



International Oil Pollution
Compensation Funds

Agenda Item 9	IOPC/NOV21/9/1/2	
Date	17 September 2021	
Original	English	
1992 Fund Assembly	92A26	
1992 Fund Executive Committee	92EC77	
Supplementary Fund Assembly	SA18	●

BUDGET FOR 2022 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

SUPPLEMENTARY FUND

Note by the Director

Summary:	This document outlines the draft administrative budget of the Supplementary Fund for the financial year 2022. The draft budget set out at the Annex totals £52 400.
Action to be taken:	<p><u>Supplementary Fund Assembly</u></p> <p>(a) Decide whether to adopt the draft budget for 2022 for the administrative expenditure of the Supplementary Fund (Annex);</p> <p>(b) decide whether the working capital of the Supplementary Fund should be maintained at £1 million (paragraph 4.2.3); and</p> <p>(c) decide whether to approve the Director's proposal that there should be no levy of 2021 contributions to the General Fund (paragraph 5).</p>

1 Introduction

- 1.1 Under Article 16.2 of the Supplementary Fund Protocol, in conjunction with Article 18.5 of the 1992 Fund Convention, the Supplementary Fund Assembly shall adopt the annual budget of the Supplementary Fund.
- 1.2 Financial Regulation 3 provides that the financial period of the Supplementary Fund shall be the calendar year. The draft budget proposed by the Director, therefore, covers the period 1 January to 31 December 2022.
- 1.3 Article 11 of the Supplementary Fund Protocol provides that the Supplementary Fund Assembly shall determine the amount of contributions to be levied, if any.
- 1.4 The Supplementary Fund's expenditure consists of:
 - (a) costs and expenses of the administration of the Supplementary Fund and any deficit from preceding years; and
 - (b) payments of claims.

2 Budget for administrative expenditure in 2022

- 2.1 At their March 2005 sessions, the 1992 Fund Assembly and the Supplementary Fund Assembly agreed that the two Funds should have a joint Secretariat and that the 1992 Fund Secretariat should administer the Supplementary Fund (see documents 92FUND/A/ES.9/28, paragraph 7.3, and SUPPFUND/A.1/39, paragraphs 11.2 and 11.3).
- 2.2 The draft administrative budget for the joint Secretariat for 2022, excluding the External Auditor's fee and expenses directly related to the respective organisations, totals £4 855 778 (see document IOPC/NOV21/9/1/1, Annex I). This figure is £147 491 (3.1%) more than the 2021 budget figure of £4 708 287.
- 2.3 A summary of the administrative budget for 2022 for the joint Secretariat is given below:

Chapter	Proposed 2022 appropriation £	2021 appropriation £	% Increase/(decrease) on 2021 appropriation
I Personnel	3 295 876	3 253 778	1.3
II General services	838 902	758 509	10.6
III Meetings	130 000	110 000	18.2
IV Travel	100 000	100 000	0.0
V Other expenditure	431 000	426 000	1.2
VI Unforeseen expenditure	60 000	60 000	0.0
Total expenditure Chapters I–VI	4 855 778	4 708 287	3.1

- 2.4 As set out in section 6 of document IOPC/NOV21/9/1/1, the Director proposes that the Supplementary Fund should continue to pay a management fee to the 1992 Fund for the period 1 January to 31 December 2022 in respect of the costs of running the joint Secretariat, in accordance with the practice adopted since the 2005 financial year. It is proposed that the management fee for 2022 should be £38 000. The draft budget has been prepared on that basis. If there were to be a different apportionment of costs between the two organisations, the draft budget would have to be revised accordingly.
- 2.5 Following a review of the performance of the incumbent External Auditor by the Audit Body, the governing bodies reappointed the current External Auditor (BDO International) to audit the IOPC Funds' Financial Statements for a second four-year term, i.e. the financial years 2020–2023 inclusive (see document IOPC/OCT19/11/1, paragraph 6.1.13). The External Auditor has also indicated that this fee will be maintained at the same level; £4 400 for each of the four financial years of this second term.
- 2.6 This External Auditor's fee is included in the appropriation for administrative expenses of £14 400 which also includes an amount of £10 000 retained to cover other administrative expenses that are only attributable to the Supplementary Fund. Although the Director has not utilised this amount over the years, he is of the view that this should be retained as it provides him with added flexibility to

manage the Supplementary Fund. The draft administrative budget for the Supplementary Fund for 2022 totalling £52 400 is set out at the Annex to this document.

3 Estimated balance on General Fund as at 31 December 2021

3.1 Estimated balance

The surplus as at 31 December 2021 is estimated at £1 386 160 and is arrived at as shown in the following table:

		£	£
<i>Plus</i>	Balance brought forward as at 1 January 2021	1 424 560	
	Estimated income		
	Interest to be earned in 2021 (estimate) (see paragraph 3.2.2)	2 000	
			1 426 560
<i>Less</i>	Estimated expenditure		
	Administrative expenditure in 2021 (see paragraph 3.3)	40 400	
	Estimated balance as at 31 December 2021		1 386 160

3.2 Income

Contributions

3.2.1 The Supplementary Fund Assembly, at its December 2020 session, decided not to levy 2020 contributions for receipt in 2021 (see document IOPC/NOV20/11/2, paragraph 9.1.20).

Interest to be earned in 2021

3.2.2 Interest income during 2021 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £2 000. This estimated yield is based on interest on term deposits of an average principal of approximately £1.38 million at an interest rate of some 0.15% per annum.

3.3 Expenditure

The expenditure for 2021 of £40 400 is set out below:

- (a) Management fee of £36 000 payable to the 1992 Fund for 2021 (see document IOPC/NOV20/11/2, paragraph 9.1.21);
- (b) the external audit fee for the audit of the 2021 Financial Statements is £4 400.

4 Estimates for 2022

4.1 Income

Interest to be earned in 2022

Interest income during 2022 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £2 000. This estimated yield is based on interest on term deposits of an average principal of approximately £1.35 million.

4.2 Expenditure

4.2.1 The administrative expenditure for 2022 is estimated at £52 400 as detailed in paragraphs 2.4–2.6 above.

Working capital

4.2.2 In order to enable the Supplementary Fund to respond to unforeseen expenditure, which is expected to be modest, the Supplementary Fund Assembly decided, at its October 2017 session, to maintain the working capital at £1 million (document IOPC/OCT17/11/1, paragraph 9.1.22).

4.2.3 The Director proposes that the working capital be maintained at £1 million.

4.3 Estimated balance as at 31 December 2022

4.3.1 The General Fund balance as at 31 December 2022 is estimated as follows:

		£	£
	Balance as at 31 December 2021 (paragraph 3.1)	1 386 160	
<i>Plus</i>	Estimated income		
	Interest to be earned in 2022	2 000	
			1 388 160
<i>Less</i>	Estimated expenditure		
	Administrative expenditure including management fee, draft budget 2022 (Annex)	52 400	
<i>Plus</i>	Working capital	1 000 000	
			1 052 400
	Balance on General Fund as at 31 December 2022		335 760

4.3.2 As shown in the estimates in the table above, the projected balance as at 31 December 2022 is £335 760.

5 Director's proposal

In view of the projected balance as at 31 December 2022, the Director proposes that there should be no levy of 2021 contributions to the General Fund.

6 Action to be taken

Supplementary Fund Assembly

The Supplementary Fund Assembly is, in accordance with Article 11 of the Supplementary Fund Protocol, invited to:

- (a) decide whether to adopt the draft budget for 2022 for the administrative expenditure of the Supplementary Fund (Annex);
- (b) decide whether the working capital of the Supplementary Fund should be maintained at £1 million (paragraph 4.2.3); and
- (c) decide whether to approve the Director's proposal that there should be no levy of 2021 contributions to the General Fund (paragraph 5).

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ANNEX

Draft 2022 Administrative Budget for the Supplementary Fund

(Figures in pounds sterling)

STATEMENT OF EXPENDITURE		ACTUAL 2020 EXPENDITURE	2020 BUDGET APPROPRIATIONS	2021 BUDGET APPROPRIATIONS	2022 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund	38 000	38 000	36 000	38 000
II	Administrative expenses (including external audit fees)	4 400	14 400	14 400	14 400
Supplementary Fund budget appropriation		42 400	52 400	50 400	52 400