

For the RRB to take note

Refund of Surplus M&O Category A Contributions

The M&O Scrutiny Group, in its report to the October 2005 RRB meetings, made the following proposal regarding the refund of surpluses in the M&O Category A accounts: **“The SG recommends that any surplus, defined as the difference between the budgeted and the actual expenditures, incurred in year N is entered as an initial income in the preliminary budget of year N+2.”** This document describes for the information of the RRBs the manner in which the Scrutiny Group’s recommendation will be implemented.

The implementation of the apparently simple rule for surpluses recommended by the SG is complicated by the equally likely occurrence of shortfalls. These may arise through any combination of (a) underestimation of routine M&O needs, (b) unexpected events that require M&O spending and (c) the presence of Funding Agencies that at best pay only part of their calculated contributions - “under-payers”. Despite the more or less stringent rule-making presently being progressively implemented by the Collaborations, it is likely that we will always have to live in the (at least temporary) presence of such under-payers, which can by themselves reduce a surplus or even turn it into a shortfall. Thus the issue of shortfalls (including those due to under-payers) cannot be separated from that of surpluses. The surplus that can be refunded is not the difference “between the budgeted and actual expenditures” but rather between the contributions received and the actual expenditure. Furthermore, in order to cushion the Collaborations somewhat against under-payers and unexpected events, they will be allowed a 10% float, i.e. the amount refunded will be the difference between the contributions received and 110% of the actual expenditure.

Definitions:

- a – a given funding agency
- I_a – Share of M&O Cat. A for agency a , calculated according to the sharing formula for year N and invoiced at the start of year N . $I = \sum I_a$ is the total M&O Cat. A budget for year N approved by the RRB in the autumn of year $N-1$.
- C_a – Actual contribution received from agency a for year N . $C = \sum C_a$ is the total M&O Cat. A contribution received for year N .
- E_a – Share of the actual year N M&O Cat. A expenditure for agency a , calculated according to the sharing formula for year N . $E = \sum E_a$ is the total actual M&O Cat. A expenditure for year N .
- S – Surplus for year N , calculated at the end of year $N+1$. $S = C - 1.1 * E$
- g – A funding agency that qualifies for a share of S , i.e. for which $C_g > E_g$ at the end of year $N+1$.

Procedure:

1. Shortfalls: During year N , CERN may be expected to allow the M&O Cat. A account to be overdrawn up to the limit of the contributions for year N that have not yet been received. Additional overdrafts may be negotiated between the Collaboration management and CERN on a case-by-case basis. Any such overdraft will give rise to indexation of the contributions due. A proportional share of the amount corresponding to this index is added to the I_a for year $N+1$ of each funding agency a that rendered the overdraft necessary. The overall funding request for year $N+1$ may also be increased to cover any necessary M&O that exceeded the authorised budget I in year N and was deferred or covered by an overdraft. Note that in contrast to the one year delay for refunds, there is no delay in requesting the missing amounts. In as much as the shortfall was due to under-payers who later pay, any surplus which then results will become due for refund in year $N+2$. For the parts of the shortfall that were due to underestimation (i.e. when components of $I < E$) or unexpected events, the agreement of the RRB to the additional cost must be sought at the latest at the spring meeting of year $N+1$.
2. All agencies with $C_a < I_a$ for the year N are under-payers and efforts must continue through year $N+1$ to recover the missing amount $I_a - C_a$ from them, taking care to distinguish such late payments from the payments being made for year $N+1$.
3. If S is positive at the end of year $N+1$, it is credited proportionally as an initial contribution for year $N+2$ to each of the qualifying funding agencies, i.e., for a given qualifying funding agency g , $S_g = S * (C_g - E_g) / \sum (C_g - E_g)$, where the sum is over the qualifying agencies. Efforts must naturally continue in subsequent years to recover any remaining amounts due from under-payers in order to reimburse the others.

With this procedure, unless the under-payers finally pay their share of E , either the good-payers sooner or later pick up the missing amount or some of the M&O is not done. The pressure on the under-payers comes from the threat of sanctions by the Collaboration but in the end, if they continue to fail to pay and are excluded, there is no way to avoid the corresponding M&O burden passing to the rest of the Collaboration.