

Appendix H

FINANCIAL STATEMENT

Financial year 2002/03 saw the start of the planned reduction in PPARC funding as a consequence of the UK's membership of the European Southern Observatory. The budget reductions, which were to be phased in over a 4 year period from 2002/03 to 2005/06, reflected the programme strategies for the observatory set out in ING's Restructuring Plan of September 2001. However, the budget reductions from the UK were compensated for in part through a new collaboration with Spain by which the IAC would provide resources in the form of 6 staff years of effort per annum in exchange for an increase in the observing time available to the Spanish astronomy community. The approved funding for ING's Joint Programme during financial year 2002/03 provided a total requisitions budget of €3641k, including a carry-forward from the previous year and income generated under the EU's Access Programme. However, a decision was taken early in the year to introduce economies so that approximately €500k could be "banked" with PPARC and carried forward to future years in order to help offset the effects of the budgetary reductions in 2005 and thereafter. The resulting allocations and associated expenditure are set out below under the main budget headings (staff costs associated with the international posts at ING are excluded).

| Budget centre | Alloc. FY 2002/03 €k | Exp. FY 2002/03 €k |
|---------------------------------------|----------------------|--------------------|
| Operations | | |
| Administration and management | 70.0 | 67.8 |
| Astronomy support | 90.0 | 87.2 |
| Conferences | 69.0 | 47.4 |
| Engineering support | 494.0 | 502.1 |
| Local staff | 943.3 | 929.4 |
| ORM operations | 602.0 | 587.9 |
| Sea-level infrastructure and services | 225.0 | 240.0 |
| Students | 40.0 | 20.5 |
| SUBTOTAL | 2533.3 | 2482.3 |
| Enhancements | 730.0 | 489.7 |
| TOTAL | 3263.3 | 2972.0 |

Financial year 2003/04 saw a continuation in the reduction of the UK's contribution to ING operations but the financial situation of the observatory received a significant financial boost when it was agreed that the IAC would in future provide its contribution in the form of cash rather than the 6 staff years of effort previously agreed. This not only provided ING with greater flexibility in how to manage its resources but financially it also meant that the observatory received the overhead costs associated with the 6 posts. Agreement to this change was reached well into the financial year in question so that funding was received only for the final quarter of the year. Including this additional contribution from the IAC, together with the carry-forward from the previous year and further EU funding, the total approved requisitions budget was €3223.8k. This was distributed between the various budget headings as set out below. Again, a contingency sum was held back to be carried forward to future years to help offset the significant step-down in PPARC's contribution that will occur in 2005/06. The resulting allocations and associated expenditure are set out below under the main budget headings (staff costs associated with the international posts at ING are excluded).

| Budget centre | Alloc. FY 2003/04 €k | Exp. FY 2003/04 €k |
|---------------------------------------|----------------------|--------------------|
| Operations | | |
| Administration and management | 65.1 | 63.9 |
| Astronomy support | 87.0 | 77.8 |
| Conferences | 15.1 | 19.4 |
| Engineering support | 438.6 | 425.7 |
| Local staff | 888.6 | 908.4 |
| ORM operations | 589.8 | 581.9 |
| Sea-level infrastructure and services | 259.9 | 283.1 |
| Students | 21.1 | 22.1 |
| SUBTOTAL | 2365.1 | 2382.3 |
| Enhancements | 752.8 | 552.3 |
| TOTAL | 3117.9 | 2934.6 |