

**HCCH Budget - Expenses and Revenues**  
Date: 30 September 2021

Financial Year	2020-2021		Period	
			1 - 12	
	Actuals FY66		Budget FY66	
Article number and name	Amount (Debit)	Amount (Credit)	Amount (Debit)	Amount (Credit)
<b>Operational expenses</b>				
400010 - 1A Salaries and allowances	2,380,285.00		2,399,500.00	
400020 - 1B Social benefits and insurances	151,642.00		172,500.00	
400021 - 1C Home leave	0.00		8,500.00	
400031 - 1F ISRP administration	5,646.00		6,500.00	
400035 - 1G External support (operational/legal)	95,525.00		108,000.00	
400042 - 2A Rent	165,646.00		166,300.00	
400077 - 2B Service	53,301.00		44,300.00	
400078 - 2C Insurance	9,909.00		14,000.00	
400079 - 2D Cleaning	33,166.00		34,000.00	
400082 - 2E Office supplies	15,017.00		11,000.00	
400086 - 2F Postage / telecommunication	9,427.00		11,000.00	
400088 - 3A IT support / maintenance	41,302.00		40,000.00	
400089 - 3B IT software licences / hardware	71,392.00		46,500.00	
400090 - 3C IT internet / website(s)	14,907.00		15,000.00	
400132 - 4A Lease / production supplies	69,176.00		73,500.00	
400133 - 4B External design, lay-out	300.00		1,500.00	
400143 - 5A Subscriptions	13,939.00		14,000.00	
400144 - 5B Purchases	6,467.00		6,500.00	
400155 - 6 External translators	44,383.00		45,000.00	
400157 - 7 PB missions	1,832.00		65,000.00	
400159 - 8A Bank fees	13,246.00		4,600.00	
400160 - 8B Audit fees	42,063.00		45,500.00	
400161 - 9 Representation	11,874.00		18,000.00	
402002 - 10 Overhead reimbursements iSupport	-20,000.00		-20,000.00	
402003 - 11 Unforeseen	0.00		3,500.00	
410196 - 12A Rent	36,640.00		56,600.00	
410197 - 12B Interpretation	12,282.00		17,000.00	
410198 - 12C Additional personnel and moving costs	4,471.00		10,500.00	
410199 - 12D Rent	0.00		60,600.00	
410200 - 12E Interpretation	0.00		23,300.00	
410201 - 12F Additional personnel and moving costs	0.00		17,000.00	
410254 - 13 Additional personnel costs	847.00		8,400.00	
410262 - 14A Supplies, refreshments and facilitation costs	25,333.00		10,300.00	
410263 - 14B Travel consultants and external experts	0.00		5,500.00	
410264 - Diplomatic Session Judgments 2019	13,400.00			
410265 - Diplomatic Session Judgments 2019	-13,400.00			
9010 - Exceptional expenses	30,000.00			
	3,340,018.00		3,543,400.00	
<b>Sum of operational cost savings (Implementation rate 94,3%)</b>	<b>203,382.00</b>		<b>0.00</b>	
<b>TOTAL</b>	<b>3,543,400.00</b>		<b>3,543,400.00</b>	
<b>Pension expenses</b>				
430322 - 15 Retirement or survivor's pensions	600,049.00		519,500.00	
Additional retirements or survivor's pension costs absorbed by PRF	-80,549.00			
	519,500.00			
430331 - 16A Pension Administration costs ISRP	11,038.00		17,700.00	
430332 - 16B PRF expenses	56,819.00		0	
Expenses absorbed by PRF	-56,819.00		0	
	11,038.00		17,700.00	
<b>Saving pension expenses before dotation to pension liability</b>	<b>6,662.00</b>		<b>0</b>	
	17,700.00		17,700.00	
<b>Revenues</b>				
800331 - 17 Contribution of the Member States		3,946,899.00		4,132,694.00
800346 - 19 Contribution of a Member Organisation		37,000.00		37,000.00
800348 - 20 Income derived from sales of publications		22,763.00		11,000.00
800418 - 22 Contribution accrued unfunded liabilities				-197,394.00
9130 - Interest Budget				
Addition from Funds				
800338 - 18A Allocation of reserves from FY 18-19		60,000.00		60,000.00
800339 - 18B Exceptional transfer of funds for SC meeting from FY 19-20		0		37,300.00
<b>Closing amount revenues</b>		<b>13,938.00</b>		
<b>Total: Profit &amp; Loss</b>	<b>4,080,600.00</b>	<b>4,080,600.00</b>	<b>4,080,600.00</b>	<b>4,080,600.00</b>

## Explanatory notes

### Introduction

The following is an unaudited preliminary report and overview of the HCCH Budget accounts for Financial Year 2020-2021 (FY 66), submitted in accordance with Article 14 of the 2016 Financial Regulations. Please note that during the process of preparing the annual financial statements and the audit, (technical) adjustments may occur. The final audited financial statements will include a complete overview of accounts, contributions (incl. voluntary contributions), revenue and expenses.

It should be noted that, as in the previous financial year, the COVID-19 pandemic had a very significant impact on the financial operations of the HCCH during Financial Year 2020-2021. It particularly led to important underspending of budgeted costs for meetings and missions.

Representation costs were also lower than budgeted due to pandemic related restrictions. On the other hand, some IT expenses (to ensure remote operation and teleworking) due to COVID-19 were higher than budgeted. Given the possibility to absorb these expenses in the relevant Budget lines due to underspending in other Budget lines, there was no need to use the unforeseen line (Art. 11).

COVID-19 related cost savings (approx. € 178,000) include, amongst others, Home leave (Art. 1c), PB missions (Art. 7), Representation (Art. 9), Meeting costs (Arts 12-13), and Travel consultants and external experts (Art. 14b). Non-COVID-19 related cost savings (approx. € 25,000) include, amongst others, Salaries and allowances (Art. 1a), Social Benefits (Art. 1b), and Consultants (Art. 1g).

The above-mentioned elements and operational limitations due to COVID-19 led to an implementation rate of 94,3%.

Since some of the arrears have been outstanding for a long time, the allowance has been increased by € 30,000. This amount has been accounted as an exceptional expense, rather than a cash outflow. The adjustment is in accordance with Dutch GAAP accounting standards.

As approved by the Council of Diplomatic Representatives (CDR, May 2021), the meeting costs for the Special Commission on the Child Support Convention budgeted for in Articles 12D, 12E, and 12F (€ 37,300) that were not used in FY 66 will be transferred for use in Financial Year 2021-2022 (FY 67).

In addition to the operational spending results stated, membership income was higher than expected because of three new Member States joining the HCCH (Namibia, Nicaragua, and Thailand). The revenue generated by the sale of publications was also higher than expected during the financial year.

The pension liability as of 30 June 2021 is still to be calculated (as part of the audit process). This calculation, to be done in accordance with IPSAS, may have a significant impact on the overall pension expenses, and thus the overall result for the financial year.

Subject to the final results of the audit, and due to the operational costs savings, there is likely to be a total operational surplus of approximately € 190,000. The use of this operational surplus will be decided by CDR based on a proposal made by the Secretary General (SG).

Differences of significant nature (if higher than € 5,000) between actuals and budget articles

<i>Article</i>	<i>Difference</i>	<i>Explanation</i>
1A Salaries and allowances	-19,215	Due to later than envisaged hiring of new staff.
1B Social benefits and insurances	-20,858	Social benefits and insurances correlate with lower salaries (Art. 1a), which explains the difference in this Budget line.
1C Home leaves	-8,500	Eligible staff are entitled to take their home leave during a certain period of time, which may span multiple budget cycles depending on when they decide to take the leave (in accordance with HCCH Staff Rules). No reimbursements materialized in this budget cycle due to COVID-19 restrictions.
1G Consultants	-12,475	Some work could be absorbed and produced by PB staff resulting in lower-than-expected costs. Some consultant costs (e.g., confidentiality counsellor) are eligible to be covered by the HR Fund. However, as this article was not fully expended, they have been absorbed here.
2B Service	9,001	Service costs were higher than budgeted due to an incidental final settlement related to 2018 and 2019. As final settlements take up to two years to materialize and usually are in the range of +/- € 5,000, this difference could not have been foreseen.
3B IT software licences / hardware	24,892	The costs for software licenses have increased, also because of the number of such licenses. Additionally, unexpected hardware expenses were incurred to facilitate good-quality online meetings and presentations, as well as video productions. This equipment will be used for years to come.
7 PB missions	-63,168	Lower than budgeted due to COVID-19 travel restrictions.
8A Bank fees	8,646	Higher than budgeted due to negative interest on cash above € 100,000 in bank accounts in The Netherlands.
9 Representation	-6,126	Lower than budgeted due to COVID-19 circumstances (alternate plans and less meetings).
12A Rent	-19,960	Lower than budgeted due to COVID-19 circumstances (alternate meeting plans).
12D Rent	-60,600	Partly transferred to Budget FY 67 (Art. 18B) as approved by CDR.
12E Interpretation	-23,300	Partly transferred to Budget FY 67 (Art. 18B) as approved by CDR.

12F Additional personnel and moving costs	-17,000	Partly transferred to Budget FY 67 (Art. 18B) as approved by CDR.
13 Additional personnel and moving costs	-7,553	Lower than budgeted due to COVID-19 circumstances (alternate plans and less meetings).
14A Supplies, refreshments and facilitation costs	15,033	Higher (technical) facilitation costs to facilitate meetings online due to COVID-19.
14B Travel consultants and external experts	-5,500	Lower than budgeted due to COVID-19 travel restrictions.
15 Retirements	80,549	Pension costs are covered in part by the Budget and in part by the PRF (this split mechanism was adopted by CDR when the PRF was established). The amount identified is the difference between what Member States contribute to pension costs through the Budget in the financial year and actual pension expenses. The difference is absorbed fully by the PRF. (However, given the amount at stake, and the financial pressure on the PRF, the SG may propose to have the full amount covered by using part of the surplus of FY 66, so as to avoid additional pressure on the PRF).
17 Contribution of Member States (incl. Art. 22)	11,599	Higher than anticipated because Namibia, Nicaragua, and Thailand became Members of the HCCH during FY 66.
20 Income derived from sales of publications	11,763	Some publications generated higher than expected sales and revenue, in particular the <i>Service Handbook</i> .
<u>Expenses covered by Funds</u>		No expenses have been covered by Funds during FY 66.

Addition from Funds

18B Exceptional  
transfer of funds for SC -37,300  
meeting  
from FY 19-20

As approved by CDR, these Funds will be transferred  
for use in FY 67.

Results

The operational results of the Budget can be separated as follows:

Operational cost savings	203,382
Operational revenue result - Closing amount revenues (*)	<u>-13,938</u>
<b>Total net operational surplus</b>	<b>189,444</b>
subtotal savings pension expenses before dotation to pension liability	6,662

\* The closing amount revenue consists of the difference between the budgeted and actual amounts in Articles 17, 18b, 20, and 22.