



International Oil Pollution  
Compensation Funds

<b>Agenda Item 9</b>	IOPC/NOV23/9/1/2	
<b>Date</b>	22 September 2023	
<b>Original</b>	English	
<b>1992 Fund Assembly</b>	92A28	
<b>1992 Fund Executive Committee</b>	92EC81	
<b>Supplementary Fund Assembly</b>	SA20	●

## BUDGET FOR 2024 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

### SUPPLEMENTARY FUND

#### Note by the Director

<b>Summary:</b>	This document outlines the draft administrative budget of the Supplementary Fund for the financial year 2024. The draft budget set out at the Annex totals £58 100.
<b>Action to be taken:</b>	<p><u>Supplementary Fund Assembly</u></p> <ul style="list-style-type: none"> <li>(a) Decide whether to adopt the draft budget for 2024 for the administrative expenditure of the Supplementary Fund (Annex);</li> <li>(b) decide whether the working capital of the Supplementary Fund should be maintained at £1 million (paragraph 4.2.3); and</li> <li>(c) decide whether to approve the Director's proposal that there should be no levy of 2023 contributions to the General Fund (paragraph 5).</li> </ul>

### 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 2024.
- 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) payment of claims.

## 2 **Budget for administrative expenditure in 2024**

- 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 2024, excluding the External Auditor's fee and expenses directly related to the respective organisations, totals £5 382 018 (see document IOPC/NOV23/9/1/1, Annex I). This figure is £288 313 (5.7%) more than the 2023 budget figure of £5 093 705.
- 2.3 A summary of the administrative budget for 2024 for the joint Secretariat is given below:

Chapter	Proposed 2024 budget £	2023 budget £	% Increase/(decrease) on 2023 budget
<b>I</b> Personnel	3 813 519	3 483 528	9.5
<b>II</b> General services	839 499	843 177	(0.4)
<b>III</b> Meetings	112 000	122 000	(8.2)
<b>IV</b> Travel	150 000	150 000	0.0
<b>V</b> Other expenditure	407 000	435 000	(6.4)
<b>VI</b> Unforeseen expenditure	60 000	60 000	0.0
<b>Total expenditure Chapters I–VI</b>	<b>5 382 018</b>	<b>5 093 705</b>	<b>5.7</b>

- 2.4 As set out in section 6 of document IOPC/NOV23/9/1/1, 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 2024 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 2024 should be £42 000. 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 At their October 2022 sessions, the governing bodies approved the re-appointment of the External Auditor (BDO International LLP) to audit the IOPC Funds' Financial Statements for a further two years, i.e. for the financial years 2024-2025 (document IOPC/OCT22/11/1, paragraph 6.3.23). The budget for the audit of the 2024 Supplementary Fund Financial Statements is proposed as £6 100 (2023 – £4 510).
- 2.6 This External Auditor's fee is included in the appropriation for administrative expenses of £16 100, 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 2024 totalling £58 100 is set out at the Annex to this document.

### 3 **Estimated balance on General Fund as at 31 December 2023**

#### 3.1 **Estimated balance**

The surplus as at 31 December 2023 is estimated at £1 365 397 and is arrived at as shown in the following table:

		£	£
Plus	Balance brought forward as at 1 January 2023	1 358 941	
	Estimated income	52 000	
	Interest to be earned in 2023 (estimate) (see paragraph 3.2.2)		
			1 410 941
Less	Estimated expenditure	45 544	
	Administrative expenditure in 2023 (see paragraph 3.3)		
	Estimated balance as at 31 December 2023		
			1 365 397

#### 3.2 **Income**

##### *Contributions*

- 3.2.1 The Supplementary Fund Assembly, at its October 2022 session, decided not to levy 2022 contributions for receipt in 2023 (see document IOPC/OCT22/11/2, paragraph 9.1.20).

##### *Interest to be earned in 2023*

- 3.2.2 Interest income during 2023 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £52 000. This estimated yield is based on interest on term deposits of an average principal of approximately £1.3 million at an interest rate of some 4.0% per annum.

#### 3.3 **Expenditure**

The expenditure for 2023 of £45 544 is set out below:

- (a) management fee of £40 000 payable to the 1992 Fund for 2023 (see document IOPC/OCT22/11/1, paragraph 9.1.21);
- (b) external audit fee for the audit of the 2023 Financial Statements which is expected to be £5 544.

## 4 Estimates for 2024

### 4.1 Income

#### *Interest to be earned in 2024*

Interest income during 2024 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £52 000. This estimated yield is based on interest on term deposits of an average principal of approximately £1.3 million.

### 4.2 Expenditure

- 4.2.1 The administrative expenditure for 2024 is estimated at £58 100 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 2024

- 4.3.1 The General Fund balance as at 31 December 2024 is estimated as follows:

		£	£
Plus	Balance as at 31 December 2023 (paragraph 3.1)	1 365 397	
	<b>Estimated income</b>		
	Interest to be earned in 2024	52 000	
			1 417 397
Less	<b>Estimated expenditure</b>		
	Administrative expenditure including management fee, draft budget 2024 (Annex)	58 100	
Plus	Working capital	1 000 000	
			1 058 100
	<b>Balance on General Fund as at 31 December 2024</b>		<b>359 297</b>

- 4.3.2 As shown in the estimates in the table above, the projected balance as at 31 December 2024 is £359 297.

## 5 Director's proposal

In view of the projected balance as at 31 December 2024, the Director proposes that there should be no levy of 2023 contributions to the General Fund.

**6      Action to be taken**

Supplementary Fund Assembly

The Supplementary Fund Assembly is invited to:

- (a) Decide whether to adopt the draft budget for 2024 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 2023 contributions to the General Fund (paragraph 5).

\* \* \*

ANNEX

**Draft 2024 Administrative Budget for the Supplementary Fund**

*(Figures in Pounds Sterling)*

STATEMENT OF EXPENDITURE		ACTUAL 2022 EXPENDITURE	2022 BUDGET APPROPRIATIONS	2023 BUDGET APPROPRIATIONS	2024 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund	36 000	36 000	40 000	42 000
II	Administrative expenses (including external audit fees)	5 433	14 400	14 510	16 100
<b>Supplementary Fund budget appropriation</b>		<b>41 433</b>	<b>50 400</b>	<b>54 510</b>	<b>58 100</b>