



International Oil Pollution
Compensation Funds

Agenda Item 9	IOPC/OCT22/9/1/2	
Date	9 September 2022	
Original	English	
1992 Fund Assembly	92A27	
1992 Fund Executive Committee	92EC79	
Supplementary Fund Assembly	SA19	●

BUDGET FOR 2023 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 2023. The draft budget set out at the Annex totals £54 510.
Action to be taken:	<p><u>Supplementary Fund Assembly</u></p> <p>(a) Decide whether to adopt the draft budget for 2023 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 2022 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 2023.
- 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 2023

- 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 2023, excluding the External Auditor's fee and expenses directly related to the respective organisations, totals £5 093 705 (see document IOPC/OCT22/9/1/1, Annex I). This figure is £237 927 (4.9%) more than the 2022 budget figure of £4 855 778.
- 2.3 A summary of the administrative budget for 2023 for the joint Secretariat is given below:

Chapter	Proposed 2023 budget £	2022 budget £	% Increase/(decrease) on 2022 budget
I Personnel	3 483 528	3 295 876	5.7
II General services	843 177	838 902	0.5
III Meetings	122 000	130 000	(6.2)
IV Travel	150 000	100 000	50.0
V Other expenditure	435 000	431 000	0.9
VI Unforeseen expenditure	60 000	60 000	0.0
Total expenditure Chapters I–VI	5 093 705	4 855 778	4.9

- 2.4 As set out in section 6 of document IOPC/OCT22/9/1/1, 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 2023 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 2023 should be £40 000. 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. In 2022, the External Auditor requested that a 2.5% support charge be added to the annual audit fee. The fee for the audit of the 2023 Financial Statements will, therefore, be £4 510.
- 2.6 This External Auditor's fee is included in the appropriation for administrative expenses of £14 510, 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 2023 totalling £54 510 is set out at the Annex to this document.

3 Estimated balance on General Fund as at 31 December 2022

3.1 Estimated balance

The surplus as at 31 December 2022 is estimated at £1 355 536 and is arrived at as shown in the following table:

		£	£
	Balance brought forward as at 1 January 2022	1 385 936	
<i>Plus</i>	Estimated income		
	Interest to be earned in 2022 (estimate) (see paragraph 3.2.2)	12 000	
			1 397 936
<i>Less</i>	Estimated expenditure		
	Administrative expenditure in 2022 (see paragraph 3.3)	42 400	
	Estimated balance as at 31 December 2022		1 355 536

3.2 Income

Contributions

3.2.1 The Supplementary Fund Assembly, at its November 2021 session, decided not to levy 2021 contributions for receipt in 2022 (see document IOPC/NOV21/11/2, paragraph 9.1.18).

Interest to be earned in 2022

3.2.2 Interest income during 2022 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £12 000. This estimated yield is based on interest on term deposits of an average principal of approximately £1.35 million at an interest rate of some 1.0% per annum.

3.3 Expenditure

The expenditure for 2022 of £42 400 is set out below:

- (a) Management fee of £38 000 payable to the 1992 Fund for 2022 (see document IOPC/NOV21/11/2, paragraph 9.1.19);
- (b) the external audit fee for the audit of the 2022 Financial Statements is £4 400.

4 Estimates for 2023

4.1 Income

Interest to be earned in 2023

Interest income during 2023 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £15 000. 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 2023 is estimated at £54 510 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 2023

4.3.1 The General Fund balance as at 31 December 2023 is estimated as follows:

		£	£
	Balance as at 31 December 2022 (paragraph 3.1)	1 355 536	
<i>Plus</i>	Estimated income		
	Interest to be earned in 2023	15 000	
			1 370 536
<i>Less</i>	Estimated expenditure		
	Administrative expenditure including management fee, draft budget 2023 (Annex)	54 510	
<i>Plus</i>	Working capital	1 000 000	
			1 054 510
	Balance on General Fund as at 31 December 2023		316 026

4.3.2 As shown in the estimates in the table above, the projected balance as at 31 December 2023 is £316 026.

5 Director's proposal

In view of the projected balance as at 31 December 2023, the Director proposes that there should be no levy of 2022 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 2023 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 2022 contributions to the General Fund (paragraph 5).

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ANNEX

Draft 2023 Administrative Budget for the Supplementary Fund

(Figures in pounds sterling)

STATEMENT OF EXPENDITURE		ACTUAL 2021 EXPENDITURE	2021 BUDGET APPROPRIATIONS	2022 BUDGET APPROPRIATIONS	2023 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund	36 000	36 000	36 000	40 000
II	Administrative expenses (including external audit fees)	4 400	14 400	14 400	14 510
Supplementary Fund budget appropriation		40 400	50 400	50 400	54 510