

**Draft budget options for the single financial years 2012-13 and 2013-14,
and for the two year period 2012-2014 in case of a move to biennial
meetings**

The Secretariat

This paper has been prepared on behalf of the Chair of the Budgetary Sub-committee (Martin Krebs, Switzerland). It presents a proposal for the Commission's budget for the next financial year 1 September 2012 to 31 August 2013. As is normal practice, it also provides a forecast of the expected budget for the following period, 2013-2014.

Additionally, this document recognises that the Commission is considering a move to biennial meetings. Such a move will require the Commission to adopt a budget for a two year period. The two year budget is based upon retaining a system of annual invoicing, and so it is presented as two separate financial year periods. However, the following changes are introduced in the biennial option: (1) Meeting costs are reduced using the approach described in document IWC/2012/IG-BB 1 and (2) income from observer fees at the annual meeting is set at zero in the year when the Commission does not meet. Aside from these changes, expenditure under the biennial scenario is the same as under the annual scenario. The income required from Contracting Governments has been reduced to reflect the lower meeting costs in the biennial scenario.

The budget is prepared in accordance with the Commission's financial regulation D1 and D2. The purpose of the budget is to (1) define the contributions required from Contracting Governments for the year ahead and (2) to assess the effect of forthcoming income and expenditure on the size of the Commission's general reserve fund.

The Commission's approach has been to maintain the size of the general reserve fund at 50% of operating expenditure. The purpose of the reserve is to provide protection against insolvency from cash-flow issues. In the past the reserve has also, on occasion, been used to fund expenditure requested in plenary for which no budget provision has been made.

The budget options are shown below. Explanatory notes are provided on page 6.

Option One: Annual Meetings. Proposed Budget for 2012-13 and 2013-14

	Current Budget	Proposed Budget	Forecast Budget
INCOME: continuing operations	2011-2012	2012-2013	2013-2014
Contributions from member governments	1,679,000	1,693,472	1,707,451
Interest on overdue financial contributions	0	8,000	8,000
Voluntary Contributions	-	-	-
Sales of publications	15,000	10,000	9,000
Sales of sponsored publications	500	300	300
Observers' registration fees	51,500	43,000	43,000
UK taxes recoverable	26,300	24,000	24,000
Staff assessments	166,750	175,463	180,727
Interest receivable	3,000	5,000	5,000
Sundry income	0	250	250
Total Income	1,942,050	1,959,485	1,977,728
EXPENDITURE			
Secretariat	1,105,500	1,103,935	1,124,178
Publications	31,750	15,600	11,600
Annual meetings	383,000	374,500	374,500
Other meetings	42,150	42,150	42,150
Research expenditure	324,950	315,800	315,800
	1,887,350	1,851,985	1,868,228
Provision made for:			
Cancelled Financial Contributions	22,950	23,500	23,500
Severance Pay Provision	-27,000	24,000	26,000
Provision for doubtful debts	59,700	60,000	60,000
	55,650	107,500	109,500
Surplus / (-) deficit for the year	-950	0	0

Note:

Income and expenditure arising from voluntary contributions¹ is not addressed by the budgeting process. This is because all voluntary income is credited to one of the Commission's voluntary funds, and all expenditure arising from voluntary contributions is drawn against the appropriate fund.

Consequently income from voluntary contributions (and its associated expenditure) does not influence either the level of the Commission's general reserve, or the size of financial contributions requested from Contracting Governments. Voluntary income and expenditure, and associated balance sheets, are reported in the provisional financial statement for the current year (document IWC/64/6), and also in the audited accounts for the previous financial year (IWC/64/5).

¹ Including, for example, work on Small Cetaceans, Conservation Management Plans, Southern Ocean Research Partnership or gray whale tagging projects.

ANALYSIS OF EXPENDITURE**SECRETARIAT**

	2011-2012	2012-2013	2013-2014
Salaries, national insurance and allowances	722,900	747,109	769,492
Retirement and other benefit schemes	151,300	141,806	146,826
Travelling expenses	10,250	9,100	9,100
Office rent, heating and maintenance	102,300	102,460	112,460
Insurance	4,200	5,200	5,700
Postage and telecommunications	22,200	18,000	12,000
Office equipment and consumables	52,850	53,760	25,600
Professional fees	22,600	15,000	15,000
Training and Recruitment	7,800	4,000	4,000
Photocopying	2,950	4,500	21,000
Sundry	6,150	3,000	3,000
	<u>1,105,500</u>	<u>1,103,935</u>	<u>1,124,178</u>

PUBLICATIONS

Annual Report	7,650	2,500	2,500
Journal Cetacean Research and Management	24,100	13,000	9,000
Sponsored publications	0	100	100
	<u>31,750</u>	<u>15,600</u>	<u>11,600</u>

	Current Budget	Proposed Budget	Forecast Budget
	2011-2012	2012-2013	2013-2014
Operating Costs ²	1,943,000	1,957,485	1,977,728
Operating Costs x 50% (Target Level)	971,500	979,743	988,864
General Fund	953,883	953,883	953,883
General Fund /Target Level (as a %)	98.2%	97.4%	96.5%

² Operating costs are calculated as total expenditure plus the cost of all provisions.

Option Two: Biennial Meetings. Proposed Budget for 2012-14

	Current	Two year budget, annual	
	Budget	invoicing	
INCOME: continuing operations	2011-2012	2012-2013	2013-2014
Contributions from member governments	1,679,000	1,623,972	1,637,951
Interest on overdue financial contributions	0	8,000	8,000
Voluntary Contributions	-	-	-
Sales of publications	15,000	10,000	9,000
Sales of sponsored publications	500	300	300
Observers' registration fees	51,500	0	43,000
UK taxes recoverable	26,300	24,000	24,000
Staff assessments	166,750	175,463	180,727
Interest receivable	3,000	5,000	5,000
Sundry income	0	250	250
Total Income	1,942,050	1,846,985	1,908,228
EXPENDITURE			
Secretariat	1,105,500	1,103,935	1,124,178
Publications	31,750	15,600	11,600
Annual meetings	383,000	262,000	305,000
Other meetings	42,150	42,150	42,150
Research expenditure	324,950	315,800	315,800
	1,887,350	1,739,485	1,798,728
Provision made for:			
Cancelled Financial Contributions	22,950	23,500	23,500
Severance Pay Provision	-27,000	24,000	26,000
Provision for doubtful debts	59,700	60,000	60,000
	55,650	107,500	109,500
Surplus / (-) deficit for the year	-950	0	0

Note:

All income and expenditure is the same as under the annual meeting scenario, with the exception of Contributions from Member Governments, Observer registration fees, and Annual Meeting expenditure.

Income from Observer's registration fees is set at zero in 2012-13 in anticipation that the Commission will not meet. Annual meetings expenditure in 2012-13 is budgeted at £262,000 following the proposal in document IWC/2012/IG-BB 1, which includes £142,000 to support the Scientific Committee meeting and £121,000 to be held in the Commission's 'meetings' fund to partially support the costs of the biennial meeting the following year. The annual meeting expenditure for 2013-14 is budgeted at level of the previous year (£262,000) plus the income from the observer's registration fees. This budgeting procedure will allow the contributions requested from Contracting Governments to remain relatively constant from year to year, rather than rising sharply in the year when a meeting is held.

Expenditure on 'other meetings' is currently used to pay interpreters costs in years when the Commission meets, and can be used to support a meeting of the Bureau in years when the Commission does not meet.

ANALYSIS OF EXPENDITURE**SECRETARIAT**

	2011-2012	2012-2013	2013-2014
Salaries, national insurance and allowances	722,900	747,109	769,492
Retirement and other benefit schemes	151,300	141,806	146,826
Travelling expenses	10,250	9,100	9,100
Office rent, heating and maintenance	102,300	102,460	112,460
Insurance	4,200	5,200	5,700
Postage and telecommunications	22,200	18,000	12,000
Office equipment and consumables	52,850	53,760	25,600
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Photocopying	2,950	4,500	21,000
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	Current Budget	Proposed Budget	Forecast Budget
	2011-2012	2012-2013	2013-2014
Operating Costs ³	1,943,000	1,957,485	1,977,728
Operating Costs x 50% (Target Level)	971,500	979,743	988,864
General Fund	953,883	953,883	953,883
General Fund /Target Level (as a %)	98.2%	97.4%	96.5%

³ Operating costs are calculated as total expenditure plus the cost of all provisions.

Explanatory notes:

- 1) Income is proposed to be equivalent to expenditure for both years under both scenarios.
- 2) For the annual meetings scenario the 2012-13 total increase in Financial Contributions is £14,472, (0.9%) and for 13/14 is £13,979 (0.8%). The increase in individual financial contributions will be calculated through the Commission's 'interim formula'. For the biennial meetings scenario there is a decrease in total financial contributions from Contracting Governments, reflecting the reduced expenditure on meetings.
- 3) A provision of £23,500 is made for both years for cancelled Financial Contributions for Contracting Governments more than 3 years in arrears (see Financial Regulation F.5a). A further provision of £60,000 is made for doubtful debts arising from Contracting Governments whose contributions are less than three years in arrears. The total provision of £83,500 is similar to that required in the 2010-2011 financial year, and also that predicted for the 2011-12 financial year.
- 4) In light of the large provision necessary for unpaid financial contributions expenditure for Annual Meetings and Research is set at 2010-11 levels. This represents a decrease of £8,500 (2.2%) and £9,150 (2.8%) respectively compared to the budget for the current financial year (2011-12).
- 5) Overall Secretariat costs are reduced from £1,105,500 in current financial year to £1,101,935 in 2012-13 before rising to £1,124,178 in 2013-14. Key changes compared to 2010/11 include:
 - Savings of approx £20,000 per annum from 2013-14 onwards arising from termination of a rental agreement for a high volume photocopier in at the Red House in March 2013. There is no net effect in 2012-13 since although one quarter's rental payment (£5k) will be saved, this will be spent on a replacement modern printer / scanner unit.
 - Savings of £6,000 per annum from 2013-14 onwards on postal expenses arising from greater use of electronic publishing and distribution for Annual Reports and the Commission's Journal (see bullet 8 below).
 - Overall Secretariat head count reduced from 18 at start of 2011-12 to 17 from start of 2012-13. Three staff departures in 2011-12 will be replaced with two recruitments, these being: (1) a new IT post dedicated to development of the Commission's website and databases (started Jan 2012); and (2) a new specialist member of staff to support the increased level of intersessional work being undertaken by the Commission (to be recruited Oct 2012). A 3% increase in the salaries budget for each year has been allowed to inflation correct salaries for each year.
 - Expenditure on Information Technology is increased by £6,000 annually to allow further development work on the Commission's new websites, increased development on the Commission's databases and installation of new IT operating systems within the Secretariat.
 - An allowance of £10,000 in 2012-13 and £20,000 in 2013-14 is made for repairs to the Red House. The Secretariat will investigate the potential to move to modern, cheaper, smaller and more energy efficient premises within the City of Cambridge at the next lease break in 2014.
 - An allowance of £18,000 is made in 2013-14 to scan previous Scientific Committee papers and archive them on the Commission's website. This is in addition to the work already being undertaken in 2011-12 to scan the full suite of the Commission's annual reports for placement on the website. Increased use of electronic archiving will improve transparency and decrease the costs associated with storage of paper documents by permitting the Secretariat to utilize smaller premises.
 - Reduction by 50% of the Red House cleaning budget, saving £2,500 annually from 2012-13 onwards.
- 6) For Publications, electronic distribution of the Annual Report via the Commission's website will allow a saving of £6000k in printing expenses from 2012-13 onwards. Electronic distribution of the Journal and Supplement will allow additional savings £4,000 per year from 2013-14 onwards.