

Research Staff Collegium
Thursday, 24 October 2024

In the canteen

Note taker: Nadine Andersen

Agenda

1. SIPRI Finances

- Kristina provided a complete financial overview; the PowerPoint will be circulated.
- The forecasts remain the same as those shared a few weeks ago. However, there are still many uncertainties, as financial forecasts are not always possible due to processing delays. Currently, we have a forecasted deficit of -10.7 million for 2024. A potential philanthropic grant is still being negotiated, but it is too uncertain to be included in current calculations.
- Regarding costs, these might be overestimated:
 - The figures include a 3% average raise in salaries, whereas the management has stated that it would prefer that most salaries are not increased. This is being discussed with and by the unions, so the forecast remains unchanged.
 - Administrative costs may be lower, depending on the outcome of upcoming landlord negotiations. A potential "rent holiday" (not paying rent for the final quarter of 2024) could defer payments.
- Auditors suggested classifying our databases as immaterial assets, which could reduce costs for 2024 and strengthen the balance sheet. This would be a positive development, as it would make the balance sheet more attractive to the bank.
- Liquidity problems may arise in January and February, potentially requiring short-term bank credit. Negotiations with the bank are ongoing. One problem for SIPRI is that a large percentage of most project grants arrive only after the work has been completed. Getting as much payment in advance as possible is extremely important. Liquidity will be closely monitored.
- There has been no indication of cuts regarding the strategic grant, but no increase is expected either. Updates on the strategic grant are expected by December based on meetings. The Peace and Development Forum is one of the activities covered by the strategic grant and a major justification for it being approved. Sida and FBA have both expressed agreement in principle to support the Forum's preparation. This will reduce SIPRI's spending on the Forum to an estimated 1.5 -2 million.
- Concerns and questions that arose:
 - Concerns were raised about SIPRI's reserves and the strategy for building them. Auditors stated in 2014-2016 that reserves were insufficient. They have been built up since and, though they can be rebuilt, that is a slow

process. Building up reserves requires careful financial planning, with small, gradual increases of 2.5-3% per year. It's important to note that project money cannot be allocated to reserves, while overhead and consultancy surpluses can be used more flexibly. Nothing prevents SIPRI from using reserves, but the board emphasised that any use of reserves must be done responsibly. It's vital to have a detailed plan for replenishing them after any drawdown to avoid future vulnerability.

- The outcome of ongoing landlord negotiations could lead to rent reductions. The concept of a "rent holiday" (deferring payments) was discussed, but this would increase costs later, potentially creating a financial burden.
- Some staff asked how interest rates for a line of credit would be managed, as overhead wouldn't cover them. The line of credit is intended to address short-term liquidity needs, but there were concerns about whether this would ultimately raise future costs. The finance team clarified that the credit is a fixed fee and is meant to provide temporary relief for upcoming expenses but would only be pursued if absolutely necessary.
- Questions arose about moving the database costs to the balance sheet as an asset. Attendees wanted to know how this would impact SIPRI's finances, mainly if adding it to the balance sheet would mean extra liabilities. The response clarified that this would defer costs and treat the database as an investment. However, the details of how this would be done are still under review, and further discussions with auditors will be necessary.
- The proposed salary freeze remains a contentious issue. Initial meetings with unions have been held, and more discussions are scheduled. While the freeze could save 600,000 this year, staff have expressed concerns about pay stagnation and its long-term impact.
- Several staff members expressed frustration over the problems in moving forward with planning, as this depends on the outcome of the strategic grant. For those in charge of fundraising and planning, it is challenging to accurately plan the budget for 2025 and know how much time/effort to dedicate to different tasks.
- If reserves are needed to cover the deficit, the board has clarified that this must be done with a plan to rebuild them. While SIPRI is classified as an "other foundation," meaning it can use its reserves, doing so without a solid recovery strategy would risk future financial stability.
- Some attendees suggested exploring smaller donation options (like PayPal or credit card donations). SIPRI is currently working on adding these options to its website, which could allow public donations to help support the organisation.
- The group questioned what specifically caused the current financial shortfall. Management explained that several factors contributed, including lower revenue than expected, increased costs for rent and

utilities, and the decision to increase salaries by 8-10 per cent, which now looks like a strategic miscalculation.

- It was confirmed that SIPRI's auditors are well-versed in these matters, and there is no plan to seek further external advice now. The auditors will continue to play a central role in guiding SIPRI's financial reporting.
- Board members have been informed of the situation, but not everyone has responded.

Summary: The financial situation has remained unchanged since the last update, with a projected deficit of -10.7 million and upcoming liquidity challenges. Negotiations are ongoing on all fronts, including a potential rent holiday, short-term bank credit, and information on the core grant. There is also a salary freeze proposal that unions are discussing. Preparation of the 2025 budget is continuing.

2. Selection of the next SIPRI Director

- SIPRI has received around 60 applicants, 17 of whom have relevant backgrounds. The board has recommended 7 for the first round of interviews at the end of October and the beginning of November. Four are women, and three are men from diverse backgrounds and nationalities.
- Staff and the board will remain informed at every step of the process.
- After the online interviews, three candidates will be interviewed for an in-person interview on December 17th and 18th. On the 19th of December, staff will be able to meet with the three candidates. There will be two rounds of meetings with staff: 1) One for a presentation and Q&A and 2) a smaller meeting with representatives of the unions and the RSC.
- In January, the board will convene to discuss and decide who to select based on the interviews. The staff observer will be involved in that discussion.
- Concerns and questions: If no suitable candidates are found, a re-advertisement is possible, but so far, the cohort looks very good. Due diligence and thorough checks of references are still requested. The candidates will be informed of the financial situation, as the salary for the new Director will also have to be aligned with SIPRI's financial reality. Further, SIPRI staff asked for a hybrid presentation on December 19th, as many will be travelling.
- The current staff representative might not be available. However, SIPRI staff should resolve this. If interested, please contact your union representative or someone from the corporation group.

Summary: Out of 60 applicants, seven have been shortlisted for interviews, with three final candidates to be interviewed in person on 17-18 December. Staff will meet the candidates on 19 December, and the board will make a final decision in January.

3. AOB

- Timo will be available in the kitchen daily from Friday, October 25, to Wednesday, October 30, at 12:30 to answer questions regarding the observer role in selecting the next SIPRI Director.