



International Oil Pollution
Compensation Funds

Agenda Item 9	IOPC/OCT19/9/1/2	
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Original	English	
1992 Fund Assembly	92A24	
1992 Fund Executive Committee	92EC73	
Supplementary Fund Assembly	SA16	●

BUDGET FOR 2020 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

SUPPLEMENTARY FUND

Note by the Director

Summary:	This document outlines the draft administrative budget of the Supplementary Fund for the financial year 2020. The draft budget set out at the Annex totals £52 400.
Action to be taken:	<p><u>Supplementary Fund Assembly</u></p> <p>(a) Decide whether to adopt the draft budget for 2020 for the administrative expenditure of the Supplementary Fund (Annex);</p> <p>(b) decide whether the working capital of the Supplementary Fund should be maintained at £1 million (paragraph 4.2.3); and</p> <p>(c) decide whether to approve the Director's proposal that there should be no levy of 2019 contributions to the General Fund (paragraph 5).</p>

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 to 31 December 2020.
- 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:
- costs and expenses of the administration of the Supplementary Fund and any deficit from preceding years; and
 - payments of claims.

2 Budget for administrative expenditure in 2020

- 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 (see 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 2020, excluding the External Auditor's fee and expenses directly related to the respective organisations, totals £4 875 731 (see document IOPC/OCT19/9/1/1, Annex I). This figure is £183 154 (3.9%) more than the 2019 budget figure of £4 692 577.
- 2.3 A summary of the administrative budget for 2020 for the joint Secretariat is given below:

Chapter	Proposed 2020 appropriation £	2019 appropriation £	% Increase/(decrease) on 2019 appropriation
I Personnel	3 344 531	3 177 977	5.2
II General services	773 200	754 900	2.4
III Meetings	130 000	130 000	-
IV Travel	150 000	150 000	-
V Other expenditure	418 000	419 700	(0.4)
VI Unforeseen expenditure	60 000	60 000	-
Total expenditure Chapters I–VI	4 875 731	4 692 577	3.9

- 2.4 As set out in section 6 of document IOPC/OCT19/9/1/1, the Director proposes that the Supplementary Fund should continue to pay a management fee to the 1992 Fund for the period 1 January to 31 December 2020 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 for 2020 should be £38 000. 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 Following a review of the performance of the incumbent External Auditor, the Audit Body has recommended to the governing bodies that the External Auditor be reappointed to audit the IOPC Funds' Financial Statements for a second four-year term, i.e. the financial years 2020–2023 inclusive (see document IOPC/OCT19/6/1). The External Auditor has indicated that the audit fee for the audit of the 2020 Financial Statements will be £4 400. The External Auditor has also indicated that this fee will be maintained at the same level for the duration of this second term.
- 2.6 This External Auditor's fee is included in the appropriation for administrative expenses of £14 400 which also includes an amount of £10 000 retained to cover other administrative expenses that are only attributable to the Supplementary Fund. Although the Director has not utilised this amount over the years, he is of the view that this should be retained as it provides him with added flexibility to manage the Supplementary Fund. The draft administrative budget for the Supplementary Fund for 2020 totalling £52 400 is set out at the Annex to this document.

3 Estimated balance on General Fund as at 31 December 2019

3.1 Estimated balance

The surplus as at 31 December 2019 is estimated at £1 456 147 and is arrived at as shown in the following table:

		£	£
	Balance brought forward as at 1 January 2019	1 488 047	
<i>Plus</i>	Estimated income		
	Interest to be earned in 2019 (estimate) (see paragraph 3.2.2)	10 500	
			1 498 547
<i>Less</i>	Estimated expenditure		
	Administrative expenditure in 2019 (see paragraph 3.3)	42 400	
	Estimated balance as at 31 December 2019		1 456 147

3.2 Income

Contributions

- 3.2.1 The Supplementary Fund Assembly, at its October 2018 session, decided not to levy 2018 contributions for receipt in 2019 (see document IOPC/OCT18/11/1, paragraph 9.1.19).

Interest to be earned in 2019

- 3.2.2 Interest income during 2019 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £10 500. This estimated yield is based on interest on term deposits of an average principal of approximately £1.4 million.

3.3 Expenditure

The expenditure for 2019 of £42 400 is set out below:

- (a) Management fee of £36 000 payable to the 1992 Fund for 2019 (see document IOPC/OCT18/11/1, paragraph 9.1.20);
- (b) The external audit fee for 2019 is £6 400, which is made up of £3 200 for the audit of the 2018 Financial Statements payable in 2019. An additional audit fee of £3 200 for the audit of the 2019 Financial Statements is forecast to be made also for the financial year 2019. In previous years the audit fee for the year has covered the fee for the audit of the previous year's Financial Statements. For 2019, it has been agreed with the External Auditor that the fee for the audit of the 2019 Financial Statements, which will be undertaken in 2020, is to be charged to the 2019 financial year in order to be compliant with the accrual basis of accounting. For 2019 therefore, the audit fee will cover the audit of both the 2018 and 2019 financial years. For subsequent years, the audit fee would correspond to the audit of the respective financial year.

4 Estimates for 2020

4.1 Income

Interest to be earned in 2020

Interest income during 2020 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £10 500. This estimated yield is based on interest on term deposits of an average principal of approximately £1.4 million.

4.2 Expenditure

4.2.1 The administrative expenditure for 2020 is estimated at £52 400 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 is expected to be modest, the Supplementary Fund Assembly decided, at its October 2017 session, to maintain the working capital at £1 million (document IOPC/OCT17/11/1, paragraph 9.1.22).

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

4.3 Estimated balance as at 31 December 2020

4.3.1 The General Fund balance as at 31 December 2020 is estimated as follows:

		£	£
	Balance as at 31 December 2019 (paragraph 3.1)	1 456 147	
<i>Plus</i>	Estimated income		
	Interest to be earned in 2020	10 500	
			1 466 647
<i>Less</i>	Estimated expenditure		
	Administrative expenditure including management fee, draft budget 2020 (Annex)	52 400	
<i>Plus</i>	Working capital	1 000 000	
			1 052 400
	Balance on General Fund as at 31 December 2020		414 247

4.3.2 As shown in the estimates in the table above, the projected balance as at 31 December 2020 is £414 247.

5 Director's proposal

In view of the projected balance as at 31 December 2020, the Director proposes that there should be no levy of 2019 contributions to the General Fund.

6 Action to be taken

Supplementary Fund Assembly

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

- (a) decide whether to adopt the draft budget for 2020 for the administrative expenditure 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 2019 contributions to the General Fund (paragraph 5).

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ANNEX

Draft 2020 Administrative Budget for the Supplementary Fund

(Figures in pounds sterling)

STATEMENT OF EXPENDITURE		ACTUAL 2018 EXPENDITURE	2018 BUDGET APPROPRIATIONS	2019 BUDGET APPROPRIATIONS	2020 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund	34 000	34 000	36 000	38 000
II	Administrative expenses (including external audit fees)	3 200	13 200	13 200	14 400
Supplementary Fund budget appropriation		37 200	47 200	49 200	52 400