



CCSBT-EC/0710/06

5. DRAFT BUDGET 2008

Purpose

To agree a budget for 2008 and note three suggested budget options

Discussion

The draft general budget for 2008 provides for total expenditure of \$1,607,320 compared to the revised 2007 budget of \$1,602,675 in 2007– a small increase of about \$5,000.

However, due to the increased expenditure predicted, a carried forward loss and since rollover funds are no longer available to subsidise budgets, the increase required for the proposed 2008 budgeted expenditure in Members contributions would be about 17%.

In preparing the draft budget the Secretariat has:

- planned for all meetings to be held in New Zealand
- assumed the one workshop recommended by the Extended Scientific Committee will be agreed
- has not assumed any Compliance Committee, ERS meetings or CCSBT Performance Review meetings or any other additional meetings
- applied a range of small price increases to expenditure items
- noted the significant recent increase in the Australian dollar exchange rate
- carried over the \$52,121 loss on the 2007 special budget
- noted there will be no special budget for tagging if the Extended Scientific Committee's recommendations are agreed
- noted the FAC recommended to CCSBT13 that the 2008 budget be increased 10%

2008 Budget options

There has been a trend in recent years for the Commission to fund overspends, additional meetings and the general increase in costs from its cash reserves thereby holding down annual increases in Members contributions. There has been a trend not to increase Members contributions to the full amount needed to cover additional expenses.

As a consequence, over the past 5 years the cash surplus position has declined.

2004 \$699,000

2005 \$505,000

down \$194,000

2006	\$342,000	down	\$162,000
2007	\$150,000 estimate	down	\$193,000

This trend will have the 2008 cash position \$0 at December 2008

This is a worrying trend for a range of reasons including the

1. increased movements in the exchange rate of the Australian dollar
2. tendency for some Members to pay slowly
3. costs of extra meetings and services not to be budgeted
4. accumulating staff long service benefits being unfunded
5. unfunded staff employment/separation costs

There is a serious and increasing risk of the Commission being insolvent.

As a consequence, the Secretariat proposed a range of 3 different 2008 budget strategies for consideration by the Commission.

Budget Options 1-3

Option 1

Approve budget as proposed (with adjustments as a consequence of decisions of CCSBT14)

This would essentially maintain the status quo and the Commission would operate with no significant reserves and no provision for accumulating staff liabilities.

This option will have the 2008 cash position approximately \$0 at December 2008 and \$0 provision for accumulating staff liabilities

Option 2

Approve budget as proposed (with adjustments as a consequence of decisions of CCSBT14) and agree to a one off additional special budget

The Commission could resolve to deal with the two issues of provision for accumulating staff liabilities and the lack of cash reserves by creating two new cash management or trust accounts.

It is suggested that the Commission could establish a Staff Liabilities Account and a Cash Reserve Account. These accounts could be reported on separately each year. The Staff Liabilities Account could be supplemented annually on normal accounting basis against accruing staff liabilities. Future budgets should report the extent of funded and unfunded staff liabilities.

Each account could be established with \$125,000 requiring a total one off payment of about \$250,000.

This could be achieved in 2008 through a one off special budget.

It is noted there will be no special budget for tagging if the Extended Scientific Committee's recommendations are agreed however a special budget may be recommended next year for a new SRP. If an amount equivalent to the full amount of the 2007 Special Budget was used in 2008 to cover the proposed increase of 17% in the 2008 draft budget there would be a balance of \$248,164.

A one off Special Budget for 2008 for Staff Liabilities Account and a Cash Reserve Account could have contributions as follows

Japan	\$89,985
Australia	\$80,080
New Zealand	\$20,090
Taiwan	\$29,005
Korea	\$29,005
Total	\$248,164

These funds could be split evenly between the Staff Liabilities Account and a Cash Reserve Account. For each Member, this would be achieved with no net increase on 2007 overall contributions if the amounts paid into the 2007 regular budget and the 2007 special budget were taken into account.

This option would be a prudent approach and have the 2008 cash position about \$100,000 at December 2008 and a \$125,000 provision for accumulating staff liabilities.

Option 3 Approve a decreased budget

This would potentially have the Commission potentially having to make significant cuts in operations, including staff, in 2008 and making no provision for accumulating staff liabilities.

This option will have the 2008 cash position about \$0 at December 2008 and \$0 provision for accumulating staff liabilities and an actual cut in Secretariat services.

Timing of financial reporting in 2007

On 5 March 2007 the Secretariat reengaged the CCSBT accountancy firm Nexis to complete the preparations of the 2006 Financial Statement and get sign off from ANOA, the CCSBT external auditor. The Secretariat had efficiently completed its work in early March and provided final documents to Nexis at that time.

However, there have been extensive delays in due to technical discussions between Nexis and ANOA concerning international accounting standards. The Commissions accountants Nexis declined to do new work from June and resigned as a consequence of the interactions with ANOA. It has proved difficult to resolve many issues include having the 2006 audit completed (28 September) and closing the 2006 books (in mid October).

A new accountancy firm is been engaged for Commission and they will takeover in November.

Given these the above, the consequential lack of accounting support, the challenges of the 2008 budget and that this has been the Executive Secretary's first year dealing with these matters, it has been regrettable that there have been delays in preparing the 2007 financial papers and reports.

Projected 2009 budget

A preliminary draft 2009 budget is presented with a 10% increase in contributions

Attachment A

Details of the revised 2007 budget, draft 2008 budget and projected 2009 budgets are shown in Attachment A.

For approval

Prepared by the Secretariat

Table 1: General Budget - 2008		CCSBT –EC/0710/06 Attachment A		
INCOME	<u>2009 Indicative</u>	<u>2008</u>	<u>Revised 2007</u>	<u>Variation</u>
<u>Contributions from members</u>	<u>1,768,052</u>	<u>1,607,320</u>	<u>1,378,200</u>	<u>229,120</u>
Japan	641,098	582,817	499,883	83,079
Australia	570,528	518,661	444,856	73,933
New Zealand	143,133	130,121	111,605	18,549
Korea	206,647	187,861	161,128	26,780
Fishing Entity of Taiwan	206,647	187,861	161,128	26,780
<u>Staff Assessment Levy</u>	<u>78,000</u>	<u>73,000</u>	<u>78,000</u>	<u>-5,000</u>
<u>Interest on investments</u>	<u>25,000</u>	<u>20,000</u>	<u>25,000</u>	<u>-93,171</u>
<u>Cash Reserve</u>	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>0</u>
<u>Special Contribution from Miyasaki</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>0</u>
TOTAL GROSS INCOME	1,871,052	1,700,320	1,601,600	-98,720
EXPENDITURE				
<u>ANNUAL MEETINGS - (CCSBT15)</u>		<u>141,720</u>	<u>180,600</u>	<u>38,880</u>
Interpretation Costs		29,100	34,400	5,300
Hire of venue		32,320	53,000	20,680
Hire of Equipment		19,800	32,200	12,400
Miscellaneous Costs (Inc. Sc Cte Chair attending Annual Meeting)		33,500	45,000	11,500
Publication and Translation		15,000	7,000	-8,000
Indonesian Participants costs		12,000	9,000	-3,000
<u>SPECIAL MEETING No special Meeting</u>		<u>0</u>	<u>0</u>	<u>0</u>
<u>13th SC & 9th SAG/MP Workshop</u>		<u>349,800</u>	<u>268,000</u>	<u>-81,800</u>
Interpretation Costs		44,415	42,000	-2,415
Hire of venue		46,185	24,000	-22,185
Hire of equipment		28,353	22,000	-6,353
Hire of Consultants - SAG Chair, SC Chair, Advisory Panel		239,600	160,000	-79,600
Miscellaneous Costs		12,600	12,000	-600
Publication and translation		15,000	7,000	-8,000

Indonesian participants costs	0	1,000	1,000
<u>SUB-COMMITTEE MEETINGS</u>	<u>86,000</u>	<u>150,000</u>	<u>64,000</u>
CPUE Workshop	86,000	45,000	-41,000
ERS	?	70,000	
CCWG	?	35,000	
CCSBT Performance review	?	0	
<u>SPECIAL PROJECTS</u>	<u>110,000</u>	<u>167,875</u>	<u>57,875</u>
Operating Model/Management Strategy Development	0	16,000	16,000
Tagging program coordination	110,000	102,000	-8,000
Surface tagging surplus/deficit		49,875	49,875
<u>SECRETARIAT COSTS</u>	<u>804,800</u>	<u>744,200</u>	<u>-60,600</u>
Secretariat Staff Costs	461,000	461,300	300
Staff Assessment Levy	73,000	78,000	5,000
Employer Super/Social security	87,000	55,100	-31,900
Worker's Compensation/ travel/contents Insurance	20,100	16,300	-3,800
Travel/transport - O/seas and domestic	102,700	95,000	-7,700
Miscellaneous Translation of Commission and Committee Repor	40,000	21,000	-19,000
Training	5,000	0	-5,000
home leave allowance, repatriation grant and removal costs	10,000	12,500	2,500
Other employment expense	6,000	5,000	-1,000
<u>OFFICE MANAGEMENT COSTS</u>	<u>115,000</u>	<u>92,000</u>	<u>-23,000</u>
Office lease	42,000	35,000	-7,000
Office costs	36,000	32,000	-4,000
Provision for new/replacement assets	16,000	10,000	-6,000
Telephone/communications	10,000	10,000	0
Miscellaneous	11,000	5,000	-6,000
TOTAL GROSS EXPENDITURE	1,607,320	1,602,675	-4,645

Table 2: Special Budget - 2007

INCOME

	2008	2007
<u>Contributions from members</u>		
Japan	0	191,963
Australia	0	170,832
New Zealand	0	42,858
Korea	0	61,876
Fishing Entity of Taiwan	0	61,876
Receipts from East Coast Program	0	0
Carryover	0	30,000
TOTAL GROSS INCOME		559,405

EXPENDITURE

Tag deployment/ Vessel charter	0	282,626
	0	328,900
TOTAL GROSS EXPENDITURE		611,526

Table 3: Annual comparison

	2007	2008 proposed	2008 proposed percentage increase	2007 special budget	2007 contribution plus special budget	2008 proposed percentage increase over 2007 contribution plus special budget

Japan	499,738	582,817	17	191,963	691,701	-16
Australia	444,728	518,661	17	170,832	615,560	-16
New Zealand	111,572	130,121	17	42,858	154,430	-16
Korea	161,081	187,861	17	61,876	222,957	-16
Fishing Entity of Taiwan	161,081	187,861	17	61,876	222,957	-16