



**The North Atlantic Salmon
Conservation Organization**

**Report of the Thirty-Fourth Annual Meeting of the
Finance and Administration Committee
5 June 2017, Varberg, Sweden**

Chairman: **Ms Kim Blankenbeker (USA)**

Vice-Chairman: **Mr Calvyn Wenghofer (Canada)**

Secretary: **Dr Peter Hutchinson**

CNL(17)5

CNL(17)5

Report of the Meeting of the Finance and Administration Committee of the North Atlantic Salmon Conservation Organization

Varbergs Kusthotel, Varberg, Sweden

Monday 5 June 2017

1. Opening of the Meeting

- 1.1 The Chair, Ms Kim Blankenkemper (USA), opened the meeting and welcomed members of the Committee to Varberg.
- 1.2 A list of participants is contained in Annex 1.

2. Adoption of the Agenda

- 2.1 The Committee adopted its Agenda, FAC(17)5 (Annex 2).

3. 2016 Audited Accounts

- 3.1 The Secretary introduced the Audited Accounts for 2016, FAC(17)2. He reported that the accounts indicate that unbudgeted payments were made to the Contractual Obligation Fund (£40,000) and to the Fund established in 2016 to support activities under the International Year of the Salmon (IYS) (£21,000). At the financial year-end, the Working Capital Fund, which had been almost entirely utilised in 2012, remained at its ceiling of £200,000 and the Contractual Obligation Fund had reached £250,000. The Recruitment Fund balance was £45,000 and, with a sum of £15,000 included in the 2017 budget, will have reached the level agreed by the Committee of £60,000 prior to the recruitment of a new Secretary during 2017.
- 3.2 The Committee recommended to the Council the adoption of the 2016 Audited Accounts.

4. Relationship with ICES

- 4.1 In 2007, the Council had entered into a Memorandum of Understanding (MoU) with ICES that is subject to review every three years. In both 2010 and 2013, on the recommendation of the Finance and Administration Committee, the Council had agreed to continue the MoU on the understanding that there would be no increase in the cost of providing the advice, other than to reflect the rate of inflation in Denmark. Last year, the Council had recognised that the relationship with ICES was working well and agreed that the MoU should continue, without amendment, for a further three years from 2016 with the next renewal due in 2019.
- 4.2 The Secretary indicated that the MoU with ICES has continued to work well. There is stability in NASCO's payments in Danish Kroner and the advice had again been made available slightly earlier (5 May) than is required under the MoU (10 May). In 2015, the Council had provided feedback to ICES on the format of its advice, including a request that for future ACOM reports, consideration should be given to presenting the responses to questions from NASCO in the same format as the request, i.e. responses to questions

relating to a specific Commission area should be presented in that section of the ACOM report, rather than in the section relating to the North Atlantic area and *vice versa*. The intention was that this would make responses to specific questions easier to find. Furthermore, the Council had asked if the more general information that is not part of the request from NASCO (Management Plans, Biology, Environmental Influence on the Stock, Effects of the Fisheries on the Ecosystem, and Quality Considerations) could be presented together in an annex so that the ACOM Report reflects closely the elements in the request for advice. Additionally, sections 10.2, 10.3 and 10.4 would benefit from numbering of the different sub-sections e.g. 10.2.1, 10.2.2 etc. Last year, ICES had addressed most of these changes although, while the more general information had been removed from the advice sections of the report, it had not been included in an annex. These annexes were included in the 2017 ACOM report after the advice for each of the Commissions. ICES had also been asked to ensure that all the recommendations from the report of the Working Group on North Atlantic Salmon were incorporated in the ACOM Report. This had been done in the advice for 2017 and additionally each section of the ACOM Report is now numbered according to the numbering in the request from NASCO which is helpful although individual sub-paragraphs are still not numbered.

- 4.3 The Committee welcomed the changes made and asked that the Secretary continue to liaise with ICES on any issues that arise relating to the provision of advice under the MoU and to continue to request that the advice be made available as early as possible. This will be important in 2018 when there will be negotiations for new regulatory measures.

5. MoU with the OSPAR Commission

- 5.1 The Chair reported on the operation of the MoU between NASCO and the OSPAR Commission which came into effect on 5 August 2013, FAC(17)3. In the last two years, there had been improved exchange of information under the MoU which is now working well.

- 5.2 The Finance and Administration Committee had previously considered a Draft Recommendation on furthering the protection and conservation of the Atlantic salmon (*Salmo salar*) in Regions I, II, III and IV of the OSPAR maritime area. NASCO had provided comments on earlier versions of the Draft Recommendation and last year the OSPAR Commission had indicated that it would welcome further feedback on the latest version of the Draft Recommendation which would then be considered for adoption at its Annual Meeting during 20 - 24 June 2016. While not endorsing the Draft Recommendation, or taking any policy position on it, the Committee had recommended to the Council that the President of NASCO be requested to write to the Chairman of the OSPAR Commission to:

- express appreciation for the opportunity to comment further on the Draft Recommendation;
- note that the primary interest of NASCO is that the Draft Recommendation clearly articulate the demarcation between the roles of NASCO and the OSPAR Commission and factually reflect relevant information about NASCO and its work; and
- propose limited additional changes to the Draft Recommendation text to reflect these interests.

- 5.3 These comments had been sent to the OSPAR Commission by the President of NASCO. In a response dated 30 June 2016, the Chairman of the OSPAR Commission had indicated that OSPAR Recommendation 2016/3 on furthering the protection and conservation of the Atlantic salmon (*Salmo salar*) in Regions I, II, III and IV of the OSPAR maritime area had

been adopted by the OSPAR Commission and was effective from 24 June. He further indicated that the changes proposed by NASCO had been ‘examined carefully to best integrate them (or their intentions) into the finalised text’. Under the Recommendation, the OSPAR Commission’s Contracting Parties should report on the implementation of the Recommendation by 31 December 2019 and then every six years.

5.4 In accordance with the MoU, the Committee anticipates that updates on developments with the implementation of the Recommendation should be provided to NASCO.

6. Use of the Contractual Obligation Fund

6.1 The Finance and Administration Committee had been asked by Heads of Delegations to advise on a number of issues related to lump sum payments to retiring Secretariat Members. These were as follows:

- confirm and document that the suggested lump sum payments are consistent with the Staff Rules (CNL(14)63) and Staff Fund Rules (CNL(14)62);
- confirm and document the balance of the Contractual Obligation Fund and identify all contractual obligations that would be covered by this fund;
- identify any potential short-term risks to the organization in the event that the Contractual Obligation Fund is fully utilised for lump sum payments; and
- advise on what financial resources exist to minimise any identified risks.

Confirm and document that the suggested lump sum payments are consistent with the Staff Rules (CNL(14)63) and Staff Fund Rules (CNL(14)62)

6.2 The Finance and Administration Committee noted that Staff Rule 8.2 (b) and Staff Fund Rule 3.2 state that ‘Prior to a Secretariat Member retiring from full-time employment with NASCO, a lump sum payment will be made into that Secretariat member’s Staff Fund of not less than one-twelfth after tax of the final year’s gross salary and allowances for each year of service with the Organization, fractions of a year to count pro-rata’. The Committee acknowledged that these rules provide flexibility (discretion) in the lump sum paid, subject to the minimum payment of one twelfth, and thus a proposal to increase the lump sum payment above one twelfth is consistent with the Organization’s rules. The Committee acknowledged that the lump sum payments are very important to retiring NASCO staff for whom NASCO has no responsibility after retirement. The Committee recalled that the only instance of retirement by a NASCO Secretariat member that resulted in a discretionary Staff Fund lump sum payment was in 2012. At that time, a decision was made to provide an additional lump sum payment of £200,000 to the departing Secretary. This amount taken together with the minimum payment of one twelfth resulted in a sum of approximately one-eighth after tax of the final year’s gross salary and allowances for each year of service. The Council utilised the Working Capital Fund and borrowed funds from the International Atlantic Salmon Research Board to support the lump sum payment. This left the Organisation with very limited reserves.

Confirm and document the balance of the Contractual Obligation Fund and identify all contractual obligations that would be covered by this fund

6.3 The Committee noted that the description of the Contractual Obligation Fund in the audited accounts, adopted annually by the Council, reads as follows: ‘a reserve with the aim of enabling the Organization to meet such obligations without major fluctuations in budgeted expenditure’. The Committee noted that the Contractual Obligation Fund had been built up in recent years, in particular to ensure reserves exist to cover the possibility that lump sum

payments in excess of one twelfth are agreed. It is also intended to cover other contractual obligations that may arise but the timing and full cost may be unknown. This policy was adopted to avoid the difficulties encountered upon the retirement of the previous Secretary in 2012. The Committee considered that lump sum payments to retiring Secretariat members are a contractual obligation and that payment of the lump sums from the Contractual Obligation Fund is, therefore, appropriate. Furthermore, the Committee noted that the current balance of the fund, after making the minimum payments of one twelfth, is approximately £258,000 and if the proposed discretionary lump sum payments were made to retiring staff, a balance of about £3,000 would remain in that Fund. However, it was noted by the Committee that the 2018 Draft Budget includes provision of £35,000 to the Contractual Obligation Fund, which would bring the total in that Fund to approximately £38,000 in January 2018. This does not include any 2017 year-end surplus that would be credited to the Fund.

- 6.4 The Committee identified other potential obligations that would be expected to be met from the Contractual Obligation Fund. These are the mortality allowance payable in accordance with Staff Rule 8.3(a) and the compensation payable in the event of termination of service of an employee (other than in the case of gross dereliction of duties) in accordance with Staff Rule 10.4.
- 6.5 The Committee recognised that NASCO owns its Headquarters Property and it does not, therefore, have any contractual obligations as a tenant such as to pay rent or to pay dilapidations at the end of the lease term. There is an obligation on NASCO as landlords to insure the property and this is met through the annual budgets.

Identify any potential short-term risks to the organization in the event that the Contractual Obligation Fund is fully utilised for lump sum payments

- 6.6 The Committee noted that no other lump sum payments to Secretariat members are expected in the short-term but that prudent financial planning would ensure that the Contractual Obligation Fund is rebuilt in a timely fashion to a level that allows the Organisation to meet obligations as they arise. The 2018 Draft Budget begins this process.
- 6.7 The Committee noted that the mortality allowance is only payable in the event of death of a Secretariat member following illness or surgery not resulting from an accident covered by the appropriate insurance, and only if the deceased leaves dependents. The amount payable varies with the number of years of service ranging from 3 - 6 months gross remuneration. The mortality allowance could currently range from around £6,000 - £30,000 depending on the staff member concerned. For long-serving staff (more than 10 years), the lump-sum payment and not the mortality allowance would be payable. This does not currently apply to any staff members. There is also an obligation to pay compensation in the event of termination of service at a rate of one month's salary for each year of service, unless the cause of termination is gross dereliction of duties. The Committee noted that the NASCO Secretariat runs very efficiently and effectively with three full-time and one part-time staff members. This is considered the minimum staff level needed given the workload involved. NASCO's workload is not expected to decrease. In light of the foregoing, the risk of potential financial expenditures associated with the mortality allowance or termination pay is minimal.

Advise on what financial resources exist to minimize any identified risks

- 6.8 The Committee noted that, in addition to the expected balances in the Contractual Obligation Fund for the remainder of 2017 and in 2018, the balance of the Organisation's other main reserve, the Working Capital Fund, is at its ceiling of £200,000. The audited accounts describe the Working Capital Fund as a reserve for the purpose of meeting unexpected non-budgeted or urgent costs. For example, these might include unexpected building maintenance costs. The Committee noted that in 2012 the Working Capital Fund was utilised to make a lump sum payment to the previous Secretary on his retirement. Thus, in the event of any unexpected further draw on the Contractual Obligation Fund, substantial additional reserves would be available. Furthermore, Financial Rule 4.4 specifies that the Secretary may make transfers of up to 20% of appropriations between sections, and the President may authorise the Secretary to make transfers of more than 20% between sections. These provisions provide additional flexibility to meet unexpected draws on the Contractual Obligation Fund.
- 6.9 The Committee concluded that it does not see a substantial financial risk to NASCO should the proposed lump sum payments be made to its retiring Secretariat members. Should something unexpected occur that exceeds the resources available through the Contractual Obligation Fund, however, the option to access the Working Capital Fund and/or to transfer appropriations between budget sections provides sufficient safeguards.
- 7. Consideration of the 2018 Draft Budget, Schedule of Contributions and Five-year Budgeting Plan**
- 7.1 The Secretary introduced document FAC(17)4. He indicated that the 2018 budgeted expenditure (£641,400) represents a reduction of about 1.8% (or 4.8% in real terms) compared to that in the 2017 Budget (£653,400) and almost 5% below that anticipated for 2018 in the 2017 - 2021 Budgeting Plan for 2018 (£672,800). There is, however, some uncertainty in the budget associated with the appointment of a new Secretary. The sum included for the IYS (£40,000) is less than the amount anticipated for 2018 in the 2017 - 2021 budgeting plan (£60,000) to reflect the 2016 year-end surplus that was credited to the IYS Fund.
- 7.2 The Committee recognised the sound financial planning reflected in the budget. The Committee agreed to recommend to the Council the adoption of the 2018 Draft Budget and 2019 Forecast Budget, FAC(17)4. The budget as adopted by the Council, CNL(17)51, is included in Annex 3 together with a Five-year Budgeting Plan (2018 - 2022) which is provided for information.
- 7.3 The representative of the European Union asked that additional information is made available in future budget commentaries for the various budget items to facilitate the work of the Members of the Finance and Administration Committee and further improve transparency. In particular, he requested that the amount of the fixed (30%) component of the contribution, which is shared equally among all Parties, be documented. In addition, the Secretary was asked to make available to the Committee, in an appropriate manner, detailed breakdowns of the staff related costs per staff category. The representative of the United States suggested that the Secretary consider filling the Assistant Secretary's position.

8. Appointment of Auditors

- 8.1 The Committee noted that Saffery Champness, Edinburgh Quay, Edinburgh had been appointed to conduct the 2015, 2016 and 2017 audits.
- 8.2 The Committee recommends to the Council that Saffery Champness be appointed to conduct the 2018, 2019 and 2020 audits. The Secretary indicated that a quote had been received and the sums offered were £5,500, £5,750 and £6,000, respectively.

9. Any Other Business

- 9.1 In light of discussions under agenda item 6, the representative of Canada suggested that at its next meeting the Finance and Administration Committee might consider the need for any clarification or amendment to NASCO's rules relating to financial and administrative matters.

10. Report of the Meeting

- 10.1 The Committee agreed a report of its meeting.

11. Close of the Meeting

- 11.1 The Chair thanked participants for their contributions to the work of the Committee and closed the meeting.
- 11.2 A list of Finance and Administration Committee papers is given in Annex 4.

List of Participants

Canada

Sylvie Lapointe
Kate Johnson

Denmark (in respect of the Faroe Islands and Greenland)

Margretha Nónklett

European Union

Stamatis Varsamos
Arnaud Peyronnet

Norway

Raoul Bierach
Arne Eggereide

Russian Federation

Konstantin Drevetnyak
Alina Nikolaeva
Sergey Prusov

US

Kim Blankenbeker (Chair)
Rebecca Dorsey
Julie Williams

Secretariat

Peter Hutchinson

FAC(17)5

Agenda

1. Opening of the Meeting
2. Adoption of the Agenda
3. 2016 Audited Accounts
4. Relationship with ICES
5. MoU with the OSPAR Commission
6. Use of the Contractual Obligation Fund
7. Consideration of the 2018 Draft Budget, Schedule of Contributions and Five-year Budgeting Plan
8. Appointment of Auditors
9. Other Business
10. Report of the Meeting
11. Close of the Meeting

CNL(17)51

**North Atlantic Salmon Conservation Organization
2018 Budget and 2019 Forecast Budget (Pounds Sterling)**

	Budget 2018	Forecast 2019
Expenditure		
1. Staff-related costs	341,300	349,800
2. Travel and subsistence	30,000	30,000
3. Research and advice	64,600	66,000
4. Contribution to Working Capital Fund	0	0
5. Meetings	11,000	11,000
6. Office supplies, printing and translation	26,500	27,500
7. Communications	16,000	17,000
8. Headquarters Property	40,000	42,000
9. Office furniture and equipment	6,500	6,500
10. Audit and other expenses	11,000	11,500
11. Tag Return Incentive Scheme	4,500	4,500
12. International Atlantic Salmon Research Fund	0	0
13. Contribution to Contractual Obligation Fund	35,000	35,000
14. Contribution to Recruitment Fund	15,000	15,000
15. Contribution to IYS Fund	40,000	20,000
Total Expenditure	641,400	635,800
Income		
16. Contributions - Contracting Parties	592,400	586,800
17. General Fund – Interest	1,000	1,000
18. Income from Headquarters Property	48,000	48,000
19. Surplus or Deficit (-) from 2016	0	0
Total Income	641,400	635,800

2018 Budget & 2019 Forecast Budget (Pounds Sterling) - Expenditure by Sub-section

	Budget 2018	Forecast 2019
1. Staff-related costs		
1.1 Secretariat members	217,400	222,800
1.2 Temporary, part-time and contract staff	32,400	33,200
1.3 Staff Fund contributions, allowances, other staff costs	91,500	93,800
Total	341,300	349,800
2. Travel and subsistence		
2.1 Travel to Annual Meeting	10,000	8,000
2.2 Official travel and subsistence	20,000	22,000
Total	30,000	30,000
3. Research and advice		
3.1 Annual contribution to ICES	64,600	66,000
3.2 Other research and advice	0	0
Total	64,600	66,000
4. Contribution to Working Capital Fund	0	0
5. Meetings		
5.1 Costs of Annual Meeting	4,000	4,000
5.2 Costs of other meetings	7,000	7,000
Total	11,000	11,000
6. Office supplies, printing and translation		
6.1 Office supplies	16,000	17,000
6.2 Printing	8,000	8,000
6.3 Translations	2,500	2,500
Total	26,500	27,500
7. Communications		
7.1 Telecommunications	4,000	4,500
7.2 Postage and courier services	3,000	3,000
7.3 IT support & website	9,000	9,500
7.4 Communications, professional support and design	0	0
Total	16,000	17,000
8. Headquarters Property		
8.1 Capital and interest payments	0	0
8.2 Maintenance, services and other building-related costs	40,000	42,000
Total	40,000	42,000
9. Office furniture and equipment		
9.1 Furniture	0	1,500
9.2 Equipment	6,500	5,000
Total	6,500	6,500
10. Audit and other expenses		
10.1 Audit and accountancy fees	6,000	6,500
10.2 Bank charges and insurances	1,000	1,000
10.3 Miscellaneous	4,000	4,000
Total	11,000	11,500
11. Tag Return Incentive Scheme	4,500	4,500
12. Contribution to IASRF	0	0
13. Contribution to Contractual Obligation Fund	35,000	35,000
14. Contribution to Recruitment Fund	15,000	15,000
15. Contribution to IYS Fund	40,000	20,000
Total Expenditure	641,400	635,800

2017 Budget Contributions (Pounds Sterling) Adjusted for Confirmed rather than Provisional 2015 Catches (tonnes)

Party	2015 catch (provisional)	2015 catch (confirmed)	2017 contribution (provisional)	2017 contribution (confirmed)	Adjustment
Canada	134	140	78,953	81,231	2,277
Denmark (Faroe Islands and Greenland)	58	58	51,228	51,265	37
European Union	299	289	139,145	135,680	-3,465
Norway	583	585	242,749	243,849	1,100
Russian Federation	80	80	59,254	59,305	51
USA	0	0	30,070	30,070	0
Total	1,154	1,152	601,400	601,400	0

Note: A positive adjustment represents an underpayment in 2017.

NASCO Budget Contributions for 2018 and Forecast Budget Contributions for 2019 (Pounds Sterling)

Party	2016 catch (provisional)	2018 contribution	Adjustment from 2017	2018 adjusted contribution	2019 forecast contribution
Canada	135	81,169	2,277	83,446	80,401
Denmark (Faroe Islands and Greenland)	27	39,930	37	39,966	39,552
European Union	256	127,371	-3,465	123,906	126,167
Norway	612	263,307	1,100	264,407	260,818
Russian Federation	56	51,003	51	51,054	50,521
USA	0	29,620	0	29,620	29,340
Total	1,086	592,400	0	592,400	586,800

Contributions are based on the official returns.

Column totals in both tables can be in error by a few pounds due to rounding.

Five-year NASCO Budgeted Expenditure and Income Projections 2018 - 2022

	2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022
Expenditure					
1. Staff related costs	341,300	349,800	358,500	370,000	381,000
2. Travel & Subsistence	30,000	30,000	25,000	35,000	37,000
3. Research & advice	64,600	66,000	68,000	70,000	70,000
4. Contribution to Working Capital	0	0	0	0	0
5. Meetings	11,000	11,000	37,000	9,000	10,000
6. Office supplies, printing and translations	26,500	27,500	29,000	29,000	30,000
7. Communications	16,000	17,000	19,000	19,000	20,000
8. Headquarters Property	40,000	42,000	43,000	42,000	43,000
9. Office furniture & equipment	6,500	6,500	6,500	6,500	6,500
10. Audit & other expenses	11,000	11,500	12,000	12,000	13,000
11. Tag return incentive scheme	4,500	4,500	4,500	4,500	4,500
12. International Cooperative Research	0	0	0	0	0
13. Contribution to Contractual Obligation Fund	35,000	35,000	35,000	35,000	40,000
14. Contribution to Recruitment Fund	15,000	15,000	15,000	15,000	15,000
15. Contribution to IYS Fund	40,000	20,000	0	0	0
Total	641,400	635,800	652,500	647,000	665,000
Income					
16. Contributions of Contracting Parties	592,400	586,800	601,500	596,000	614,000
17. Interest Received on General Fund	1,000	1,000	1,000	1,000	1,000
18. Income from HQ property	48,000	48,000	50,000	50,000	50,000
Total	641,400	635,800	652,500	647,000	665,000

List of Papers

- FAC(17)1 Draft Agenda
- FAC(17)2 2016 Audited Accounts
- FAC(17)3 MoU with the OSPAR Commission
- FAC(17)4 2018 Draft Budget, 2019 Forecast Budget and Five-year (2018-2022) Budgeting Plan
- FAC(17)5 Agenda
- FAC(17)6 Draft Report of the Finance and Administration Committee
- FAC(17)7 Report of the Finance and Administration Committee