



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUNDS

Agenda item: 9	IOPC/OCT15/9/1/2	
Original: ENGLISH	3 September 2015	
1992 Fund Assembly	92A20	
1992 Fund Executive Committee	92EC65	
Supplementary Fund Assembly	SA11	●

BUDGET FOR 2016 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

SUPPLEMENTARY FUND

Note by the Director

Summary:	This document deals with the draft administrative budget of the Supplementary Fund for the financial year 2016. The draft budget set out at the Annex totals £47 500. In the Director's view there is no need for 2015 contributions to be levied to the General Fund.
Action to be taken:	<u>Supplementary Fund Assembly</u> <ul style="list-style-type: none">(a) Adopt the draft budget for 2016 for the administrative expenses 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 2015 contributions to the General Fund (section 5).

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–31 December 2016.
- 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 2016**

- 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 (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 2016, excluding the External Auditor's fee and expenses directly related to the respective Organisations, totals £4 407 360 (document [IOPC/OCT15/9/1/1](#), Annex I). This figure is £100 720 (2.3%) more than the 2015 budget figure of £4 306 640.
- 2.3 A summary of the administrative budget for the joint Secretariat is given below:

Chapter	Proposed 2016 Appropriation £	2015 Appropriation £	% Increase/(decrease) Appropriation on 2015
I Personnel	2 942 160	2 773 360	6.1%
II General services	777 200	815 780	(4.7%)
III Meetings	110 000	130 000	(15.4%)
IV Travel	100 000	100 000	0.0%
V Other expenditure	418 000	427 500	(2.2%)
VI Unforeseen expenditure	60 000	60 000	0.0%
Total Expenditure Chapters I-VI	4 407 360	4 306 640	2.3%

- 2.4 As set out in document [IOPC/OCT15/9/1/1](#), the Director proposes that the Supplementary Fund should continue to pay a management fee to the 1992 Fund for the period 1 January–31 December 2016 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 £34 000 for the financial year 2016 compared to £33 000 for 2015. 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 The External Auditor has provisionally indicated that the audit fee for the 2015 audit which will be payable in 2016 will be £3 500. This fee is included in the appropriation for administrative expenses of £13 500 which covers expenses only attributable to the Supplementary Fund.
- 2.6 The draft administrative budget for the Supplementary Fund for 2016 totalling £47 500 is set out at the Annex to this document.

3 Estimated balance on General Fund as at 31 December 20153.1 Estimated balance

The surplus at 31 December 2015 is estimated at £912 416 and is arrived at as shown in the following table:

	£	£
Balance brought forward as at 1 January 2015		942 816
<i>Plus</i>		
Interest to be earned in 2015 (estimate) (see paragraph 3.2.2)	6 100	6 100
<i>Less</i>		
Administrative expenditure in 2015 (see paragraph 3.3)	36 500	36 500
Estimated balance as at 31 December 2015		912 416

3.2 Income*Contributions*

3.2.1 The Supplementary Fund Assembly decided in October 2014 not to levy 2014 contributions for receipt in 2015 (document [IOPC/OCT14/11/1](#), paragraph 9.2.24).

Interest to be earned in 2015

3.2.2 Interest income during 2015 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £6 100. This estimated yield is based on long term deposit of an average principal of approximately £900 000.

3.3 Expenditure

The administrative expenses for 2015 of £36 500 are as set out below:

- (a) Management fee of £33 000 payable to 1992 Fund (document [IOPC/OCT14/11/1](#), paragraph 9.2.25); and
- (b) external audit fees of £3 500 for 2014 Financial Statements payable in 2015.

4 Estimates for 20164.1 Income*Interest to be earned in 2016*

Interest income during 2016 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £9 000. This estimated yield is based on long term deposit of an average principal of approximately £900 000.

4.2 Expenditure

4.2.1 The administrative expenditure for 2016 totals £47 500 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 was expected to be modest, the Supplementary Fund Assembly decided, at its October 2014 session, to maintain the working capital at £1 million (document [IOPC/OCT14/11/1](#), paragraph 9.2.23).

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 2016 is estimated as follows:

		£	£
	Estimated income		
<i>Plus</i>	Balance as at 31 December 2015 (paragraph 3.1)	912 416	
	Interest to be earned in 2016	9 000	
	Total estimated income 2016		921 416
<i>Less</i>	Estimated expenditure		
	Administrative expenses including management fee, Budget 2016 (Annex)	47 500	
<i>Plus</i>	Working Capital	1 000 000	
	Total estimated expenditure 2016		1 047 500
	Deficit on general fund 31 December 2016		(126 084)

4.3.2 As shown from the estimates in the table above, the projected deficit as at 31 December 2016 is £126 084.

5 Director's proposal

5.1 The Director takes the view that although the estimated balance on the General Fund as at 31 December 2016 is below the working capital, it should be sufficient to cover any expenses up to 1 March 2017 (when any 2016 contributions will be due).

5.2 In view of the above the Director proposes that there should be no levy of 2015 contributions to the General Fund.

6 Action to be taken

Supplementary Fund Assembly

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

- (a) adopt the draft budget for 2016 for the administrative expenses 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 2015 contributions to the General Fund (section 5).

ANNEX

Draft 2016 Administrative Budget for the Supplementary Fund

(Figures in Pounds sterling)

STATEMENT OF EXPENDITURE		ACTUAL 2014 EXPENDITURE	2014 BUDGET APPROPRIATIONS	2015 BUDGET APPROPRIATIONS	2016 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund	32 000	32 000	33 000	34 000
II	Administrative expenses (including external audit fees)	3 600	13 600	13 500	13 500
Supplementary Fund Budget Appropriation		35 600	45 600	46 500	47 500