



International Oil Pollution  
Compensation Funds

<b>Agenda Item 9</b>	IOPC/NOV20/9/1/2	
<b>Date</b>	21 September 2020	
<b>Original</b>	English	
<b>1992 Fund Assembly</b>	92A25	
<b>1992 Fund Executive Committee</b>	92EC74	
<b>Supplementary Fund Assembly</b>	SA17	●

## BUDGET FOR 2021 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

### SUPPLEMENTARY FUND

#### Note by the Director

<b>Summary:</b>	This document outlines the draft administrative budget of the Supplementary Fund for the financial year 2021. The draft budget set out at the Annex totals £50 400.
<b>Action to be taken:</b>	<p><u>Supplementary Fund Assembly</u></p> <p>(a) Decide whether to adopt the draft budget for 2021 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 2020 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 2021.
- 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 2021

- 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 2021, excluding the External Auditor's fee and expenses directly related to the respective organisations, totals £4 708 287 (see document IOPC/NOV20/9/1/1, Annex I). This figure is £167 344 (3.4%) less than the 2020 budget figure of £4 875 731.
- 2.3 A summary of the administrative budget for 2021 for the joint Secretariat is given below:

Chapter	Proposed 2021 appropriation £	2020 appropriation £	% Increase/(decrease) on 2020 appropriation
I Personnel	3 253 778	3 344 531	(2.7)
II General services	758 509	773 200	(1.9)
III Meetings	110 000	130 000	(15.4)
IV Travel	100 000	150 000	(33.3)
V Other expenditure	426 000	418 000	1.9
VI Unforeseen expenditure	60 000	60 000	-
<b>Total expenditure Chapters I–VI</b>	<b>4 708 287</b>	<b>4 875 731</b>	<b>(3.4)</b>

- 2.4 As set out in section 6 of document IOPC/NOV20/9/1/1, 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 2021 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 2021 should be £36 000. 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 by the Audit Body, the governing bodies reappointed the current external auditor (BDO International) to audit the IOPC Funds' Financial Statements for a second four-year term, i.e. the financial years 2020-2023 inclusive (see document IOPC/OCT19/11/1, paragraph 6.1.13). The External Auditor has also indicated that this fee will be maintained at the same level; £4 400 for each of the four financial years 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 2021 totalling £50 400 is set out at the Annex to this document.

### 3 Estimated balance on General Fund as at 31 December 2020

#### 3.1 Estimated balance

The surplus as at 31 December 2020 is estimated at £1 456 147 and is arrived at as shown in the following table:

		£	£
	Balance brought forward as at 1 January 2020	1 459 468	
<i>Plus</i>	<b>Estimated income</b>		
	Interest to be earned in 2020 (estimate) (see paragraph 3.2.2)	4 200	
			1 463 668
<i>Less</i>	<b>Estimated expenditure</b>		
	Administrative expenditure in 2020 (see paragraph 3.3)	42 400	
	<b>Estimated balance as at 31 December 2020</b>		<b>1 421 268</b>

#### 3.2 Income

##### *Contributions*

- 3.2.1 The Supplementary Fund Assembly, at its October 2019 session, decided not to levy 2019 contributions for receipt in 2020 (see document IOPC/OCT19/11/1, paragraph 9.1.19).

##### *Interest to be earned in 2020*

- 3.2.2 Interest income during 2020 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £4 200. This estimated yield is based on interest on term deposits of an average principal of approximately £1.4 million at an interest rate of 0.30%.

#### 3.3 Expenditure

The expenditure for 2020 of £42 400 is set out below:

- (a) Management fee of £38 000 payable to the 1992 Fund for 2020 (see document IOPC/OCT19/11/1, paragraph 9.1.20);
- (b) The external audit fee for the audit of the 2020 Financial Statements is £4 400.

#### 4 Estimates for 2021

##### 4.1 Income

###### *Interest to be earned in 2021*

Interest income during 2021 from the Supplementary Fund's investment of the assets of the General Fund is estimated at £4 200. 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 2021 is estimated at £50 400 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 2021

4.3.1 The General Fund balance as at 31 December 2021 is estimated as follows:

		£	£
	Balance as at 31 December 2020 (paragraph 3.1)	1 421 268	
<i>Plus</i>	<b>Estimated income</b>		
	Interest to be earned in 2021	4 200	
			1 425 468
<i>Less</i>	<b>Estimated expenditure</b>		
	Administrative expenditure including management fee, draft budget 2021 (Annex)	50 400	
<i>Plus</i>	Working capital	1 000 000	
			1 050 400
	<b>Balance on General Fund as at 31 December 2021</b>		<b>375 068</b>

4.3.2 As shown in the estimates in the table above, the projected balance as at 31 December 2021 is £375 068.

#### 5 Director's proposal

In view of the projected balance as at 31 December 2021, the Director proposes that there should be no levy of 2020 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 2021 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 2020 contributions to the General Fund (paragraph 5).

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ANNEX

**Draft 2021 Administrative Budget for the Supplementary Fund**

*(Figures in pounds sterling)*

STATEMENT OF EXPENDITURE		ACTUAL 2019 EXPENDITURE	2019 BUDGET APPROPRIATIONS	2020 BUDGET APPROPRIATIONS	2021 BUDGET APPROPRIATIONS
I	Management fee payable to 1992 Fund	36 000	36 000	38 000	36 000
II	Administrative expenses (including external audit fees)	6 400	13 200	14 400	14 400
<b>Supplementary Fund budget appropriation</b>		<b>42 400</b>	<b>49 200</b>	<b>52 400</b>	<b>50 400</b>