



## **MINUTES**

### **ACS SECRETARIAT MEETING OF 29 NOVEMBER 2022 – 10.00-11:00**

**Participants:** Advisory Councils' Secretariats with the exception of CC SUD (occupied in other meetings); DG MARE D3 (CFP and structural support development and coordination) and E1 (Financial Unit).

#### **1. Opening remarks**

Eoin Mac Aoidh (EMA), Chair of the meeting, presented the D3 team members and introduced the purpose of the meeting. This meeting is a follow-up of the topic of Financial Matters presented at the Inter-AC meeting of 17 November 2022.

#### **2. Presentation on financial questions and Q&A**

Concerning treatment of lump sum surpluses, MARE.E1 explained that nothing changed since the detailed presentation of 25 February 2022. Concerns raised at the end of the Inter-ACs meeting were due to confusion and misunderstanding, which could not be clarified by DG MARE due to time constraints and technical issues with remote connections and interpretation at the end of the Inter-AC meeting.

MARE.E1 reminded that COM understands surpluses as differences between the lump sums and the actual eligible costs incurred.

In case of surpluses, there are two options:

- (1) to build a reserve for future litigations, indemnities, unforeseen or not eligible costs etc., or
- (2) to declare it as the AC's own resources and incorporate in the following year's budget request, which would lead to decrease of the lump sum awarded to the AC for the following financial year.

In a previous presentation, it was mentioned that "*such surpluses may be communicated to the COM*". MARE.E1 clarified that this is not mandatory and that this should only be done if the AC wishes to declare the surplus as own resources. The AC should also bear in mind and respect the national tax provisions as regards the no-profit requirements that are applicable for the types of legal entity under which each AC is registered.

The lump sum is awarded on a yearly basis. The AC should submit a new application, including a budget estimate, for the second year's grant and for each subsequent financial year. If conditions have not changed, it is not needed to adapt the figures included in the budget estimate. Annual submission of an application for a lump sum is required, as the Framework Partnerships Agreements, which cover 4 years, do not mention any amounts. If it is assumed that ACs' activities will remain stable for 4 years, the annual lump sum amount should remain the same for the 4 years' period. However, if ACs' activities change for the second year and/or subsequent years, lump sum estimation can be adjusted.

Afterwards, the floor was opened for Q&A:

- NWWAC requested additional clarity on the possibility vs. the obligation to declare the surplus and asked about any methodology that can be consulted in case of a surplus. MARE.E1 confirmed that there is no obligation to declare the surplus as COM can't recover the surplus. MARE.E1 informed that new guidelines for lump sum grants to ACs are currently in the process of being updated where such rules will be disclosed. It also confirmed that actually incurred expenditure does not have to be declared by the ACs to COM.
- AAC asked if the lump sum for next year could be reconsidered. MARE.E1 informed that if conditions have not changed, ACs can simply request the same lump sum amount as in the first year, as this amount was analysed by COM in the *ex-ante* assessment. If the AC requests a different lump sum amount, it should explain the difference.
- PELAC raised a question about how to take the inflation into account for next year's lump sum request, as the current levels of inflation were not taken into account when preparing the first year's budget estimate. MARE.E1 explained that this is a complex topic, as inflation affects different components of the budget differently and differs in different countries. It furthermore explained that, despite the current inflation being close to 11-12%, the current 7-year Commission budget is based on a 2%-inflation-assumption year-over-year. This means that the current MARE budget was not foreseen to cover inflation rates above 2%. MARE.E1 reminded that the ACs are in a better position to assess which costs are subject to inflation, and that it is up to them to estimate a budget that is as close to reality as possible. MARE.E1 promised to raise this question with the central Commission Services at its next meeting with DG BUDG on 01/12/2022. This question was supported also by PELAC and NSAC. Following the meeting with DG BUDG on 01/12/2022, MARE can only confirm that no horizontal strategy on Commission level was adopted in treating the inflation in the context of grant agreement. DG MARE therefore remains with its statement towards the AC to estimate their budget needs for the upcoming year to stay as close as possible to the expected real costs.
- NWWAC inquired whether the 2% inflation entails that this is automatically calculated in the overall AC budget. MARE.E1 confirmed that the general 2023 budget of DG MARE is 2% higher than the 2022 budget. MAC expressed its satisfaction that things were not changed, and requested to get minutes of the meeting.
- LDAC asked how to deal with underspending and its reporting to COM. MARE.E1 reiterated both options presented earlier as regards the treatment of surplus and underlined that the lump sum is fully managed by the AC, but should only be spent for activities covered by the Work Programme. MARE.D3 added that COM will only review the operational implementation of the ACs activities whether the activities included in the AC's work programmes have been successfully implemented. In case there is a surplus, the ACs should also consider whether they have overestimated their costs or if this is the result of unexpected circumstances, like Covid, and adjust accordingly the budget for the subsequent year if this is required.
- CCRUP asked if the fact that CCRUP is the last AC to receive the grant amount at the end of the year, would affect the budget available for them. MARE.E1 assured that there is enough budget to fund all ACs.
- NWWAC inquired whether any new projects that were not explicitly foreseen in the Work Programme require an official amendment of the Work Programme to be sent to the Commission. MARE.E1 clarified that on the financial side, the lump

sum amount cannot be revised, but that budget can be transferred between categories. On the operational side as regards amendment of the Annual Work Programme, MARE.D3 explained that the ACs should aim to formulate the Work Programme in a sufficiently broad manner so that new projects that come up could still be covered under the Work Programme. However, whether an amendment can be done in a simplified way or whether the changes should constitute an official amendment of the Work Programme will be decided on a case by case basis as soon as the AC informs DG MARE of the changes