

FAC(20)11

Inter-sessional Correspondence for the Finance and Administration Committee

The Finance and Administration Committee's inter-sessional correspondence took place between 8 - 22 May. It is set out below, under the relevant Agenda item. If an Agenda item is not listed, no inter-sessional correspondence took place.

4. 2019 Audited Accounts

- 4.1 The representative of the United States noted the delay in receiving the final audited accounts from Saffrey Champness due to a bank delay. She expressed concern as the United States needs these documents for their records. The representative of the United States asked for an update on the current situation.
- 4.2 The Secretary replied that she had been informed by the auditors on 21 May, that the authorisation required by the bank was now in place and that the bank was 'arranging for the request to be looked into on priority for completion'. The auditors gave the bank a deadline of Monday 25 May.
- 4.3 The representative of Canada responded saying that he appreciated the updated information provided by the Secretariat and looked forward to receiving the audit financial statements when available.

5. Relationship with ICES

- 5.1 The representative of the United States noted that ICES is dealing with challenges due to Covid-19, which has delayed development of a revised MoU. She asked that, with regard to the process for revising the MoU during the 2020-21 intersessional period, that a draft be circulated to the Parties for review and comment as soon as it becomes available and well before the 2021 NASCO Annual Meeting.
- 5.2 The Secretary informed the representative of the United States that the revised MoU is reasonably close to the point that it can be distributed to the FAC for review and comment.
- 5.3 The representative of Canada stated that Canada supports extending the existing MoU by another year to allow for revision and renewal in 2021. He would appreciate receiving a draft for review and comment when it is available.

6. Consideration of the 2021 Draft Budget, Schedule of Contributions and Five-year Budgeting Plan

- 6.1 Overarching Comments: The representative of Norway noted that the draft Budget for 2021 indicates an increase from approximately £636,00 in 2020 to £748,000 in 2021 (18% increase). This is due largely to the inclusion of £97,500 for the third performance review. She stated that this is a significant increase and suggested the FAC might look for savings in the budget.
- 6.2 The representative of the United States also noted that the 2021 budget is significantly higher than anticipated due to the next performance review. The representative of the United States noted and appreciated concerns about this. She said that the performance review could be delayed and noted that if the Council could decide on this question, that would ease the work of the FAC in 2020.

- 6.3 The representative of the United States noted underspend in many budget lines in recent years, since expenses are unpredictable and suggested a comprehensive analysis of each budget line, to ensure the budget accurately reflects the current needs of the organization. She suggested that such analysis would benefit budget deliberations in 2021.
- 6.4 The representative of the United States also suggested that in future the budget might include information on the most recent actual expenditures in the narrative section together with the current and proposed budget figures.
- 6.5 The representative of Canada supported the U.S. suggestion for the Secretary to undertake, between now and the next Annual Meeting, a comparison of budgeted amounts and actual expenditures in recent years. He stated that Canada would welcome incorporation of the results into next year's budget, as well as a brief summary of the results of the exercise at the next FAC.
- 6.6 The representative of Canada also asked whether the Secretary expects any savings or increases on budgeted 2020 expenditures due to postponed or cancelled activities (especially travel), or lack of income on the property due to the Covid-19 pandemic. He noted that this might help inform discussions on other budgetary issues.
- 6.7 The representative of the European Union noted that with the exception of a significant increase related to the next performance review, the proposed budget only slightly increases compared to 2020. He also acknowledged the sound financial situation of the Organization.
- 6.8 The representative of Canada noted that NASCO seems to be financially healthy. He commented that the Board is again not budgeted to receive any funds from NASCO. He asked whether, given the importance of science-based activities to NASCO's success, this might be an opportunity to grant the Board some funding from the NASCO budgets.
- 6.9 Following these comments on the Board from Canada, the representative of Norway reminded the Parties about why the Board was set up outside NASCO (should not be financed through the NASCO budget). NASCO only provided 'seed corn' funding to start in the very early years of the Board and has not done so since.
- 6.10 Section 1.2 (Temporary and part-time support staff): The representative of Norway referred to the Section 1.2 (Temporary and part-time support staff) of FAC(20)05, highlighting a new element 'Ten days of consultancy costs, at £650 per day'. She asked what kind of support this refers to and the rationale behind it.
- 6.11 The Secretary explained that following the 2019 Annual Meeting, the NASCO President and Secretary discussed the effective functioning of NASCO. The Secretary was encouraged to seek assistance from sources with experience and knowledge of NASCO processes, which could include former employees of NASCO. The President and Secretary agreed that a way forward could be to work with the former NASCO Secretary. The President discussed with the former NASCO Secretary, Peter Hutchinson, the possibility of his being engaged by the Secretary via contract to serve as a consultant on selected areas of NASCO's work that the Secretary considered could benefit from his experience and knowledge. Dr Hutchinson had confirmed his willingness, in principle, to assist NASCO but it is unclear how much work there will be and when. A rate has yet to be agreed so the per diem rate of £650 per day was used in the budget.

- 6.12 Meetings: The representative of the European Union noted that it may be necessary to organise an inter-sessional meeting of the West Greenland Commission in 2021 to discuss regulatory measures. Other additional meetings in 2021 may also be needed. The representative of the European Union asked whether the £8,000 budgeted under cost heading 5.2 will cover such eventualities.
- 6.13 The Secretary responded is difficult to know exactly what will be needed in 2021 and presented a table to show the expenditure against the budget for the cost headings 2.2 (Official Travel and Subsistence) and 5.2 (Costs of other meetings) from 2017 to 2019. 5.2 showed an underspend in 2017 and 2018 and a slight overspend in 2019. There were other (IYS) meetings in 2019 funded directly from the IYS Fund.

		2020	2019	2018	2017
Official T&S	<i>Budget</i>	28000	25000	20000	20000
	Expenditure		20853	27457	14988
Other meetings	<i>Budget</i>	7750	7500	7000	7000
	Expenditure		7757	6124	5099

- 6.14 She explained that if a Party is willing to host a meeting, that would leave more money in the NASCO budget for other meetings. She also noted that there is the ability to transfer money between budget headings with the agreement of the President so money could be transferred from cost heading 2.2 to 5.2.
- 6.15 The representative of Canada supported the European Union's suggestion to have a contingency fund for inter-sessional meetings that may be necessary to support West Greenland Commission discussions, dealing with extraordinary situations such as the UK, or other additional meetings.
- 6.16 Section 10 (Audit and other expenses): The representative of Norway referred to Section 10 (Audit and other expenses) of FAC(20)05, '2021 Draft Budget, 2022 Forecast Budget and Five-Year (2021 – 2025) Budgeting Plan'. She said that there appeared to be little rationale for the budgeted figure of £97,500 for the performance review. She noted that for the last NASCO performance review in 2012, £50,000 was budgeted, but thought that a lesser sum was spent (although she did not have access to the 2012 audit). The representative of the Norway asked for information on the spend on the last performance review in 2012 and stated that the next performance review should not be much more than last time.
- 6.17 The Secretary replied that she would be happy to provide the information as soon as she is able to return safely to the office after the lockdown in Scotland is lifted. The electronic records only go back to the audit of the 2014 NASCO accounts; 2012 accounts are in a hard copy file.
- 6.18 The Secretary explained that the budget for the performance review in paper CNL(20)15 is a hypothetical budget for NASCO given a certain set of possibilities. It uses a per diem (£650) that reflects the figures paid to external reviewers over the last three years (in the region of £550 to £750 per day). The Secretary said that she had been assured by several independent reviewers that the acceptable per diem has increased significantly since 2012. The reviewer costs then reflect the number of external experts, and the total number of days they might be expected to be involved. These costs could be reduced if Parties felt less time would be needed for NASCO's performance review. The Secretary stated that other costs are for travel and subsistence, using current

estimates, for the external reviewers for one five-day meeting in Edinburgh. The flight component of those costs would vary depending on the reviewers' countries of origin. The final component for the budget is for the Chair to attend the NASCO Annual Meeting both prior to and after the performance review, as is best practice.

- 6.19 The representative of the European Union agreed with the representative of Norway that the proposed budget for the performance review could be reduced. He noted that this would be dependent on the type and scope of performance review and expressed the view that the moderate level of complexity of NASCO (single species and six Contracting Parties) should be reflected in the format of the performance review.
- 6.20 The representative of Norway stated that 2020 has been an extraordinary year, mostly due to the Covid-19 situation, and if the performance review were delayed until 2022 or 2023 its cost could be budgeted for over more than one year. This could involve setting up a performance review Special Fund as provided for under Financial Rule 6.1 and as was done for the IYS and Recruitment Funds. She stated that if a Performance Review Fund were set up in 2020 it could hold funds until the next performance review and allow smooth budgeting towards a further performance review in seven or eight years' time. The representative of the United States said she supported this idea and also agreed that the performance review could be delayed, noting that if the Council could decide on this question, that would ease the work of the FAC in 2020. The representative of the European Union agreed that Norway's proposal should be given full consideration. He noted the proposal to postpone the performance review and said this could provide some flexibility in starting such a fund.
- 6.21 The representative of the European Union proposed an alternative or a complement to Norway's proposal, to explore the possibility to use the Working Capital Fund to finance the next performance review. This would provide added flexibility.
- 6.22 The FAC may wish to note that as part of Council Agenda item 6(a) relating to the third performance review, the representative of the United States expressed concern that the agreement to postpone discussion on the performance review until the autumn could impact the ability to agree a budget. She said she supported at least a one-year delay in conducting the performance review, and that the decision should be agreed informally prior to the FAC meeting and agreed formally during the Council video conference.
- 6.23 The representative of the Norway suggested that any surplus in the IYS Fund be reattributed to the budget / Performance Review Special Fund in 2021 and that there might be a further contribution in the 2022 budget when there is a better idea of the scope and nature of the review. The representative of the United States expressed concern on this point. She noted that the IYS Fund was established as a Special Fund under Financial Rule 6.1, and that Special Funds are established for a specific purpose and separately held in accordance with Financial Rule 10.4. She stated that the IYS Fund includes voluntary contributions which need special consideration, as well as funds provided through NASCO's budgetary process. She recognised that the IYS Fund will need to be closed at some point but considered that funds in this account should be spent on IYS-related activities if at all possible. She said that if money remain in the IYS Fund after these activities had concluded, only then could other, non-IYS related uses be considered for the funds. The representative of the United States said that in order to do so, however, the FAC would need to review additional, detailed information about the income and expenditures related to the IYS Fund since its inception, including the status of the U.S. voluntary contribution.

- 6.24 The representative of the United States noted that when first looking at the budget on pages 9 and 10 of document FAC(20)05, it was not immediately apparent that the large increase in sections ‘10. Audit and other expenses’ and ‘10.3 Miscellaneous’, respectively, were for the performance review. She asked that a footnote be added that specifies the reason for the increase to ensure clarity in the final budget document for future delegates or others who may be using these tables. The Secretary agreed to do so, if Parties agreed.
- 6.25 The representative of Canada noted the helpful suggestions with respect to the performance review scheduled for 2021. He stated ‘*we understand the need to conduct this in 2021 as this project has already been delayed.*’ The representative reported that Canada is comfortable with the projected budget as an estimate that was based on experiences on similar projects. He also recognised that as planning for the performance review evolves the budget may be revised downwards.
- 6.26 The representative of Canada expressed support for establishing a separate fund for performance reviews and suggested the FAC should consider such an approach for extraordinary expenses for State of the Salmon reports as well. The representative of Canada suggested that the matter of the specific amount to budget for the performance review be discussed in the FAC video conference.
- 6.27 In a further response following comments from other Parties and the Secretary, the representative of Norway noted that in CNL(20)15 (‘Consideration of the Process for Arranging a Third Performance Review in 2021’, an item postponed to the September inter-sessional meeting of Council) a proposed budget is set up in Annex 3 (£97,500). Norway had earlier proposed to delay the performance review and, given that the format of the previous performance review can be built on, Norway suggests a total of £30,000-£35,000 to be included in the 2021 budget with appropriate adjustment made in the 2022 budget when the extent of the performance review has been determined and detailed costings have been provided by the Secretary.
- 6.28 Contribution to IYS Fund: The representative of Norway referred to the ‘Contribution to IYS Fund’ noting that 2019 was the International Year of the Salmon and this section of the budget was therefore set to zero. She noted that the Audit Report / Financial Statements Report shows an IYS budget surplus of £43,747 in 2019 and that CNL(20)22 states that ‘there is approximately £61,000 as a surplus in the IYS Fund’. She asked if there is a total surplus of approximately £61,000 in the IYS Fund? The Secretary replied that the figure in document CNL(20)22, i.e. a surplus of approximately £61,000, once the £25,000 ring-fenced for the concluding Symposium (as agreed by Council in 2018) is accounted for, is correct. This is based on the accounts up to the end of April 2020.
- 6.29 The representative of the Norway suggested that any surplus in the IYS fund is reattributed to the NASCO budget, thus easing the burden on Parties.
- 6.30 The representative of the European Union suggested that consideration should be given to using the surplus from the IYS fund for redeveloping the NASCO website. He stated that this would be consistent with the purpose of the fund and would deliver substantial benefits for the organization. The Secretary replied that the IYS fund is being used to redevelop the NASCO website. She reported that the new website is at an advanced stage and the Secretariat is running it off-line, in parallel with the current website during the Annual Meeting preparations, to test it internally.
- 6.31 The representative of Canada agreed with the United States that the IYS Fund should

be used for IYS-related activities where possible. He noted that Canada has already suggested that establishing or improving the appropriate data or information-base of metrics for future State of Salmon reports might be an appropriate use of such funds. He also suggested that the Board's Fund might be a beneficiary for IYS funds.

- 6.32 In a further response following comments from other Parties and the Secretary, the representative of Norway asked the Secretary if it was possible, before the FAC meeting, to provide a more detailed overview of what IYS activities the various contributions have been spent on and to clarify the extent of any remaining voluntary contributions in the IYS Fund surplus.
- 6.33 Suggestion to re-establish a Stabilisation Fund: The representative of Norway referred to her earlier suggestion of setting up a performance review Special Fund. She noted that Canada had suggested establishing a fund for future State of Salmon reports and the European Union said '*it might be necessary to organise an intersessional meeting of the WGC in 2021 in order to discuss regulatory measures. In addition, with the uncertainties related to the C-19 Pandemic, it might also be necessary to organise additional meetings in 2021 if some agenda items require discussions before the annual meeting*'. The representative of Norway suggested that an approach to all these suggestions might be to re-establish a Stabilisation Fund and build it specifically to cover peaks in budgets associated with performance reviews, State of Salmon reports etc. This could be built by budget contribution and year-end budget surpluses and possibly the IYS surplus. She said that if there is likely to be a budget surplus in 2020 then this Fund should be established and built by any year-end surplus. She referred to earlier comments from the representative of Canada who stated that there may be surpluses in 2020 because of reduced activity due to Covid-19. The representative of Norway suggested that any Stabilisation Fund could be limited to a ceiling of, for instance, £100,000 but initially it would be dedicated to the next performance review.
- 6.34 Budget Contributions: UK Projections: The representative of Norway noted the uncertainty surrounding the budget given the lack of clarity on the status of the UK within NASCO. She noted that if the UK joins NASCO part way through a financial year, Financial Rule 5.4 states that '*The contribution of a Party for which the Convention has entered into force during the course of a financial year shall, for that year, be a part of the annual contribution proportional to the number of complete months remaining in the year from the date of entry into force for that Party*'. The representative of Norway stated that if it is not possible for the Secretary to get a renewed guarantee from the UK Government on when the UK can formally be a NASCO member, NASCO should budget without the UK as a member, or have a mechanism in place to fill the gap if the UK does not join NASCO with effect from January 2021.
- 6.35 The representative of the United States agreed with Norway and requested that, until the United Kingdom formally accedes to the NASCO Convention, they are not included in official budget documents. However, she said it was helpful to consider how contributions may be affected if and when the United Kingdom joins NASCO, through informational documents.
- 6.36 The representative of the United States had a number of questions on the scenarios for contributions based on confirmed catches. First, she noted that the United States considered that catches for any given year must be attributed to whomever the Contracting Party to NASCO was at the time the catches were made, whether the catch data was provisional or confirmed. Consistent with this, the representative of the United

States said all UK catches should be included as part of the EU catches for every year in which the United Kingdom was represented by the European Union at NASCO - i.e. for the duration that the United Kingdom was an EU Member State as well as for the period that the withdrawal agreement is in effect. Therefore, the representative of the United States requested the following clarifications and changes to the tables on Page 12 of [FAC\(20\)05](#):

(1) removal of Scenario 1 as well as the reference to the UK on all three tables;

(2) for the first table (2020 budget contributions adjusted for confirmed catches), she asked the Secretary to verify the contribution levels reflected in scenario 2. If the confirmed UK catches are included in the EU catches as indicated in the footnote, it is not clear why the EU contribution would be lower under Scenario 2 than Scenario 1 and the contributions of most other parties higher.

(3) for Scenario 2 in the second table (budget contributions for 2021), the representative of the United States asked the Secretary to recalculate contributions based on including the 2019 UK provisional catches as part of EU catches; and

(4) for Scenario 2 in the third table (forecast budget contributions for 2022), the representative of the United States assumed whatever process was used to generate these figures did not contemplate inclusion of UK catches as part of the EU catches. Given that this budget will be based on 2020 catches, and 2020 is presumably the last year the EU will represent the UK in NASCO, the representative of the United States asked the Secretary to revise the table taking this situation into account.

- 6.37 The Secretary asked when the representative of the United States wanted to receive the revised tables. The representative of the United States replied that they would be usefully provided at least the day before the FAC video conference.
- 6.38 The representative of the European Union acknowledged that legitimate concerns were expressed by several Parties in relation to the potential impact of Brexit on the budget contributions in 2021. He noted that Article 16(2) of the Convention establishes the mechanism to calculate the contributions for each Party, and in the event that the UK would not be able to join NASCO in 2021, it was suggested that the 2019 catches from the UK should be counted as EU catches. He said that if, however, the UK joins NASCO in 2021, Article 16(5) would be relevant in calculating the contribution of the UK. The representative of the European Union noted that the UK had already expressed its interest in joining NASCO as soon as possible, and that the probability of the Parties' contributions being negatively impacted (i.e. increasing) by the departure of the UK from the EU remains low. He agreed that it is difficult to speculate on whether the UK will have departed the EU by 31 December 2020, or if the current Implementation Period will be extended.
- 6.39 The representative of the European Union had some reservations concerning the view that all UK catches should be included as part of the EU catches for every year for which the UK was represented by the EU. He said that this suggested that the UK's catches in 2019 and 2020 would be accounted for under the EU contribution, even in the event that the UK would be a member of NASCO starting in 2021. Instead, he said that the European Union believe that further discussions were required, in the context of the ongoing negotiations between the EU and the UK, to clarify aspects related to the participation of the UK to NASCO, and that until such exchanges take place it remains premature to make conclusions regarding how catches by the UK should be accounted for in terms of contributions to NASCO.

- 6.40 The Secretary informed Parties that the UK had yet to make a formal request to join NASCO. The UK's position has been laid out in document CNL(20)07, 'The Future Status of the UK Within NASCO' in the section entitled 'The UK wishes to Accede to the Convention'. Whilst NASCO has had no formal correspondence with the UK Government since February 2019, the Secretary has had informal discussions with UK Government officials. Officials indicate that the UK wishes to accede to the Convention.
- 6.41 The representative of Canada recognised that this remains an area of great uncertainty. He stated that at this point Canada accepts that the only scenario for which we would have strong confidence in the numbers would be if the UK is not a Party to NASCO in 2021. He suggested that developing more options or trying to refine existing options may be premature. He noted that this is another instance whereby in this extraordinary year, for multiple reasons, the Finance and Administration Committee and Council may need to discuss budget refinements between Annual Meetings.