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## 13<sup>TH</sup> MEETING OF THE FINANCE AND ADMINISTRATION COMMITTEE (FAC)

*Panama City, Panama, 26 to 27 February 2026*

FAC 13 – Doc 09  
Contingency Fund  
*Secretariat*

### 1. Summary and recommendations

This paper summarises the status and outlook of the SPRFMO Contingency Fund. It recommends a \$30,000 budget allocation to the Fund, in keeping with recent years, as part of a long-term plan to reach the established target level. It also recommends that the Fund be used for the expenses related to the departure and replacement of the Compliance Manager.

The FAC is invited to:

- ***Note that the level of the Contingency Fund has accumulated to \$235,349 (47% of the target for this financial year, determined in Annex 3 of the Financial Regulations).***
- ***Recommend that the Commission approve the proposed allocation of \$30,000 for Budget Category 9 – Contingency Fund for the Financial Year 2026-27 (as per FAC13-Doc13).***
- ***Recommend that the Commission approve that the Fund be used for the expenses related to the departure and replacement of the Compliance Manager, estimated to be up to \$138,000.***
- ***Recommend that the Commission increases the annual credit to build the Contingency Fund to its targets level of three months of the approved budget within a set time period e.g. five years.***

### 2. Fund Purpose and Review

The Financial Regulations establish a Contingency Fund, and how it should be administered, for:

- a) Emergency expenses such as in the case of a force majeure event or a natural disaster;
- b) Unforeseen or unforeseeable extraordinary expenses that are necessary to meet a financial obligation;
- c) Ensuring essential operations of the Secretariat in the absence of sufficient Member contributions over and above the amount available in the Accumulated Surplus Account.
- d) Discharging obligations in the event the Convention terminates.

(Regulation 4.1, 4.6 and Annex 3).

The Commission is required to determine the level of the Contingency Fund, and annually review the amount available in it and determine credits to the Fund to reach and maintain a level equivalent to three months of the approved budget (Annex 3, para 5 & 6).

The 2024 Performance Review Panel identified the lack of full implementation of the 2018 Performance Review Panel recommendation *“that the Commission include in the budget a provision for increasing progressively over a five-year period the level of the contingency fund... until it reaches a level of 3 months of the operating budget as provided in the SPRFMO Financial Regulations”*.



### 3. Fund Balance and Forecast

The amount in the Contingency Fund is currently \$235,349. It has taken nine years to reach almost half (47%) of the target three months of the current financial year's budget (Tables 1 and 2; Figure 1). In this time there have been no withdrawals.

With the exception of COMM13 in 2025, when it was decided not to make any credits, there has been an annual Budget Category allocation of \$20,000-30,000 to the Contingency Fund. COMM9 also transferred \$20,000 from the Accumulated Surplus Account to the Contingency Fund. The Secretariat applied greater attention to interest returns on the Fund this financial year. The Contingency Fund bank account was changed to a higher interest earning instant-access bank account in November 2025 and annual interest returns are included in this report.

If the proposed \$30,000 Budget Category allocation is accepted then, without withdrawals, the Contingency Fund will reach approximately \$268,003 (43% of the target three months of the draft 2026-27 budget – Table 2 and Figure 1).

*Table 1: Movements in the Contingency Fund to 31 December 2025*

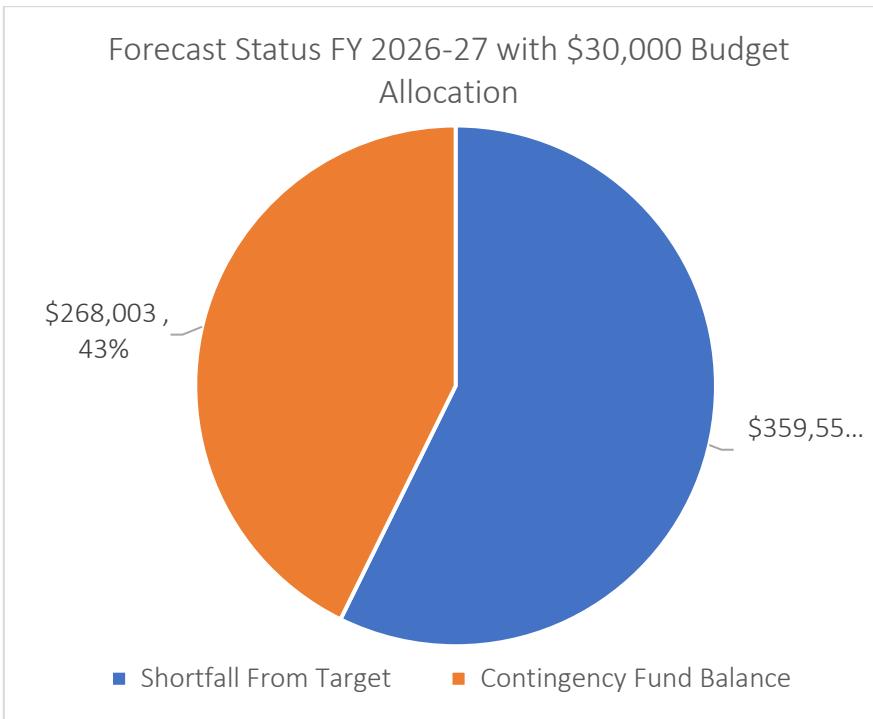
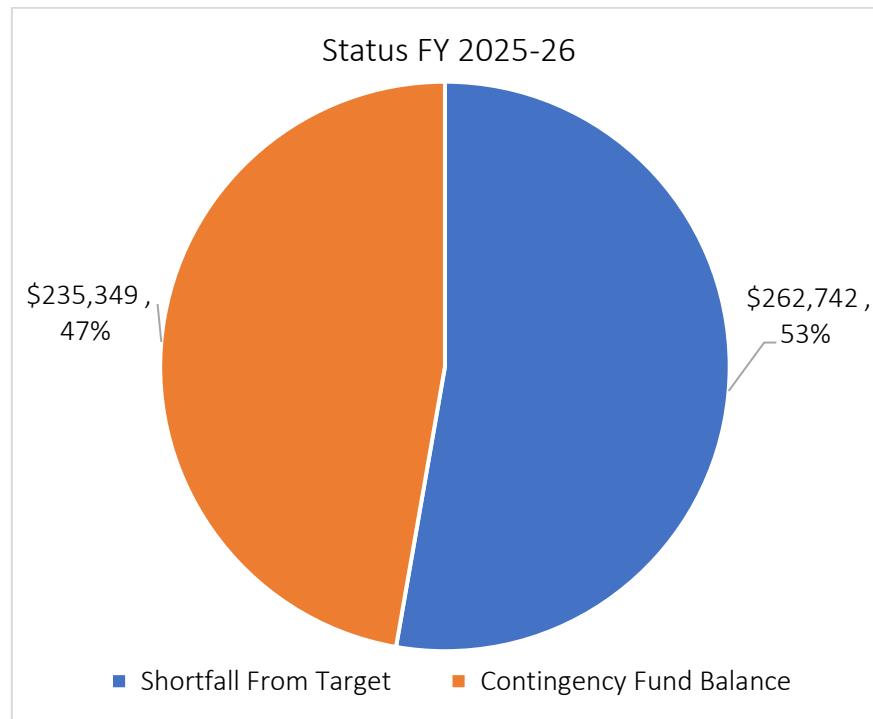
Financial Year	Meeting	Amount Allocated NZ\$	Interest Earned NZ\$	Balance NZ\$
2017-2018	5th Commission Meeting	25 000	552	25 552
2018-2019	6th Commission Meeting	24 327	47	49 925
2019-2020	7th Commission Meeting	20 000	56	69 982
2020-2021	8th Commission Meeting	40 000	48	110 030
2021-2022	9th Commission Meeting	20 000	101	130 131
2022-2023	10th Commission Meeting	30 000	2 357	162 487
2023-2024	11th Commission Meeting	30 000	5 329	197 816
2024-2025	12th Commission Meeting	30 000	4 697	232 513
2025-2026	13th Commission Meeting	-	2 837 (forecast)	235 349
2026-2027	14th Commission Meeting	30 000 (proposed)	2 653 (forecast)	268 003

*Table 2: Current and forecast Contingency Fund balance, in NZ\$ and as a percentage of the target three months budget*

	2025-26		2026-27	
Total Budget	1 992 366		2 510 238	
3 Months Target	498 092		627 560	
Shortfall From Target	264 397	53%	359 557	57%
Contingency Fund Balance	233 695	47%	268 003	43%



Figure 1. Status of the Contingency Fund





#### 4. Proposed Use of Fund for Unforeseen Staffing Costs

The Compliance Manager is retiring at the end of May 2026. Separation from service costs under the Financial Regulations 10.8 are in the order of \$64,000 and installation costs for a replacement are in the order of \$74,000, totalling \$138,000. These costs will fall in the current 2025-26 financial year and are not budgeted.

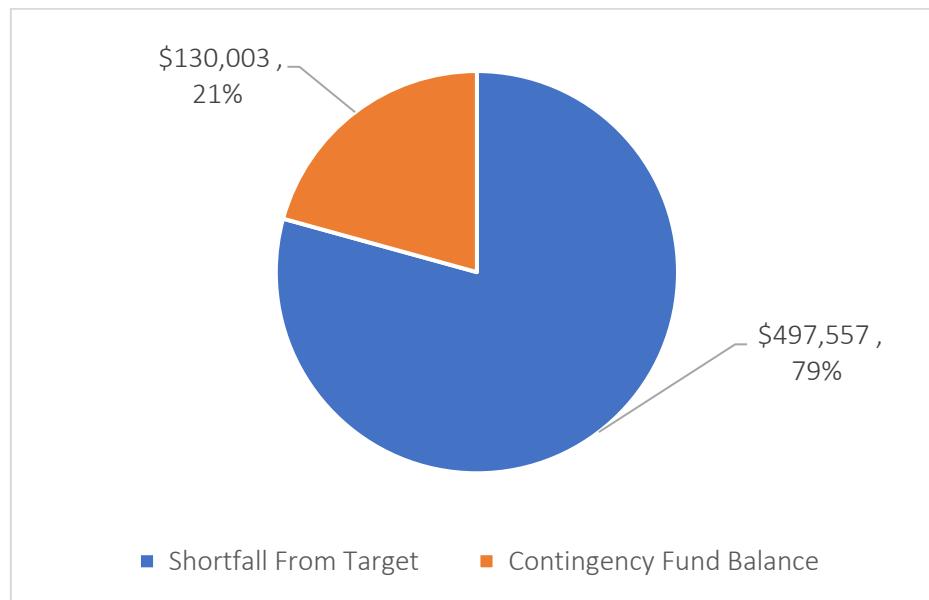
The Financial Regulations provide for the Commission to take a decision to access the Contingency Fund for 'unforeseen or unforeseeable extraordinary expenses that are necessary to meet a financial obligation' (paragraphs 1b and 4 of Annex 3).

It is proposed that the FAC recommend to the Commission that it approve that the Contingency Fund be used for the expenses related to the departure and replacement of the Compliance Manager. This would reduce the Fund to \$130,000, 20% of its target level, if the proposed \$30,000 allocation was approved (Table 3; Figure 2).

Table 3: Forecast Contingency Fund balance before and after Compliance Manager costs

	2026-27		2026-27 after Compliance Manager costs	
Total Budget	2 510 238		2 510 238	
3 Months Budget	627 560		627 560	
Shortfall From Target	359 557	57%	497 557	80%
Contingency Fund Balance	268 003	43%	130 003	20%

Figure 2. Contingency Fund Forecast Status FY 2026-27 after Compliance Manager costs





## 5. Fund Rebuild Plan

It is projected to take until 2037-38 (11 years) to reach the target level based on the following assumptions:

- \$30,000 a year contribution
- no withdrawals
- average interest rate of 1% (assuming 3% does not change the date projection)
- zero budget growth above the draft 2026-27 budget (which is unlikely over 11 years)

If the Fund is used to cover the Compliance Manager costs, it would take a further four years, until 2041-42 (15 years), to reach the target level.

To reach the target level within five years (2031-32) would require an annual credit of \$67,200, or \$95,600 if the Fund is used to cover the Compliance Manager costs.

Rebuilding timeframes and/or annual budget allocations could be reduced through transfers from the Accumulated Surplus Account (FAC13-Doc08) as was done at COMM9.

While the Contingency Fund has never been used, the departure of the Compliance Manager illustrates the Second Performance Review observation that there is a reasonable risk that at the current levels it would be insufficient to serve the Fund's purpose. If the Fund is used to cover the Compliance Manager costs then the balance would be insufficient to cover another staff departure or other significant unforeseen cost.