



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
FUNDS

Agenda item: 9	IOPC/OCT11/9/2/2	
Original: ENGLISH	1 September 2011	
1992 Fund Assembly	92A16	
1992 Fund Executive Committee	92EC53	
Supplementary Fund Assembly	SA7	•
1971 Fund Administrative Council	71AC27	

## BUDGET FOR 2012 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

### SUPPLEMENTARY FUND

#### Note by the Director

<b>Summary:</b>	As indicated in document IOPC/OCT11/9/2, this document deals with the draft administrative budget of the Supplementary Fund for the financial year 2012. The draft budget set out in the Annex totals £73 100. The need for 2011 contributions to the General Fund is examined.
<b>Action to be taken:</b>	<u>Supplementary Fund Assembly:</u> <ul style="list-style-type: none"><li>(a) Adopt the draft budget for 2012 for the administrative expenses of the Supplementary Fund (paragraph 2.6 and 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 2011 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 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 2012.
- 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 2012**

- 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 £4 607 510 (document IOPC/OCT11/9/2/1, Annex I) for 2012. This figure is £444 990 (10.7%) higher than the 2011 budget figure of £4 162 520.
- 2.3 A summary of the administrative budget for the joint Secretariat is given below:

CHAPTER	Proposed 2012 Appropriation £	2011 Appropriation £	% Increase/(decrease) Appropriation on 2011
<b>I</b> Personnel	2 858 285	2 539 720	12.5%
<b>II</b> General services	993 075	939 800	5.7%
<b>III</b> Meetings	150 000	150 000	0.0%
<b>IV</b> Travel	150 000	150 000	0.0%
<b>V</b> Miscellaneous expenditure (excluding External Audit fees)	396 150	323 000	22.6%
<b>VI</b> Unforeseen expenditure	60 000	60 000	0.0%
<b>Total Expenditure Chapters I-VI</b>	<b>4 607 510</b>	<b>4 162 520</b>	<b>10.7%</b>

- 2.4 As set out in document IOPC/OCT11/9/1, 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 2012 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 should be set at £ 59 500 for the financial year 2012 compared to £56 000 for 2011. The draft budget has been prepared on that basis. If there were to be 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 remain at £3 600 for the 2011 audit which will be payable in 2012. 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 2012 totalling £73 100 is set out in the **Annex**.

### 3 Estimated balance as at 31 December 2011

#### 3.1 Estimated balance

The surplus at 31 December 2011 is estimated at £1 049 701 and is arrived at as shown in the following table:

	£	£
Balance brought forward as at 1 January 2011		1 089 301
<i>Plus</i>		
Interest to be earned in 2011 (estimate)	20 000	20 000
<i>Less</i>		
Administrative expenditure in 2011 (cf paragraph 3.3)	59 600	59 600
Estimated balance as at 31 December 2011		1 049 701

#### 3.2 Income

##### *Contributions*

3.2.1 The Supplementary Fund Assembly decided in October 2010 not to levy 2010 contributions for receipt in 2011 (cf document IOPC/OCT10/11/1, paragraph 9.2.12).

##### *Interest to be earned in 2011*

3.2.2 Interest income during 2011 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £20 000. This estimated yield is based on long term deposit of an average principal of approximately £1 million.

#### 3.3 Expenditure

The administrative expenses for 2011 of £59 600 are as set out below:

- Management fee of £56 000 payable to 1992 Fund (cf document IOPC/OCT10/11/1, paragraph 9.1.4).
- External audit fees of £3 600 for 2010 Financial Statements payable in 2011.

### 4 Estimates for 2012

#### 4.1 Income

##### *Interest to be earned in 2012*

Interest income during 2012 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £20 000. This estimated yield is based on long term deposit of an average principal of approximately £1 million.

## 4.2 Expenditure

4.2.1 The administrative expenditure for 2012 totals £73 100 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 2010 session, to maintain the working capital at £1 million (document IOPC/OCT10/11/1, paragraph 9.2.11).

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

## 4.3 Estimated balance

4.3.1 The General Fund balance as at 31 December 2012 is estimated as follows:

		£	£
	ESTIMATED INCOME		
<i>Plus</i>	Balance as at 31 December 2011	1 049 701	
	Interest to be earned in 2012	20 000	
	Total estimated income 2012		1 069 701
<i>LESS</i>	ESTIMATED EXPENDITURE		
	Administrative expenses including management fee, Budget 2012 ( <b>Annex</b> )	73 100	
	Total estimated expenditure 2012		73 100
<i>Plus</i>	Working Capital		1 000 000
	DEFICIT ON GENERAL FUND 31 DECEMBER 2012		(3 399)

4.3.2 As shown from the estimates in the table above, the projected deficit as at 31 December 2012 is small.

## 5 Director's proposal

5.1 The Director takes the view that although the estimated balance on the General Fund as at 31 December 2012 is below the working capital, it should be sufficient to cover any expenses up to 1 March 2013.

5.2 In view of the above the Director proposes that there should be no levy of 2011 contributions to the General Fund.

## 6 Action to be taken

### Supplementary Fund Assembly

The Supplementary Fund Assembly is invited to:

- take note of the information contained in this document;
- adopt the draft budget for 2012 for the administrative expenses of the Supplementary Fund (paragraph 2.6 and Annex);
- decide whether the working capital of the Supplementary Fund should be maintained at £1 million (paragraph 4.2.3); and
- decide whether to approve the Director's proposal that there should be no levy of 2011 contributions to the General Fund (paragraph 5).



ANNEX

**Draft 2012 Administrative Budget for the Supplementary Fund**

*(Figures in Pounds Sterling)*

STATEMENT OF EXPENDITURE		ACTUAL 2010 EXPENDITURE	2010 BUDGET APPROPRIATIONS	2011 BUDGET APPROPRIATIONS	2012 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund	52 500	52 500	56 000	59 500
II	Administrative expenses (including external audit fees)	3 600	13 600	13 600	13 600
<b>Supplementary Fund Budget Appropriation</b>		<b>56 100</b>	<b>66 100</b>	<b>69 600</b>	<b>73 100</b>

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