariat's staff compensation, or requiring redundancies, may have the following impacts:</p> <ul style="list-style-type: none"> <li>Negative effect on staff morale, which impacts productivity and loyalty (staff resources are already stretched, and there are already concerns among staff that compensation is not in line with the UN.)</li> <li>Potential for staff to leave resulting in loss of corporate knowledge and skill</li> <li>Difficulty attracting and retaining quality staff, which will impact what the secretariat is able to deliver for the Commission.</li> </ul>		<p>Reductions to the Scientific's Committee's (SC) budget (meetings and research) may have the following impacts:</p> <ul style="list-style-type: none"> <li>The SC may not be able to deliver advice on all Commission priorities. The Commission should direct the SC where to focus its efforts.</li> <li>Projects that require in-person meetings to progress may face delays</li> <li>Some existing projects may need to be delayed or stopped.</li> <li>Fewer opportunities for IP engagement and relationship building could impact succession planning for SC leadership roles and diminish the SC's expertise.</li> <li>Although budget provision will be provided for ASW workshops when needed in quota renewal years, capacity of the SC to test and revise Strike Limit Algorithms and conduct Implementation Reviews may be reduced.</li> </ul>
Compensation change	Impact	
Overtime at plain time only	<ul style="list-style-type: none"> <li>May be more difficult to support the Commission at busier times as staff will be less willing to take on additional work.</li> <li>Staff workloads are heavy, contributing to burnout. Lowering of compensation for overtime work will impact morale.</li> </ul>	
Reduce employee pension threshold to effectively reduce the employer contribution	<ul style="list-style-type: none"> <li>Likely to result in staff turnover.</li> <li>The Commission's retirement scheme is very important to staff and if cuts are made to this area, staff will likely respond in a similar way to a direct cut to pay.</li> </ul>	
Replace private health cover for everyone to a cash health plan (covering routine healthcare costs)	<ul style="list-style-type: none"> <li>This policy is heavily used by staff indicating that access to private healthcare plays an important part of employee retention.</li> <li>Likely to result in staff turnover.</li> </ul>	
Reduce death in service cover from 4x annual salary to 3x	<ul style="list-style-type: none"> <li>Negative effect on staff morale</li> </ul>	