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| Agenda Item | 7 - Accounts 2019-2020, budget 2021–2022 and other institutional and organisational matters of the Commission |
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| Submitted by | Executive Secretary |
| Reference | Financial Rule 2.3 and Outcome of HOD 59-2020, paragraph 7.4 |

Background

HOD 59-2020 considered the draft budget for the financial period from 1 July 2021 to 30 June 2022 and advised the Executive Secretary to submit it to HELCOM 42-2021 for official adoption (Outcome para 7.4). Further, the Meeting considered the draft income budget estimate for the financial period 1 July 2022 to 30 June 2023 and advised the Executive Secretary to submit it to HELCOM 42-2021 for further consideration (Outcome of HOD 59-2020 para 7.6).

Income (Attachment 1)

The income budget for the financial year 2021-2022 can be seen from the table in Attachment 1. The inflation increase included in the draft budget estimate (HELCOM 41-2020, document 7-5) is not contained in the proposal for the financial year 2021-2022, in order to take account of the budgetary constraints faced by the Contracting Parties due to COVID-19 pandemic and as requested by the HOD 59-2020 closed session.

Further, a draft income budget estimate for the financial year 2022-2023 is included in Attachment 1. Unlike the 2021-2022 budget, the draft budget estimate for the financial year 2022-2023 includes an inflation increase of 1,50 %, as previously agreed (Outcome of HOD 57-2019, para 5.9 and HELCOM 40-2019, paras 5.7 and 5.9). Moreover, final steps towards paying equal contributions in monetary terms are presented in the draft budget estimate for the financial year 2022-2023 as requested by HOD 59-2020 (Outcome para 7.5).

Expenditures (Attachment 2)

The expenditure budget for the financial year 2021-2022, included in Attachment 2, is further explained in detail in this document.

3-year budget development comparison (Attachment 3)

The attachment contains the budget development comparison for the years 2019-2020, 2020-2021 and 2021-2022. In the financial period 2021-2022, external funding through various projects is estimated to be on the same level as for the previous and current financial year, thus around 250.000 €. The actual figure will depend on project spending and payment schedules. More information about the individual HELCOM projects and projects with HELCOM and other partners' involvement can be found in document 8-2.

Action requested

The Meeting is invited to consider and adopt the budget for the financial period 1 July 2021 – 30 June 2022 and endorse the draft budget estimate for the financial period 1 July 2022 – 30 June 2023.

Expenditure budget for the financial year 2021-2022 (Attachment 2)

Compared to previous years, the biggest change in the expenditure budget is the proposed decrease in the Meeting and Travel budget chapters (Chapters 1 and 4). HOD 59-2020 endorsed the meeting plan, where part of the HELCOM working groups' and subgroups' physical meetings will be replaced with online meetings (Outcome of HOD 59-2020 and document 7-1 of HOD 59-2020). The changes in the meeting plan result in savings of about 56.000 € in the meeting and travel budgets for the financial year 2021-2022, representing 35 % of what those budget chapters have been in the past.

The savings in travel budgets for the year 2022-2023 are estimated to be even higher, partly because for the next financial year 2021-2022 a Ministerial Meeting and HELCOM meeting, which would normally be organized back-to-back, have been scheduled separately, generating costs that will not be incurred in the following budget year. Further, Meeting and Travel costs for the financial year 2021-2022 are retained at a moderate level, to ensure that the respective groups can resume physical meetings (albeit at a lower frequency) after travel restrictions are lifted. Still, the budget for Chapter 10 Meeting support is reduced to correspond the number of planned physical meetings.

Attachment 2 includes the proposals for the re-allocations of budget that in previous years was included in Chapters 1 Meetings and 4 Travel. The biggest change is within the Chapter 2 Salaries and Remunerations.

Chapter 2 Salaries and remunerations

Cost category 2 includes the salaries of the Secretariat staff, excluding project staff, as well as compulsory employer costs, remunerations identified in the staff rules, the insurances and occupational health care costs. With the exception of the actual salary costs, all costs in this chapter have increased over the years, leaving less and less room for the actual salaries. Therefore, a gap in the salary budget has developed over a longer period of time. Also, the periodic fluctuation among the Professional Staff members create costs in this chapter due to moving costs and relocation allowances to be paid. For the financial year 2021-2022 also these costs need to be included in the budget. Further, a slight increase budgeted in the occupational health care costs has also been projected for the year 2021-2022, to be prepared for the ongoing impact of the pandemic.

Moreover, the proposed budget for Chapter 2 includes two additional staff members. The staff members most urgently needed in the Secretariat are an additional Associate Professional Secretary (APS), who started in February 2021, and an Administrative Assistant employed for the current financial year and suggested to continue for the next year. Both these additional staff members are also included in the new modified budget for the current financial year 2020-2021. Even though the Secretariat sees a long-term need for these posts, the present proposal is to retain them until the end of the next financial year, i.e. 30 June 2022. It is proposed that the possible continuation of the employments is evaluated in HOD 60-2021 when the budget will next be discussed.

The pressing need for additional staff members at the Secretariat has been recognized well before the current budget year. Regarding the administrative staff, the resources at the Secretariat are extremely limited. The gap in the administrative personnel was further aggravated when a long-term staff member retired at the end of 2019. The administration of the Secretariat, including financial management, bookkeeping and travel management, as well as HR and general administrative tasks of the office, are conducted by only two staff members. The number of administrative staff has been continually decreased also in the past, while the overall workload of the Secretariat has increased, together with the number of Secretariat staff, directly affecting the amount of administrative work. Therefore, the workload within the administration has become overwhelming, leading to unsustainable situation and leaving no room for any development work that would be required for ensuring efficient processes and meeting modern requirements.

Furthermore, the HELCOM administrative tools have not been modernized during the last decades. This results in more manual work in the administration than customary in modern offices and incompatibility with other processes, a problem that has also been highlighted by the HELCOM auditor. For the last two years, there has therefore been the aim of modernizing the administrative systems and financial resources to execute the process have gradually been accumulated. However, the process of modernizing the tools is a

very laborious task and it is not possible to carry it through without additional staff in the administration. Furthermore, as new systems are needed not only for the financial management and bookkeeping, but also for travel management, HR and salaries, it is not possible to carry through all the needed processes within one budget year without compromising the everyday operations of the Secretariat. Therefore, the additional administrative post is also needed for enabling the execution of urgently needed modernization plans of the Secretariat administrative systems.

The General Service staff (G-staff) are a key component of the operational capacity of the HELCOM Secretariat both with regard to internal Secretariat functionalities and Secretariat-Contracting Party interaction. The Associate Professional Secretaries (APS) are a significant contingent within this group. The APS are assigned to one or more of the Professional Secretaries to directly support the preparation and execution of Working Group meetings, and via the same process manage the relevant Expert Groups. They thus support good progress for the Contracting Parties as well as facilitate vital coordination tasks (e.g. management of contact lists via Sharepoint registrations and internal Secretariat planning and organisation). In addition, the APS staff often act as contact points within HELCOM-led projects, external projects and in other relevant regional or broader processes (e.g. links to other Regional Sea Conventions or EU level Task Groups). Thus, the APS are key to the practical running of the Secretariat, to the support of Contracting Parties and meetings, and they transfer information and knowledge between the Expert Groups and, via the Professional Secretaries, to the Contracting Parties and Working Groups. Moreover, the APS represent a key element of institutional memory within the Secretariat, in particular, though not solely, on technical and practical issues. They are, therefore, vital to meeting the informational needs of the Secretariat (e.g. in connection with the periodic staff changes at the Professional and Executive levels) and Contracting Parties, as they emerge.

While the internal Secretariat structure has not significantly changed over time, the nature and volume of the work, as well as the structures established to carry out the vital functions of HELCOM have evolved greatly. The altered systems have formalised the work within HELCOM, supported robust networks and information flow across the region and provided strong outcomes. However, in order to provide optimal support for the Contracting Parties and better manage the system there is a need for the Secretariat to adapt internally to the structural changes that HELCOM has undergone over the years. For example, between 2013 and 2020 there has been a significant increase in the number of Groups within the HELCOM structure, in particular concerning Expert Groups, the number of which has increased from 10 to 37 in that period. While these figures do not take account of all relevant aspects since, for example, some projects are not included as they are currently between phases and does not reflect peaks in activity such as those to be expected during processes such as BSAP update, HOLAS or the Maritime Assessment, they do provide an insight into the structural changes that have been undertaken to allow HELCOM to deliver the outcomes the Contracting Parties expect it to deliver.

Previously, the Secretariat maintained its functionality and adapted to the changing workload by assigning additional tasks to existing staff with an interest or expertise in certain themes. Existing staff has also commonly taken on roles with the coordination of external or HELCOM projects in addition to their core tasks. It has become increasingly clear, however, that there are limits to what can be achieved with this stopgap approach, which is not sustainable in the long term. There are clear risks to this strategy in that staff are becoming overburdened. Quite apart from the detrimental effect on the health and wellbeing of staff members, which is a source of increasing concern, this overload can also have a negative impact on the potential outcomes of Secretariat work.

Thus, there are significant benefits to be gained by increasing the number of Associate Professional Secretaries and administrative staff within the Secretariat. This would support a rationalisation of tasks, ensure improved coordination (internal and external), enable a more balanced workload and thereby ensure good input to all processes, and build a more viable and longer-term institutional memory. All of these factors

would contribute to maintaining and potentially further enhancing the quality of services delivered by the Secretariat, for the benefit of both the Organization as a whole and its Contracting Parties.

Other budget chapters

The proposed allocations for Chapters 3 Data handling and consultant services and 11 Projects are based on requests from the HELCOM Groups, on existing contracts and on decisions by the Heads of Delegation. In Chapter 11.17 (Other projects) the sum of 30.298 € is not related to any specific contract. The budget chapter is reserved for any project need presented at a later stage and not included in this budget. However, there are also some project applications from external funding instruments currently pending and if some of them are not granted, this budget chapter can be used to partly facilitate the processes that were intended to be funded by those projects, i.e. HOLAS III.

Further, Chapter 11.15 Integrated information system includes the budget for the needed updates in the HELCOM information, communication and management systems. The modernization and updating processes are extensive and therefore extend over several financial years. The sum for the year 2021-2022 (40.000 €) is mainly targeted to cover partly the modernization of HELCOM administrative tools, including the bookkeeping system, where the need is also recognized by the auditor.

The budget Chapters 5 Communications, 6 Rent and maintenance of the office and 8 Material and Equipment are covered from the Finnish Headquarters' (HQ) contribution. Chapter 7 Publications and information activities includes inter alia the communication costs needed for the Ministerial Meeting. Also, the chapter includes the ICT costs that are not covered by the Finnish HQ contribution. Those are for example the service costs for the Meeting Portal support.

The budget of the present financial year and some additional information regarding budgetary allocations for data handling and consultant services (Chapter 3) and for projects (Chapter 11) under the HELCOM umbrella are also included in the table for ease of reference.

ATTACHMENT 1

Income Budget for the financial period 1 July 2021 - 30 June 2022 (EUR) and draft budget estimate for the financial year 2022-2023 (EUR)

| | 2020-2021 <i>Current Budget year</i> | 2021-2022 | 2022-2023 <i>Draft budget estimate</i> |
|---------------------------------------|--|------------------|--|
| | | | 1,50 % |
| 1. HQ contribution by Finland | 322 000 | 322 000 | 322 000 |
| 2. Contributions by CPs | | | |
| 2.1 Denmark | 190 114 | 190 114 | 192 966 |
| 2.2 Estonia | 184 577 | 184 577 | 192 966 |
| 2.3 European Union | 51 309 | 51 309 | 52 079 |
| 2.4 Finland | 190 114 | 190 114 | 192 966 |
| 2.5 Germany | 190 114 | 190 114 | 192 966 |
| 2.6 Latvia | 184 577 | 190 114 | 192 966 |
| 2.7 Lithuania | 184 577 | 190 114 | 192 966 |
| 2.8 Poland | 190 114 | 190 114 | 192 966 |
| 2.9 Russia | 190 114 | 190 114 | 192 966 |
| 2.10 Sweden | 190 114 | 190 114 | 192 966 |
| 3. Interest and other income | 0 | 0 | 0 |
| 4. Transfer from Working Capital Fund | 0 | 0 | 0 |
| 5. Other contributions | 0 | 0 | 0 |
| TOTAL INCOME | 2 067 724 | 2 078 798 | 2 110 770 |

Expenditure Budget for 2021-2022 (EUR)

ATTACHMENT 2

| | | <i>Modified budget for 2020-2021</i> | | <i>2021-2022 draft</i> | | Remarks |
|---|---|--------------------------------------|---------------------|------------------------|---------------------|---|
| 1. | Meeting Expenses | | 10 000,00 | | 85 000,00 | Meeting costs according to the new meeting plan (submitted to this meeting) |
| 2. | Salaries and remunerations | | 1 077 000,00 | | 1 110 000,00 | Chapter includes salaries, remunerations, employer costs, occupational health care and insurances. |
| 3. | Data handling and consultant services | | 156 800,00 | | 150 000,00 | |
| | 3.1/1 COMBINE database | 65 000,00 | | 65 000,00 | | Contract valid for 2020-2022 |
| | 3.1/5 PLC WATER | 24 000,00 | | 24 000,00 | | Database hosting, contract valid for 2020-2021 |
| | 3.2/2 EMEP Centers (PLC AIR) | 53 000,00 | | 53 000,00 | | New contract for 2020-2023 under preparation. |
| | 3.3 Cooperation with ICES and other expertise | 14 800,00 | | 8 000,00 | | Maintenance of HELCOM-OSPAR Impulsive noise registry and HELCOM Continuous noise database and soundscape tool (HELCOM 40-2019, para 3.40). |
| 4. | Travels | | 5 000,00 | | 20 000,00 | Travel costs cut due to emphasis on attending meetings online when possible |
| 5. | Communications *) | | 77 000,00 | | 74 000,00 | |
| 6. | Rent and maintenance of the Office *) | | 188 000,00 | | 190 000,00 | |
| 7. | Publications and information activities | | 90 000,00 | | 85 000,00 | |
| 8. | Material and equipment *) | | 57 000,00 | | 58 000,00 | |
| 9. | Miscellaneous | | 31 000,00 | | 31 000,00 | Replenishment of WCF not needed as the limit was reached during 2019-2020. |
| | Other miscellaneous | 22 000,00 | | 22 000,00 | | |
| | Replenishment of WCF | 0,00 | | 0,00 | | |
| | Negative bank interest and bank charges | 9 000,00 | | 9 000,00 | | |
| 10. | Meeting support | | 500,00 | | 4 000,00 | Meeting support in line with the cut of physical meetings |
| 11. | Projects | | 375 424,00 | | 275 798,00 | Projects detailed below |
| | 11.15 Integrated information system | 50 000,00 | | 40 000,00 | | systems. Modernizing of HELCOM administrative tools (including bookkeeping system) and 2020-2021 finishing the update of HELCOM external website, also preparing for Meeting Portal update (i.e. creating a better user management system). |
| | 11.17 Other projects | 17 000,00 | | 30 298,00 | | non-earmarked funds for new projects/additional needs. Several EU project applications pending, if not granted additional HOLAS III requirements. |
| | 11.49 HELCOM PEG QA II | 6 160,00 | | 0,00 | | HOD 55-2018, para 4.59 (total 16.480 €, 2020-2022). For 2021-2022 the project will use the budget that was unused previously due to travels not taking place. |
| | 11.50 HELCOM FISH PRO II and III | 5 500,00 | | 5 500,00 | | HOD 53-2017 approved continuation 2018-2023, total budget 27.500 € (para 3.58). |
| | 11.55 HELCOM CORE INDICATORS AND DATA UPDATE WORK | 50 000,00 | | 50 000,00 | | HOD 48-2015, para 3.64; HOD 51-2016; HOD 54-2018 approved the project until 2021 (para 4.25). |
| | 11.56 HELCOM PLC 7 and PLC 8 | 58 764,00 | | 50 000,00 | | HOD 51-2016, para 6.79 (total 300,000 € until 2021) for PLC-7 and HELCOM 41-2020 para 5.12 for PLC-8. Yearly budgets according to the approved project budget. |
| | 11.58 BSAP UP | 43 000,00 | | 0,00 | | HOD 55-2019, document 3-1: 70.000 € for BSAP UP project Manager, including 50.000 € from HELCOM budget for the financial year 2019-2020 and 35.000 € (+tentatively 20.000 €) for 2020-2021. |
| | 11.59 PLC Annual | 47 000,00 | | 47 000,00 | | Project earlier included in Chapter 3.1/5. |
| | HOLAS III: HELCOM data flow | 47 000,00 | | 24 000,00 | | HOD 57-2019 (paras 4.52-4.57) approved the project for 2020-2022. |
| | HOLAS III: Methodology development (Metdev) | 51 000,00 | | 29 000,00 | | Project application submitted to HOD 59-2020 |
| | TOTAL | | 2 067 724,00 | | 2 078 798,00 | |
| *) Paid from the Finnish Headquarter contribution | | | | | | |

ATTACHMENT 3

3-year budget development comparison (EUR)

| INCOME | 2021-2022 | 2020-2021 | 2019-2020 | |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Draft budget | Budget | Budget | Actual |
| 1. HQ contribution by Finland | 322 000,00 | 322 000,00 | 292 000,00 | 292 000,00 |
| 2. Contributions by CPs | | | | |
| 2.1 Denmark | 190 114,00 | 190 114,00 | 184 577,00 | 184 577,00 |
| 2.2 Estonia | 184 577,00 | 184 577,00 | 184 577,00 | 184 577,00 |
| 2.3 European Union | 51 309,00 | 51 309,00 | 49 815,00 | 49 815,00 |
| 2.4 Finland | 190 114,00 | 190 114,00 | 184 577,00 | 184 577,00 |
| 2.5 Germany | 190 114,00 | 190 114,00 | 184 577,00 | 184 577,00 |
| 2.6 Latvia | 190 114,00 | 184 577,00 | 179 377,00 | 179 377,00 |
| 2.7 Lithuania | 190 114,00 | 184 577,00 | 179 377,00 | 179 377,00 |
| 2.8 Poland | 190 114,00 | 190 114,00 | 184 577,00 | 184 577,00 |
| 2.9 Russia | 190 114,00 | 190 114,00 | 184 577,00 | 184 577,00 |
| 2.10 Sweden | 190 114,00 | 190 114,00 | 184 577,00 | 184 577,00 |
| 2.11 Special contributions | 0,00 | 0,00 | 0,00 | 76 674,58 |
| 3. Interest and other income | 0,00 | 0,00 | 0,00 | 0,00 |
| 4. Transfer from Working Capital Fund | 0,00 | 0,00 | 0,00 | 0,00 |
| 5. Other contributions | 0,00 | 0,00 | 0,00 | 243 363,59 |
| Total income | 2 078 798,00 | 2 067 724,00 | 1 992 608,00 | 2 312 646,17 |

| EXPENDITURE | 2021-2022 | 2020-2021 | 2019-2020 | |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Draft budget | New Budget | Budget | Actual |
| 1. Meeting Expenses | 85 000,00 | 10 000,00 | 113 000,00 | 85 028,94 |
| 2. Salaries | 1 110 000,00 | 1 077 000,00 | 999 000,00 | 1 002 548,02 |
| 3. Data handling/consultant services | 150 000,00 | 156 800,00 | 153 000,00 | 153 000,00 |
| 4. Travels | 20 000,00 | 5 000,00 | 43 000,00 | 16 904,47 |
| 5. Communications | 74 000,00 | 77 000,00 | 63 000,00 | 62 744,82 |
| 6. Rent and maintenance | 190 000,00 | 188 000,00 | 180 000,00 | 179 723,19 |
| 7. Publications & other info material | 85 000,00 | 90 000,00 | 80 000,00 | 38 609,20 |
| 8. Material and equipment | 58 000,00 | 57 000,00 | 49 000,00 | 68 163,26 |
| 9. Miscellaneous | 31 000,00 | 31 000,00 | 26 000,00 | 13 659,59 |
| 10. Meeting support | 0,00 | 500,00 | 8 000,00 | 3 192,34 |
| 11. Projects | 275 798,00 | 375 424,00 | 278 608,00 | 600 112,23 |
| 12. Advances | | | | |
| Total expenditure | 2 078 798,00 | 2 067 724,00 | 1 992 608,00 | 2 223 686,06 |