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SUPPLEMENTARY
FUND

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Agenda item 19

SUPPFUND/A/ES.1/18
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BUDGET FOR 2006 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

Note by the Director

Summary:	This document deals with the administrative budget of the Supplementary Fund for the financial year 2006. The draft budget set out in the Annex totals £85 000. The resulting need for 2005 contributions to the General Fund is examined. It is proposed that a levy should be made for £1.3 million.
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Action to be taken:	Adopt the administrative budget for 2006 and decide on the levy of 2005 General Fund contributions.
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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 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).
- 1.3 As set out in document SUPPFUND/A/ES.1/16, the Director proposes that the Supplementary Fund should, in accordance with the approach adopted for the financial year 2005, pay a management fee for the period 1 January-31 December 2006 in respect of the costs of running the joint Secretariat. It has been proposed that the management fee should be set at £70 000 for the Supplementary Fund, a significant reduction on the 2005 fee of £125 000. The draft budget has been prepared on that basis. If the Assembly were to decide on a different apportionment of costs between the three Organisations, the draft budget would have to be revised accordingly.

2 Loans from the 1992 Fund

- 2.1 At its March 2005 session, the Supplementary Fund Assembly decided that the first financial period of the Supplementary Fund should cover the period 3 March – 31 December 2005 and adopted a budget with a total expenditure (including the management fee payable to the 1992 Fund) of £225 000 for that period (document SUPPFUND/A.1/39, paragraph 34). The 2005 budget included appropriations for administrative costs relating only to the Supplementary Fund

and reimbursement with interest of payments made prior to 3 March 2005 by the 1992 Fund on behalf of the Supplementary Fund (document SUPPFUND/A.1/39, Annex III).

- 2.2 At its March 2005 session the Supplementary Fund Assembly took the view that it would be preferable to postpone the first levy of contributions to the Supplementary Fund until its 1st extraordinary session to be held in the autumn of 2005. The Assembly decided to request the 1992 Fund Assembly to authorise the Director of the 1992 Fund to make the necessary funds available in the form of loans from the 1992 Fund. It was agreed that such loans would be repaid, with interest, when the Supplementary Fund had received the first levy of contributions (document SUPPFUND/A.1/39, paragraphs 35.1 and 35.2). This request was granted by the 1992 Fund Assembly (document 92FUND/A/ES.9/28, paragraph 20.2).
- 2.3 As at 30 June 2005 the total loans amounted to some £64 000 and interest thereon amounted to some £4 000.
- 2.4 It is estimated that at 1 March 2006 (the due date of the 2005 contributions) the total amount of the loans, including the management fee for 2005 of £125 000 payable by the Supplementary Fund to the 1992 Fund, would be some £200 000 (including interest).

3 2006 Expenditure

- 3.1 The draft administrative budget for the joint Secretariat, excluding the External Auditors' fee and expenses directly related to the respective Organisations, has been estimated at £3 541 400 (document 92FUND/A.10/28, Annex II) for 2006. This figure is £223 800 (6.7%) higher than the 2005 budget figure of £3 317 600.
- 3.2 A summary of the administrative budget for the joint Secretariat is given below.

CHAPTER	2006 Appropriation £	2005 Appropriation £	% Increase Appropriation on 2005
I Personnel	2 086 500	1 977 900	5.5%
II General services	757 400	709 700	6.7%
III Meetings	150 000	145 000	3.4%
IV Travel	160 000	125 000	28.0%
V Miscellaneous expenditure (excluding external audit fees)	327 500	300 000	9.2%
VI Unforeseen expenditure	60 000	60 000	0.0%
Total Expenditure Chapters I-VI	3 541 400	3 317 600	6.7%

- 3.3 The External Auditor has provisionally indicated an audit fee of £3 500 for the audit of the Supplementary Fund.
- 3.4 The draft administrative budget relating only to the Supplementary Fund for 2006 totalling £85 000 is set out in the Annex.

4 Working capital

In order to enable the Supplementary Fund to respond to unforeseen expenditure which will most probably be modest, the Supplementary Fund Assembly decided at its March 2005 session that the Supplementary Fund should have a working capital of £1 million (document SUPPFUND/A.1/39 paragraph 33.2). In document SUPPFUND/A/ES.1/17, the Director has proposed that the working capital should be maintained at that amount.

5 General Fund assessment

5.1 Amount required

5.1.1 In the light of the considerations set out above, the Director proposes contributions should be levied to cover the following items:

- (a) the administrative expenses for 2006 (including a management fee payable to the 1992 Fund);
- (b) reimbursement with interest of loans granted by the 1992 Fund; and
- (c) the working capital.

5.1.2 The amount of annual contributions needed to balance the General Fund is estimated as follows:

		£	£
	ESTIMATED EXPENDITURE		
	Administrative expenses including management fee, Budget 2006 (Annex)	85 000	
<i>Plus</i>	Repayment of loans made by the 1992 Fund and interest thereon	200 000	
<i>Plus</i>	Working capital	1 000 000	
	Total estimated expenditure 2006		1 285 000
	AMOUNT REQUIRED		1 285 000

5.2 Director's proposal

5.2.1 The Assembly may wish to decide to fix the levy of contributions to the General Fund at £1.3 million.

5.2.2 Internal Regulation 3.6 provides that unless the Assembly decides otherwise, payment of annual contributions shall be due on 1 March of the year following that in which the Assembly decides on the levy of annual contributions.

5.2.3 At its 1st session, the Assembly decided to introduce a deferred invoicing system. Under this system the Assembly fixes the total amount to be levied in contributions for a given calendar year, but may decide that only a specific lower amount should be invoiced for payment by 1 March in the following year, the remaining amount, or a part thereof, to be invoiced later in the year if it should prove to be necessary (document SUPPFUND/A.1/39, paragraph 21.2).

5.2.4 The Director proposes that the entire proposed levy to the General Fund should be due for payment by 1 March 2006.

6 Action to be taken by the Assembly

The Assembly is invited

- (a) to take note of the information contained in this document;
- (b) to consider for adoption the draft budget for 2006 for the administrative expenses of the Supplementary Fund (section 3 and Annex);
- (c) to decide in respect of the assessment of 2005 contributions to the General Fund (paragraph 5.2.1); and
- (d) to decide on the date of payment of 2005 contributions to the General Fund (paragraph 5.2.4).

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ANNEX

DRAFT 2006 ADMINISTRATIVE BUDGET FOR THE SUPPLEMENTARY FUND

		Budget appropriations for the period 1 January - 31 December 2006
		£
I	Management fee payable to 1992 Fund	70 000
II	Administrative costs relating only to the Supplementary Fund (such as fees of External Auditor, legal experts and consultants)	15 000
Total		85 000