



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
FUNDS

<b>Agenda item: 9</b>	IOPC/OCT12/9/2/2	
Original: ENGLISH	9 August 2012	
1992 Fund Assembly	<b>92A17</b>	
1992 Fund Executive Committee	<b>92EC56</b>	
Supplementary Fund Assembly	<b>SA8</b>	•
1971 Fund Administrative Council	<b>71AC29</b>	

## BUDGET FOR 2013 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

### SUPPLEMENTARY FUND

#### Note by the Director

<b>Summary:</b>	As indicated in document IOPC/OCT12/9/2, this document deals with the draft administrative budget of the Supplementary Fund for the financial year 2013. The draft budget set out in the Annex totals £46 600. The need for 2012 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 2013 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 2012 contributions to the General Fund (section 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 2013.
- 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 2013**

- 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 £4 339 660 (document IOPC/OCT12/9/2/1, Annex I) for 2013. This figure is £267 850 (5.8%) lower than the 2012 budget figure of £4 607 510.
- 2.3 A summary of the administrative budget for the joint Secretariat is given below:

<b>CHAPTER</b>	<b>Proposed 2013 Appropriation £</b>	<b>2012 Appropriation £</b>	<b>% Increase/(decrease) Appropriation on 2012</b>
<b>I</b> Personnel	2 770 910	2 858 285	(3.1)%
<b>II</b> General services	923 250	993 075	(7.0)%
<b>III</b> Meetings	100 000	150 000	(33.3)%
<b>IV</b> Travel	100 000	150 000	(33.3)%
<b>V</b> Other expenditure (excluding External Audit fees)	385 500	396 150	(2.7)%
<b>VI</b> Unforeseen expenditure	60 000	60 000	0.0%
<b>Total Expenditure Chapters I-VI</b>	<b>4 339 660</b>	<b>4 607 510</b>	<b>(5.8)%</b>

- 2.4 As set out in document IOPC/OCT12/9/1, 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 2013 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 £33 000 for the financial year 2013 (cf document IOPC/OCT12/9/1) compared to £59 500 for 2012. 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 for the 2012 audit which will be payable in 2013 will remain at £3 600. 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 2013 totalling £46 600 is set out in the Annex.

### 3 Estimated balance as at 31 December 2012

#### 3.1 Estimated balance

The surplus at 31 December 2012 is estimated at £1 001 851 and is arrived at as shown in the following table:

	£	£
Balance brought forward as at 1 January 2012		1 049 951
<i>Plus</i>		
Interest to be earned in 2012 (estimate)	15 000	15 000
<i>Less</i>		
Administrative expenditure in 2012 (cf paragraph 3.3)	63 100	63 100
Estimated balance as at 31 December 2012		1 001 851

#### 3.2 Income

##### *Contributions*

- 3.2.1 The Supplementary Fund Assembly decided in October 2011 not to levy 2011 contributions for receipt in 2012 (cf document [IOPC/OCT11/11/1](#), paragraph 9.2.16).

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

- 3.2.2 Interest income during 2012 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £15 000. This estimated yield is based on long term deposit of an average principal of approximately £1 million.

#### 3.3 Expenditure

The administrative expenses for 2012 of £63 100 are as set out below:

- Management fee of £59 500 payable to 1992 Fund (cf document [IOPC/OCT11/11/1](#), paragraph 9.1.4).
- External audit fees of £3 600 for 2011 Financial Statements payable in 2012.

### 4 Estimates for 2013

#### 4.1 Income

##### *Interest to be earned in 2013*

Interest income during 2013 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £10 000. 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 2013 totals £46 600 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 2011 session, to maintain the working capital at £1 million (document [IOPC/OCT11/11/1](#), paragraph 9.2.15).

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 2013 is estimated as follows:

		£	£
	ESTIMATED INCOME		
<i>Plus</i>	Balance as at 31 December 2012 (paragraph 3.1)	1 001 851	
	Interest to be earned in 2013	10 000	
	Total estimated income 2013		1 011 851
<i>LESS</i>	ESTIMATED EXPENDITURE		
<i>Plus</i>	Administrative expenses including management fee, Budget 2013 (Annex)	46 600	
	Working Capital	1 000 000	
	Total estimated expenditure 2013		1 046 600
	DEFICIT ON GENERAL FUND 31 DECEMBER 2013		(34 749)

4.3.2 As shown from the estimates in the table above, the projected deficit as at 31 December 2013 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 2013 is below the working capital, it should be sufficient to cover any expenses up to 1 March 2014.

5.2 In view of the above the Director proposes that there should be no levy of 2012 contributions to the General Fund.

**6 Action to be taken**

Supplementary Fund Assembly

The Supplementary Fund Assembly is invited to:

- (a) take note of the information contained in this document;
- (b) adopt the draft budget for 2013 for the administrative expenses of the Supplementary Fund (paragraph 2.6 and Annex);
- (c) decide whether the working capital of the Supplementary Fund should be maintained at £1 million (paragraph 4.2.3); and
- (d) decide whether to approve the Director's proposal that there should be no levy of 2012 contributions to the General Fund (section 5).

ANNEX

**Draft 2013 Administrative Budget for the Supplementary Fund**

*(Figures in Pounds sterling)*

STATEMENT OF EXPENDITURE		ACTUAL 2011 EXPENDITURE	2011 BUDGET APPROPRIATIONS	2012 BUDGET APPROPRIATIONS	2013 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund	56 000	56 000	59 500	33 000
II	Administrative expenses (including external audit fees)	3 600	13 600	13 600	13 600
<b>Supplementary Fund Budget Appropriation</b>		<b>59 600</b>	<b>69 600</b>	<b>73 100</b>	<b>46 600</b>

---