

4th Meeting of the Finance and Administration Committee

Adelaide, Australia, 18 to 22 January 2017

FAC 4 - Report

1. WELCOME AND INTRODUCTION

Members and CNCPs were welcomed to the meeting by Mr David Dolphin, Chairperson of the Committee, and the meeting was declared open.

2. ADMINISTRATIVE ARRANGEMENTS

a) Adoption of the Agenda.

The FAC adopted the agenda (ANNEX 1).

b) Meeting Documents.

The Chairperson briefly introduced the documents submitted to the meeting and listed in FAC4-Doc02Rev1.

3. ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDING 30 JUNE 2016

The Executive Secretary presented the income and expenditure of the Commission based on the information provided in the Annual Financial Statement (FAC4-Doc03). She reported that Member contributions for this financial year had been received in full from all Members except Belize and Peru.

Belize's withdrawal from the Convention became effective 1 May 2016. As decided during the last Annual Meeting in Valdivia, the total historical amount of NZ\$27 823 owed to SPRFMO by Belize had been deemed uncollectable and written off as a bad debt. Nevertheless, the FAC requested the Secretariat to make further efforts to collect the outstanding amounts from Belize.

Peru noted its outstanding contribution and advised that it would resolve the matter as soon as possible.

The Secretariat noted advance voluntary contributions received from CNCPs Liberia and Panama for the financial year 2016-17, commensurate with what would be assessed if they were Members.

a) Statement of transfers between categories.

In 2015-16 the Executive Secretary transferred no appropriations between categories in the budget adopted by the Commission.

b) Accumulated Surplus Account.

The level of the Accumulated Surplus Account as at 30 June 2016 was approx. NZ\$530 000. It was noted that approx. NZ\$110 000 of the Accumulated Surplus Account was unavailable for appropriations because it consisted of intangible and fixed assets (computers, furniture, database etc.) or was already committed for the budget items Developing States and Scientific Support.

The Secretariat noted that in the previous year the Commission had allocated no funds to the new Contingency Fund, which is intended to accrue to a level of 3-months running costs, i.e. NZ\$200,000 approx. and that the recommended level of the Accumulated Surplus Account in accordance with FR4, paragraph 5 would be NZ\$200 000 approx.

The FAC recommended that the Commission agree to transfer NZ\$100,000 to the Contingency Fund. The FAC also recommended retaining the remaining funds in the Accumulated Surplus Account to provide the Commission with a "buffer" in anticipation of a further increasing budget in the financial year 2018-19.

c) Auditor Report.

The Executive Secretary informed the FAC that the Auditor's report concluded that the financial statements for FY 2015-16 had been prepared in accordance with the Financial Regulations. The Committee had no comment to forward to the Commission.

d) Investment and other income.

The Secretariat reported that the SPRFMO bank accounts had earned interest in the amount of NZ\$12 534.

4. POSSIBLE AMENDMENTS TO THE FINANCIAL REGULATIONS

a) Review of the formula for the calculation of contributions

The Secretariat presented FAC4-Doc06: "Further information to assist SPRFMO deliberations on the financial contribution formula." Members engaged in initial discussions on the options presented, but did not reach a clear conclusion.

The FAC recognised that in view of the complexity of the issues further time was needed for consideration and agreed to continue discussions at the next Annual Meeting in 2018. Some delegations noted the importance of continuing to work on a revised budget contribution formula during the intersessional period. Others noted the need for the issue to be resolved in an enduring way. Members were encouraged to provide their further comments and suggestions for a revised financial contribution formula in writing to the Secretariat. These would be circulated to Members in order to continue progressing the issue.

Some delegations noted that any revisions to the contribution formula should lead to outcomes that are equitable and take account of principles previously endorsed by Members.

The Chairperson acknowledged the flexibility and goodwill shown by delegations, but indicated his assessment that it would not be possible at this meeting to reach consensus on amendments to the budget contribution formula in the Financial Regulations.

5. SECRETARIAT STAFF MATTERS

This item was referred to the Commission for decision.

6. FINANCIAL CONTRIBUTIONS REPORT (including voluntary contributions)

The Secretariat introduced FAC4-Doc04Rev1. It was clarified that the voluntary contribution by China included in this statement had been received in July 2016, after the end of FY 2015-16. Therefore, this contribution did not appear in the Financial Report for the year 2015-16.

7. FUTURE CONTRIBUTIONS

a) Draft Budget for financial years 2017–2018 and 2018–2019

The draft budget had been submitted as FAC4-Doc05. During the meeting, the Secretariat presented a revised draft of the 2017-18 budget (FAC4-WP01) (ANNEX 2, Table 1) which took account of the estimated shortfall for costs related to establishing a Vessel Monitoring Scheme ("VMS") as well as costs related to a review of the SPRFMO CMMs in accordance with Article 30 of the Convention. Members undertook a detailed review of each category and agreed to recommend that the Commission adopt the revised draft budget of NZ\$939 000 (ANNEX 2, Table 1).

The FAC requested the Secretariat to provide additional itemisation within budget categories when presenting future draft budgets. The FAC also requested the Secretariat to examine the issue of exchange rate movements in any future contract negotiations with a VMS provider. The FAC agreed to the Secretariat appointing an additional part time general service level staff member with primary responsibility for IT services. This would replace an existing outsourced arrangement. The FAC requested that this appointment be on a contractual basis for no longer than 12 months and that the Secretariat present the FAC with a business case on the future role

of this position for agreement at its next meeting in 2018. The FAC was particularly interested in how this role could support the support requirements for the planned SPRFMO VMS system.

Furthermore, with a view to the forecast budget for the financial year 2018-19, Members asked that the projected costs for database development be supported with a business case which included commercial quotes.

b) Calculation of contributions for 2017–2018 and tentative estimate of contributions for 2018–2019

The Chairperson introduced FAC4-WP01 (Supp.). He proposed that Members consider the column labelled “Transition” as a possible basis for agreed contributions for 2017-18. This approach was based on scenario 3b of the Secretariat’s Paper (FAC4-Doc06) but adjusted to avoid unreasonable increases (in this case over 15%) in any Member’s contributions. The balance of the budget would be funded from other sources, such as other income received or the accumulated surplus. Finally, the Chairperson emphasised that consenting to the “Transition” table of contributions would not imply the adoption of any scenario as a revision to the contribution formula.

The FAC agreed to recommend that the Commission adopt the contributions set out in ANNEX 2, Table 2. The FAC requested that Table 2 of Annex 2 also indicate the percentage of each Member’s contribution to the 2017-18 budget.

8. NEXT MEETINGS OF THE COMMISSION

The FAC welcomed Peru’s offer to host the next meeting of the Commission in 2018 and noted that internal consultations on this were ongoing. Indicative dates in late January or early February were proposed, subject to later confirmation by Peru.

The FAC also welcomed the European Union’s offer to host the 2019 meeting of the Commission in The Netherlands.

9. OTHER MATTERS

No other matters were brought to the attention of the Secretariat or the Chairperson.

10. OFFICE HOLDERS

a) Chairperson and Vice-Chairperson

The Chairperson noted that the positions of Chairperson and Vice-Chairperson of the FAC would be vacant from the end of the 2017 meeting.

The FAC elected Ms Kerrie Robertson (Australia) as the successor Chairperson of the FAC and Mr Gerry Geen (Vanuatu) as the Vice-Chairperson.

The FAC also thanked the outgoing Chairperson for his work.

11. ADOPTION OF REPORT

The FAC adopted the report on 21 January 2017 at 11:20 hrs.

12. MEETING CLOSURE

The meeting was closed on 21 January 2017 at 11:20 hrs.

FAC 4 – Report – ANNEX 1

AGENDA

FAC4-Doc01

1. WELCOME AND INTRODUCTION
2. ADMINISTRATIVE ARRANGEMENTS
 - a. Adoption of the Agenda
 - b. Meeting Documents
3. ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDING 30 JUNE 2016
 - a. Statement of transfers between categories
 - b. Accumulated Surplus Account
 - c. Auditor Report
 - d. Investment and other income
4. POSSIBLE AMENDMENTS TO THE FINANCIAL REGULATIONS
 - a. Review of the formula for the calculation of contributions
5. SECRETARIAT STAFF MATTERS
6. FINANCIAL CONTRIBUTIONS REPORT
7. FUTURE CONTRIBUTIONS
 - a. Draft Budget for financial years 2017–2018 and 2018–2019 (Convention Art.15 & FR 2)
 - b. Calculation of contributions for 2017–2018 and tentative estimate of contributions for 2018–2019
8. NEXT MEETINGS OF THE COMMISSION
9. OTHER MATTERS
10. OFFICE HOLDERS
 - a. Chairperson and Vice-Chairperson
11. ADOPTION OF THE REPORT
12. CLOSE OF MEETING

FAC 4-Report - ANNEX 2

Proposed budget and contributions for the financial year 2017-18 and forecasted budget for the financial year 2018-19

FAC4-WP01

Table 1: Proposed budget for the financial year 2017-18 and forecasted budget for the financial year 2018-19 (from FAC4-WP01)

Budget Items (including detailed cost estimates) ¹	Original Proposal for 2017-18	Revised Proposal 2017-18	2017 Forecast for 2018-19
Personnel Salaries (P5, P3, P2, 1.5 GS): \$550 000 Insurances: \$22 000 Temporary personnel: \$25 000 Training and other: \$13 000	\$650 000	\$610 000	\$635 000
Premises and Equipment Premises: \$46 000 IT hardware: \$12 000 Other: \$10 000	\$70 000	\$70 000	\$72 000
Meetings and Travel SPRFMO SC/Annual meetings: \$70 000 Home leave: \$10 000 Other meetings: \$10 000	\$90 000	\$90 000	\$95 000
Information and Communication Telephone, internet & other IT: \$10 000 Website expenses: \$5 000 Database regular costs: \$15 000 Database development: \$50 000 (2018-19)	\$30 000	\$30 000	\$80 000
Other Operational Expenses Auditors: \$7 000 Printing: \$5 000 Bank and post services: \$4 000 Hospitality: \$4 000 Other: \$10 000	\$30 000	\$30 000	\$31 000
SPRFMO VMS 2017-18 only: Development: \$175 000 – \$148 000 = \$27 000 Legal Fees: \$5 000 Regular expenses Contingency (10% of annual fee): \$10 000 VMS Contractor at Secretariat: \$25 000 Annual Fee (from 2018/19): \$98 000		\$67 000	\$133 000
Regular Review		\$15 000	\$15 000
Subtotal	\$870 000	\$912 000	\$1 061 000
Scientific Support (see FR2 para 3)	\$12 000	\$12 000	\$20 000
Developing States (see FR2 para 3)	\$20 000	\$15 000	\$20 000
Total	\$902 000	\$939 000	\$1 101 000

¹ Costs estimates for sub-items are approximate and preliminary; they may be subject to changes depending on actual cost developments, emerging requirements and unforeseen circumstances.

Table 2: Contributions for the financial year 2017-18 (from FAC4-WP01-supp)

NZD\$	Contributions	%
Australia	\$ 68 474	7.3%
Chile	\$ 89 684	9.6%
China	\$ 225 752	24.0%
Cook Islands	\$ 12 060	1.3%
Cuba	\$ 8 657	0.9%
Ecuador	\$ 8 356	0.9%
European Union	\$ 125 399	13.4%
Faroe Islands	\$ 26 950	2.9%
Korea	\$ 43 890	4.7%
New Zealand	\$ 132 824	14.1%
Peru	\$ 29 923	3.2%
Russian Federation	\$ 28 221	3.0%
Chinese Taipei	\$ 24 674	2.6%
Vanuatu	\$ 46 333	4.9%
Other Funding	\$ 67 803	7.2%
Total	\$ 939 000	100%