

 INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS	Agenda item: 9		IOPC/OCT09/9/2/2		
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	1992 Fund Assembly		92A14		
	1992 Fund Executive Committee		92EC46		
	Supplementary Fund Assembly		SA5	•	
1971 Fund Administrative Council		71AC24			

BUDGET FOR 2010 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

SUPPLEMENTARY FUND

Note by the Director

Summary:	As indicated in document IOPC/OCT09/9/2, this document deals with the draft administrative budget of the Supplementary Fund for the financial year 2010. The draft budget set out in the Annex totals £66 100. The need for 2009 contributions to the General Fund is examined.
Action to be taken:	<u>Supplementary Fund Assembly:</u> Adopt the Supplementary Fund administrative budget for 2010.

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 of the Organisation 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 – 31 December 2010.
- 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 2010

- 2.1 At their March 2005 sessions, the 1992 Fund Assembly, the 1971 Fund Administrative Council and the Supplementary Fund Assembly agreed that the three Funds should have a joint Secretariat and that the 1992 Fund Secretariat should administer, in addition to the 1971 Fund, also the Supplementary Fund (documents 92FUND/A/ES.9/28, paragraph 7.3, 71FUND/AC.16/15, paragraph 4.4 and SUPPFUND/A.1/39, paragraphs 11.2 and 11.3).

- 2.2 The draft administrative budget for the joint Secretariat, excluding the External Auditor's fee and expenses directly related to the respective Organisations, totals £3 934 050 (document IOPC/OCT09/9/2/1, Annex I) for 2010. This figure is £272 825 (7.5%) higher than the 2009 budget figure of £3 661 225.
- 2.3 A summary of the administrative budget for the joint Secretariat is given below:

CHAPTER	Proposed 2010 Appropriation £	2009 Appropriation £	% Increase/(decrease) Appropriation on 2009.
I Personnel	2 504 150	2 197 925	13.9%
II General services	744 900	763 300	(2.4)%
III Meetings	150 000	175 000	(14.3)%
IV Travel	150 000	150 000	0.0%
V Miscellaneous expenditure (excluding External Audit fees)	325 000	315 000	2.6%
VI Unforeseen expenditure	60 000	60 000	0.0%
Total Expenditure Chapters I-VI	3 934 050	3 661 225	7.5%

- 2.4 As set out in document IOPC/OCT09/9/1, the Director proposes that the Supplementary Fund should continue to pay a management fee to the 1992 Fund for the period 1 January – 31 December 2010 in accordance with the approach adopted since the 2005 financial year in respect of the costs of running the joint Secretariat. It has been proposed that the management fee should be set at £52 500 for the financial year 2010 compared to £50 000 for 2009. The draft budget has been prepared on that basis. If the Supplementary Fund Assembly were to decide on a different apportionment of costs between the three Organisations, the draft budget would have to be revised accordingly.
- 2.5 The External Auditor has provisionally indicated that the audit fee will be £3 600 for audit of the Supplementary Fund's 2009 Financial Statements which will be payable in 2010. This fee is included in the appropriation for Administrative expenses of £13 600 which covers expenses only attributable to the Supplementary Fund.
- 2.6 The draft administrative budget for the Supplementary Fund for 2010 totalling £66 100 is set out in the Annex.

3 Estimated balance as at 31 December 2009

3.1 Estimated balance

The surplus at 31 December 2009 is estimated at £1 132 912 and is arrived at as shown in the table overleaf:

	£	£
Balance brought forward as at 1 January 2009		1 136 949
<i>Plus</i>		
Previous years' General Fund contributions receivable in 2009	6 463	
Interest to be earned in 2009 (estimate)	43 000	
		49 463
<i>Less</i>		
Administrative expenditure in 2009 (cf paragraph 3.3)	53 500	
		53 500
Estimated balance as at 31 December 2009		1 132 912

3.2 Income

Contributions

- 3.2.1 The Supplementary Fund Assembly decided at its 4th session in October 2008 not to levy any 2008 contributions for receipt in 2009.

Interest to be earned in 2009

- 3.2.2 The income in interest during 2009 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £43 000. This estimated yield is based on an average principal of £1 000 000.

3.3 Expenditure

The administrative expenses for 2009 of £53 500 is as set out below:

- Management fee payable to 1992 Fund (cf document SUPPFUND/A.4/21, paragraph 20.3) of £50 000.
- External audit fees for 2008 Financial Statements payable in 2009 of £3 500.

4 Estimates for 2010

4.1 Income

Interest to be earned in 2010

Interest income during 2010 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £10 000. This estimated yield is based on an average principal of approximately £1 million.

4.2 Expenditure

- 4.2.1 The administrative expenditure for 2010 totals £66 100 as detailed in paragraphs 2.4 - 2.6.

Working capital

- 4.2.2 In order to enable the Supplementary Fund to respond to unforeseen expenditure which was expected to be modest, the Supplementary Fund Assembly decided at its October 2008 session, to maintain the working capital at £1 million (document SUPPFUND/A.4/21, paragraph 21.4).

4.2.3 For the same reason given in paragraph 4.2.2 above, the Director proposes that the working capital should be maintained at £1 million.

4.3 Estimated balance

4.3.1 The General Fund balance as at 31 December 2010 is estimated as follows:

		£	£
	ESTIMATED INCOME		
	Balance as at 31 December 2009	1 132	
	Interest to be earned in 2010	912	
<i>Plus</i>	Total estimated income 2010	10 000	1 142 912
	ESTIMATED EXPENDITURE		
<i>LESS</i>	Administrative expenses including management fee, Budget 2010 (Annex)	66 100	
	Total estimated expenditure 2010		66 100
<i>Plus</i>	Working Capital		1 000 000
	SURPLUS ON GENERAL FUND 31 DECEMBER 2010		76 812

4.3.2 As shown from the estimates in the table above, no contributions will be needed to balance the 2010 budget of the General Fund.

5 Director's proposal

In the light of the estimates set out in paragraph 4.3.1 above the Director proposes that there should be no levy of 2009 contributions to the General Fund.

6 Action to be taken

Supplementary Fund Assembly

The Supplementary Fund Assembly is invited:

- (a) to take note of the information contained in this document;
- (b) to consider for adoption the draft budget for 2010 for the administrative expenses of the Supplementary Fund (paragraph 2.6 and Annex);
- (c) to consider the Director's proposal that the working capital of the Supplementary Fund should be maintained at £1 million (paragraph 4.2.3); and
- (d) to decide in respect of the assessment of 2009, contributions to the General Fund (paragraph 5).

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ANNEX

Draft 2010 Administrative Budget for the Supplementary Fund

(Figures in Pounds Sterling)

STATEMENT OF EXPENDITURE		ACTUAL 2008 EXPENDITURE	2008 BUDGET APPROPRIATIONS	2009 BUDGET APPROPRIATIONS	2010 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund	50 000	50 000	50 000	52 500
II	Administrative expenses (including external audit fees)	3 500	13 500	13 500	13 600
Supplementary Fund Budget Appropriation		53 500	63 500	63 500	66 100
