



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUNDS

Agenda item: 9	IOPC/OCT13/9/1/2	
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1992 Fund Assembly	92A18	
1992 Fund Executive Committee	92EC59	
Supplementary Fund Assembly	SA9	•
1971 Fund Administrative Council	71AC31	

BUDGET FOR 2014 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

SUPPLEMENTARY FUND

Note by the Director

Summary:	As indicated in document IOPC/OCT13/9/1, this document deals with the draft administrative budget of the Supplementary Fund for the financial year 2014. The draft budget set out in the Annex totals £45 600. The need for 2013 contributions to the General Fund is examined.
Action to be taken:	<u>Supplementary Fund Assembly</u> <ul style="list-style-type: none">(a) Adopt the draft budget for 2014 for the administrative expenses of the Supplementary Fund (paragraph 2.6 and 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 2013 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 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 2014.
- 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 2014**

- 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 for 2014, excluding the External Auditor's fee and expenses directly related to the respective Organisations, totals £4 165 960 (document IOPC/OCT13/9/1/1 (Budget for 2014 and Assessment of Contributions to the General Fund – 1992 Fund), Annex I). This figure is £173 700 (4%) lower than the 2013 budget figure of £4 339 660.
- 2.3 A summary of the administrative budget for the joint Secretariat is given below:

Chapter	Proposed 2014 Appropriation £	2013 Appropriation £	% Increase/(decrease) Appropriation on 2013
I Personnel	2 747 695	2 770 910	(0.8)%
II General services	792 415	923 250	(14.2)%
III Meetings	130 000	100 000	30.0%
IV Travel	100 000	100 000	0.0%
V Other expenditure	335 850	385 500	(12.9)%
VI Unforeseen expenditure	60 000	60 000	0.0%
Total Expenditure Chapters I-VI	4 165 960	4 339 660	(4.0)%

- 2.4 As set out in document IOPC/OCT13/9/1/1, 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 2014 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 £32 000 for the financial year 2014 compared to £33 000 for 2013. 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 2013 audit which will be payable in 2014 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 2014 totalling £45 600 is set out at the Annex.

3 Estimated balance as at 31 December 20133.1 Estimated balance

The surplus at 31 December 2013 is estimated at £970 942 and is arrived at as shown in the following table:

	£	£
Balance brought forward as at 1 January 2013		999 542
<i>Plus</i>		
Interest to be earned in 2013 (estimate)	8 000	8 000
<i>Less</i>		
Administrative expenditure in 2013 (see paragraph 3.3)	36 600	36 600
Estimated balance as at 31 December 2013		970 942

3.2 Income*Contributions*

3.2.1 The Supplementary Fund Assembly decided in October 2012 not to levy 2012 contributions for receipt in 2013 (see document [IOPC/OCT12/11/1](#), paragraph 9.2.18).

Interest to be earned in 2013

3.2.2 Interest income during 2013 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £8 000. This estimated yield is based on long term deposit of an average principal of approximately £950 000.

3.3 Expenditure

The administrative expenses for 2013 of £36 600 are as set out below:

- Management fee of £33 000 payable to 1992 Fund (see document [IOPC/OCT12/11/1](#), paragraph 9.1.4); and
- External audit fees of £3 600 for 2012 Financial Statements payable in 2013.

4 Estimates for 20144.1 Income*Interest to be earned in 2014*

Interest income during 2014 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £5 000. 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 2014 totals £45 600 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 2012 session, to maintain the working capital at £1 million (document [IOPC/OCT12/11/1](#), paragraph 9.2.17).

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 2014 is estimated as follows:

		£	£
	ESTIMATED INCOME		
<i>Plus</i>	Balance as at 31 December 2013 (paragraph 3.1)	970 942	
	Interest to be earned in 2014	5 000	
	Total estimated income 2014		975 942
<i>LESS</i>	ESTIMATED EXPENDITURE		
<i>Plus</i>	Administrative expenses including management fee, Budget 2014 (Annex)	45 600	
	Working Capital	1 000 000	
	Total estimated expenditure 2014		1 045 600
	DEFICIT ON GENERAL FUND 31 DECEMBER 2014		(69 658)

4.3.2 As shown from the estimates in the table above, the projected deficit as at 31 December 2014 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 2014 is below the working capital, it should be sufficient to cover any expenses up to 1 March 2015.

5.2 In view of the above the Director proposes that there should be no levy of 2013 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:

- (a) to adopt the draft budget for 2014 for the administrative expenses of the Supplementary Fund (paragraph 2.6 and Annex);
- (b) to decide whether the working capital of the Supplementary Fund should be maintained at £1 million (paragraph 4.2.3); and
- (c) to decide whether to approve the Director's proposal that there should be no levy of 2013 contributions to the General Fund (section 5).

ANNEX

Draft 2014 Administrative Budget for the Supplementary Fund

(Figures in Pounds sterling)

STATEMENT OF EXPENDITURE		ACTUAL 2012 EXPENDITURE	2012 BUDGET APPROPRIATIONS	2013 BUDGET APPROPRIATIONS	2014 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund	59 500	59 500	33 000	32 000
II	Administrative expenses (including external audit fees)	3 600	13 600	13 600	13 600
Supplementary Fund Budget Appropriation		63 100	73 100	46 600	45 600