

Budget for the International Whaling Commission for 2017 and 2018

Prepared by the Secretariat

The Budgetary Sub-committee is requested to comment on the proposals presented here in order that they can be modified accordingly and recommended to the Finance and Administration Committee and all Contracting Governments for adoption.

Role of the Commission's Budget

- 1 The budget fulfils three functions. Firstly, it is the basis for agreeing the level of contributions requested from Contracting Governments, and it gives authority to the Secretary to collect and disburse these funds for the agreed purposes. Secondly, it ensures the Commission retains a level of financial reserve (held as the balance in the General Fund) to ensure that solvency or cash flow issues do not arise. Thirdly, the agreed items of expenditure quantify the Commission's future strategy; i.e. it indicates which topics will receive financial resources.

Summary of current financial position

- 2 The starting point for the preparation of the budget is the predicted financial position at the end of 2016 as included in Tables One and Two below. These tables indicate the balance on the Commission's General Fund (i.e. the current level of its financial reserve). For 31 December 2016 the Secretariat expects the balance on the general fund will be £1.1 million pounds. This outcome is higher than predicted during the previous budget round. This is due, in part, to a greater recovery of doubtful debts than was previously expected.

Preparation of Budget Options

- 3 Working in consultation with the Chair of the Budgetary Sub-committee and the Chair of the F&A Committee, the Secretariat has prepared two alternative budget options for the Commission's consideration.
- 4 The first of these options (Option One) is a 'business as usual' scenario. It allocates on-going expenditure to all of the items currently funded by the Commission and makes allowances for costs savings where possible and increases where these are predicted, e.g. because of increased market prices. In respect of contributions due from Contracting Governments it is based on zero per cent in real terms (i.e. there is a 0.3% increase each year in recognition of the prevailing inflationary situation in the United Kingdom).
- 5 The second option (Option Two) proposes a 3.97% rise in Contracting Government contributions above those proposed in Option One in order to create a financial surplus of £65,000 each year. The purpose of the surplus will be to support the costs of new or on-going areas of intersessional work arising from the Commission's discussions at IWC66. The rise in contributions is set against a new expenditure line entitled 'Support for intersessional work arising from IWC66'.

- 6 The change in average contributions proposed by Options One and Two for countries in each capacity to pay group is as follows:

Capacity to pay group	Average contribution (British Pounds) of a country in group:				
	2016	2017		2018	
	Agreed Budget	Option One	Option Two	Option One	Option Two
1	£5,624	£5,640	£5,864	£5,657	£5,882
2	£10,992	£11,025	£11,463	£11,058	£11,497
3	£25,982	£26,059	£27,094	£26,137	£27,175
4	£68,913	£69,120	£71,864	£69,327	£72,079

- 7 Both budget options (Option One and Option Two) are balanced budgets which constrain expenditure within the amount of income generated. The result is that the General Fund is predicted to achieve the same balance (i.e. £808k) at the end of 2017 and 2018 under both options. This balance is sufficient to prevent cash flow or solvency issues.
- 8 Both options incorporate new cost savings measures which are additional to those currently in operation. The new costs savings measures are as follows:
- The annual contribution to the Commission's severance pay fund is ended, and the balance on the fund (predicted to amount to £500k by the end of 2016) will be used to pay down the mortgage on the Commission's headquarters premises.
 - Any requirement for severance pay in the future will be met either from the General Fund, or by sale of the Red House in the event that the Commission is wound down.
 - An additional £316,550 is drawn from the General Fund on 1 January 2017 in order to repay in full the mortgage on the Commission's headquarters premises.
 - This early repayment of the mortgage is possible because of the higher than expected recovery of doubtful debts during 2016. The total net saving to the Commission of repaying the mortgage early is estimated as £410,000 over the lifetime of the mortgage.
- 9 Both budget options maintain Scientific Committee research expenditure at £316k in both years, this level being the same as in 2015 and 2016.
- 10 Costs of Scientific Committee meetings have been budgeted at £120k in each year. The cost of the last Scientific Committee meeting (in Bled in 2016) was £141k. The deficit between these figures will be covered by savings achieved at meetings in previous years. These savings are held in the meeting fund which is predicted to have a balance of £105k at the end of 2016.
- 11 The cost of the Commission meeting has been budgeted at £276k in 2018. This is the minimum to accommodate a regular Commission meeting at the International Maritime Organisation's headquarters in central London.
- 12 An allowance is included for the Bureau to meet in person in each year. The estimated figure for 2016 reflects the cost of the teleconference held in June 2016.
- 13 Expenditure on the Secretariat includes all staff costs and fixed infrastructure costs including business insurances, IT, premises and office equipment etc (see breakdown of costs in Appendix One). The IWC's pension fund is held separately from the Commission funds and is administered under a deed of trust. The balance in the pension fund in respect of current and previous staff is around £4million.

The IWC's pension scheme is a defined contribution scheme and so there is no liability to the Commission in respect of future retirement payments.

- 14 Outlook: In June 2016 the United Kingdom elected to leave the European Union. This gave rise to a decrease in the value of the British Pound relative to other major currencies. This is beneficial for Contracting Governments since invoices are issued in British Pounds and hence will cost less to pay in real terms. However, many of the Secretariat's costs are incurred in other currencies (for example, when organising Scientific or Commission meetings). The Secretariat takes steps to mitigate these exchange rate fluctuations, nonetheless further changes in currency markets may affect the underlying assumptions presented in the budget. The Bureau receives a financial statement at its meetings and the Secretary will draw the Bureau's attention to any deviation from budget.

Budget Options One and Two are presented in Tables One and Two respectively below. These are summary tables intended to support the Commission's discussions. The comprehensive spreadsheets containing the full list of nominal codes and the predicted expenditures are available upon request from the Secretariat.

Table One. Budget Option One: 'Business as Usual'

Note: The Budget does not include voluntary contributions which are accounted separately. Voluntary contributions vary in magnitude and regularity and have totalled around £400k to £500k per annum in recent years.

	2016 (estimated)	2017 (budgeted)	2018 (budgeted)
Income	£	£	£
Contributions from member governments	1,637,960	1,642,874	1,647,803
Interest on overdue financial contributions	9,430	3,600	3,600
Observers registration fees	40,000	0	40,000
Staff assessments	196,277	210,443	213,056
Interest receivable	6,894	6,894	6,894
Dilapidation provision from previous years	49,508		
Total Income	1,940,019	1,863,811	1,911,353
Expenditure			
Secretariat (see Appendix One for breakdown)	1,220,336	1,203,428	1,219,737
Publications	8,000	4,000	4,000
Scientific Committee meeting	150,500	120,000	120,000
Contribution to meeting fund for Commission meeting	196,250	118,125	158,125
Bureau meeting	500	5,000	5,000
Scientific Research	315,800	315,800	315,800
Red House refurbishment	81,340	19,000	19,000
Total Expenditure	1,972,726	1,785,353	1,841,662
Provisions			
Doubtful debts	(172,146)	78,458	69,691
Severance pay	39,335	0	0
Total Provisions	(132,811)	78,458	69,691
Surplus / (-deficit) for the year	100,104	0	0
Resulting in:			
General Fund Balance (end of year)	1,124,221	808,506	808,506
Meeting Fund Balance (end of year)	105,526	208,651	61,776

Table Two. Budget Option Two: Development of an operating surplus to fund new or priority actions arising from IWC66

Note: This budget is identical to Option One above, with the exception of a 3.97% increase in Contributions from member governments. This increase produces a surplus of £65,000 which will be available for the Commission to allocate to support for intersessional work arising from IWC66 in 2016 (see additional expenditure line in **bold italics** below)

	2016 (estimated)	2017 (budgeted)	2018 (budgeted)
Income	£	£	£
Contributions from member governments	1,637,960	1,707,874	1,712,803
Interest on overdue financial contributions	9,430	3,600	3,600
Observers registration fees	40,000	0	40,000
Staff assessments	196,277	210,443	213,056
Interest receivable	6,894	6,894	6,894
Dilapidation provision from previous years	49,508		
Total Income	1,940,019	1,928,811	1,976,353
Expenditure			
Secretariat (See Appendix One for breakdown)	1,220,336	1,203,428	1,219,737
Publications	8,000	4,000	4,000
Scientific Committee meeting	150,500	120,000	120,000
Support for intersessional work arising from IWC 66	0	65,000	65,000
Commission meeting (contribution to meeting fund)	196,250	118,125	158,125
Bureau meeting	500	5,000	5,000
Scientific Research	315,800	315,800	315,800
Red House refurbishment	81,340	19,000	19,000
Total Expenditure	1,972,726	1,850,353	1,906,662
Provisions			
Doubtful debts	(172,146)	78,458	69,691
Severance pay	39,335	0	0
Total Provisions	(132,811)	78,458	69,691
Surplus / (-deficit) for the year	100,104	0	0
Resulting in:			
General Fund Balance (end of year)	1,124,221	808,506	808,506
Meeting Fund Balance (end of year)	105,526	168,651	61,776

Appendix One: Breakdown of Secretariat costs

This appendix provides a breakdown of the costs allocated to Secretariat in budget options one and two. Appendix Two on the following page provides a staff organogram.

Expenditure	2016 (Estimated)	2017 (Budget)	2018 (Budget)
	£	£	£
Media and Communications	2,000	2,000	2,000
General insurance	5,271	5,377	5,484
Office equipment and consumables	23,770	25,826	21,882
Office mortgage, heat and light, maintenance	71,839	19,973	20,293
Postage and telecommunications	17,874	19,907	19,940
Consultancy support including audit charges	31,600	19,720	20,220
Pension and employee benefit schemes	171,349	182,790	186,485
Salaries and national insurance (see Appendix Two)	869,089	906,327	921,858
Bank charges	429	437	446
Training and recruitment	12,300	1,200	1,200
Travel and subsistence	14,814	19,871	19,928
Total	1,220,336	1,203,428	1,219,737

Appendix Two. Secretariat Organogram as at May 2016.

The IWC Secretariat of ten full and eight part-time staff. The Secretariat provides a broad range of services and capabilities to the Commission including financial management, oversight and support of the work programmes established by the many committees and groups, organisation of meetings and workshops, and management of statistical data, IT services, publications, communications and public relations.

