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CAB/879/DV

2010-04-01

INTERNATIONAL ELECTROTECHNICAL COMMISSION

CONFORMITY ASSESSMENT BOARD (CAB)

SUBJECT

Budget of the IECEx for 2011, for CAB approval

BACKGROUND

Attached is the 2011 budget for IECEx as approved by the Management Committee ExMC, via correspondence.

ACTION

The members of the CAB are invited to approve the IECEx Budget for 2011, by using the automatic voting system on the IEC Technical Server **by 2010-04-30**.



**INTERNATIONAL ELECTROTECHNICAL COMMISSION SCHEME
FOR CERTIFICATION TO STANDARDS RELATING TO EQUIPMENT FOR
USE IN EXPLOSIVE ATMOSPHERES (IECEx SYSTEM)**

Title: Updated Draft 2011 IECEx Budget, for submission to CAB

Circulated to: IECEx Management Committee, ExMC

INTRODUCTION

During the Melbourne 2009 meeting of the IECEx Management Committee, ExMC, document ExMC/541/CD (Draft Forecasted 2011 and 2012 Budgets) was considered and endorsed for 2011 subject to the results of the 2009 end of year accounts, refer ExMC confirmed minutes ExMC/571A/RM, item 19.3.

Following receipt of the 2009 IECEx end of year financial results and despite an excellent end of year result with a surplus of CHF 42'627, to provide a total contribution to the general reserve of CHF124'627, a review of the 2011 Draft forecast budget detailed in ExMC/541/CD was undertaken by the Treasurer and Secretary.

With this review now completed an updated draft budget 2011 is now submitted for approval by ExMC (Column D of Annex A).

This draft budget includes both summary and specific explanations along with Annex A with the budget amounts and Annex B the annual fees calculations.

As also reported during the Melbourne ExMC 2009 meeting, IEC procedures for the approval of budgets for all activities of the Commission require the finalizing of next year's IEC Systems budgets by end of March for submission to the CAB. This requirement is outlined in CAB document CAB/768/INF.

While the external auditors have successfully completed their audit of the 2009 IECEx accounts the auditors' report is not yet available. Therefore, to assist IECEx Members, Column A to the Table in Annex A has been provided to show the end of year figures for 2009, as confirmed by the auditors.

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As demonstrated by the 2009 results, IECEx maintains prudent financial management which includes constant review of income versus expenditure, during the operational year, to ensure that income levels are maintained and any downward adjustments in expenditure are made should income levels fall below budget predictions.

Following a final review of the 2009 Melbourne ExMC endorsed 2011 draft budget, the Treasurer and Secretariat provide this document for a final approval by ExMC Members.

We would therefore appreciate you returning the completed voting form to the IECEx Secretariat by the closing date of **26 March 2010**.

Should you have any questions concerning this final updated version (e.g. items in Column D to Annex A) please feel to contact me.

We thank you in respecting the closing date for voting to enable us to have a final budget ready for forwarding to the IEC Conformity Assessment Board, CAB by the due date.

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Notes to the Draft Budget:

Overview:

This draft budget is presented with explanations to budget items and the following two Annexes:

- Annex A – 2011 Draft Budget details (and includes 2009 end of year audited results)
- Annex B – Details of annual dues calculations

Annex A is presented with the following columns

A = The end of year 2009 accounts as confirmed by the IEC external auditors, during February 2010.

B = The approved 2010 Budget, as previously approved by both ExMC and CAB and in current use for 2010.

C = The 2011 budget figures as endorsed during the 2009 ExMC Melbourne meeting (ExMC/541/CD extract)

D = The 2011 revised amounts taking into account the 2009 end of year results.

Values in Column D of Annex A are now submitted for final approval.

Annex B provides the annual dues split calculator and provides information valid at the time of setting this budget, (February 2010).

In accordance with the IEC Finance Department, this budget is presented as a balanced budget.

While ExMC have effectively approved a Draft 2011 budget for submission to CAB for approval (values listed in Column C of Annex A), the Treasurer and Secretary have updated these values for draft 2011 contained in ExMC/541/CD in light of

- The 2009 final end of year figures, as finalized by the IEC external auditors
- Concerns surrounding the current world economic environment
- Introduction of the revised Certificate Fee Charge of CHF 350 for new certificates, as agreed during the 2008 Paris ExMC meeting but agreed to implement from 2010.

Items in Column C identified in **red text** show those items for which the Treasurer and Secretary have revised following end of year 2009 results, resulting in an overall reduction to both Income and Expenses, with a slight increase to the amount allocated to the general reserve.

Prudent financial management of the IECEX has resulted in IECEX achieving and maintaining a solid and sound financial position, including the end of year results for the past 5 years resulting in an average annual surplus of **21%** of the annual Income generated with the IECEX General Reserve at end of 2009 now at **CHF 514'178**.

The management and control over IECEX operational expenditure has resulted in IECEX continuing to keep operating expenditure below 2009 budget. A copy of the auditors' report of the 2009 IECEX Accounts will be circulated to Members, once available from the auditors. In the absence of an auditors' report, amounts listed in Column A of Annex A contained the values approved by the Auditors.

The previous IECEX decision to move more towards a user pay system via certificate fees have resulted in **zero** increase to annual fees for the past **10 years** with a small **decrease** approved by the IECEX Management Committee for inclusion in the draft budget 2010.

While there is general industry acceptance for a "user pay system" via certificate fees, there is also an industry expectation that the IECEX Schemes continue to be supported by prompt and professional service with a solid technical base.

While the IECEX Equipment Scheme is now entering its 7th year of operation, the issuing of Certificates maintains healthy and sustained annual growth rates with figures at end of January 2010 continuing this trend. While this trend continues, even into January and February 2010, a flattening out of this growth rate during late 2010 early 2011, is factored into the Draft 2011 budget in recognition of the world economic situation, even though there are no indications of this at present.

The ExMC Paris 2008 decision to increase the certificate fee for new certificates issued under the Certified Equipment Scheme, to CHF 350, is also factored into the 2011 Draft budget

Therefore in summary the updated 2011 Draft Budget (Column D of Annex A) provides:

- A Total income of CHF 804'500
- A Total Operating costs of CHF 742'500
- A planned contribution to the IECEX General reserve of CHF 62'000.
- Any surplus to be added to the General Reserves.

As agreed during the 2009 ExMC Melbourne meeting, future planning and management of the IECEX general reserve will be discussed within the June 2010 IECEX WG 13 "Business Development" Working Group meeting to be held in June 2010, Geneva.

As further explained during the 2009 ExMC meeting, the increased operating costs for 2011 relate largely to the possible appointment of an additional full time resource (also explained in ExMC/541/CD and the 2009 Annual Report Card ExMC/544/R as presented during the 2009 Melbourne ExMC meeting), to deal with increased activities in the delivery of the IECEX Schemes:

- IECEX Certified Equipment Scheme
- IECEX Mark Licensing System
- IECEX Certified Services Facilities Scheme
- IECEX Certified Persons Scheme
- As well to provide deputy functions to the IECEX Executive Secretary, within the IECEX Schemes.

In order to cater for increased Secretariat workload arising from the new IECEX Schemes, e.g. Certified Service Facilities and Certified Persons Scheme plus growth in the existing Certified Equipment Scheme, with inclusion of ISO Standards applicable to the Ex field and the introduction of IEC Standards covering non electrical Ex equipment, re new IEC SC 31M Technical Committee.

The notes below provide details to the individual budget items.

General Note

During the updating of the draft 2011 budget, the opportunity was also taken to reconsider some items in light of the current world economic environment as well as the final 2009 end of year figures, as reviewed by the Treasurer, Secretary and IEC Finance Department.

As the 2011 Draft Budget is being prepared at the beginning of 2010, the actual end of year figures for 2009 are used as a guide to develop this Draft 2011 budget along with the Approved 2010 Budget.

A complete report with audited 2009 accounts, once available from the IEC external auditors, will be circulated to ExMC and presented to the IEC ExMC meeting in August/September and then at the 2010 IEC GM, CAB meeting.

1. INCOME

1.1 Item 6000 (National dues)

No change is proposed to that provided for in ExMC/541/CD, as discussed during the IECEX 2009 Melbourne meeting. The CHF 250,000 is budgeted in accordance with 2011 Forecast and takes into account 1 new country joining IECEX while others are also currently considering to join.

While there is interest from other countries and Certification Bodies to join IECEx in 2010, the draft 2011 budget does not rely on this income. Income received from additional membership is planned to be added to the contribution to the IECEx General Reserve.

Annex B provides an explanation of calculation of the annual dues.

The previous CHF 500 reduction in annual fees, included in both the 2010 approved budget and draft 2011 budget, represents a **10th consecutive** year of no increase in annual fees.

1.2 Item 6020 (Application Fees)

No change is proposed to the application fee as provided in ExMC/541/CD as discussed during the IECEx 2009 Melbourne meeting, noting that application fees are a one-off fee for new countries and ExCBs and ExTLs and considered as a contribution in recognition of other IECEx Members that have been paying annual fees and their participation to develop the IECEx Scheme to its current position.

1.3 Item 6110 (Sales of publications)

No change is proposed to the sale of publications as provided in ExMC/541/CD, discussed during the IECEx 2009 Melbourne meeting, noting that a new edition of the IECEx Bulletin is currently being prepared and planned for publication during the 3rd quarter 2010.

1.4 Item 6200 (Interest)

While CHF 6'500 was included in the forecasted budget of ExMC/541/CD, this is now revised down to CHF 5'000 due to the general reduction in world interest rates, while recognizing the additional CHF 124'627.16 is now added to the general reserve from end of 2009.

1.4 6400 + 6410 + BBBB (Certificate fees)

No change is proposed to the certificate fee and surcharge for the certified Equipment Scheme as provided in ExMC/541/CD, noting the increase in fee for new certificates to CHF 350 per certificate that came into effect from 1 January 2010.

However, income from certificate fees associated with the IECEx Certified Services Scheme (IECEx 03) and the new Certified Persons Scheme (IECEx 05) have been revised down to reflect a conservative approach.

Any additional amounts beyond these budgeted figures will be used as additional contribution to the IECEx general reserve.

As reported in the IECEx 2009 Annual Report Card (doc ExMC/544/R) the growth in issuing of certificates continues noting that comparison figures between January + February 2009, compared with January + February 2010 (below) show this trend in growth continuing.

Comparison of Issued certificates and Drafts between Jan + Feb 2009 and Jan + Feb 2010:

<u>Month</u>	<u>2009</u>	<u>2010</u>
January	67	130
February	194	242
Number of Drafts CoCs on system	618 (@ July 09)	742 (@ end Feb 2010)

Number of Draft CoCs show future CoCs to be issued, noting that this also shows that the growth continues, as at end of 2008 the total number of draft CoCs stood at 499, whereas at end of Feb 2010 this figure is now 742.

The 25% increase in issued CoCs (at end Feb 2010) plus the 20% increase in Draft CoCs provides further justification for the 22.5% increase in the 2011 draft budget compared to the approved 2010 budget, without taking into account new IECEx Members and Certificates issued under the new IECEx Certified Persons Scheme.

1.6 Item 6900 (Other Income)

No change is proposed to that as provided in ExMC/541/CD. Other income may include income from the IECEx Secretariat involvement in ExCB/ExTL assessments.

1.7 Item 6950 (Assessment fees)

No change is proposed to that as provided in ExMC/541/CD. This amount covers the administration fee for the processing of invoicing of IECEx Assessments and re-assessments of ExCBs and ExTLs. There is a CHF 50 Invoice fee charged for processing invoices from assessments.

2. EXPENDITURE SUMMARY

A CHF 34'000 reduction in the overall operating expenditure to that provided in ExMC/541/CD, discussed during the Melbourne 2009 IECEx meeting is proposed following further review by the Treasurer and Secretary while still providing an increase to the 2010 Approved budget in order to cater to the increase in activities and demands arising from the services as detailed above.

In line with prudent financial management, the budget is subjected to constant on-going review during the operational year, noting that provision is made for downward adjustment of certain items should income levels fall below budget predictions.

2.1 Item 40000 Personnel costs

No change is proposed to that as provided in ExMC/541/CD as presented during the Melbourne 2009 IECEx meetings.

As discussed during the 2009 IECEx Melbourne meeting, the increased personnel costs represents the main area of increase to operating expenses and covers the cost of engagement of Secretariat personnel, e.g. salaries, pensions, insurance etc. The increase included in the 2011 budget provides for the appointment of one additional resource during 2011 which will also provide deputy functions of the Secretariat

The final appointment of the proposed additional resource will be reviewed in light of actual results of 2010, however is included here for 2011 budget and business planning purposes.

As reported during the 2009 ExMC Melbourne meeting, the appointment of an additional full time resource in 2011 will complete the Secretariat resource pool with no further additions anticipated for the coming years, as no further major scheme developments are planned for the immediate future. Refer to ExMC/541/CD + ExMC/544/R for further details.

2.2 Item 47100 (Office Equipment)

While CHF 10'000 was included in the forecasted budget of ExMC/541/CD, presented during the 2009 IECEx Melbourne meetings, the Treasurer and Secretariat have now revised this down to CHF 5'000 as no significant equipment costs are planned for 2011.

2.3 Items 47200 (Rent of the IECEx Secretariat Office)

No change is proposed to that as provided in ExMC/541/CD as presented during the Melbourne 2009 IECEx meetings. This covers the leasing of the IEC Sydney office of the IECEx Secretariat and is a single charge covering the provision of a serviced office. This single fee covers rent, cleaning, computers, telecommunications, lighting and power, use of meeting facilities etc. The increase from 2010 approved budget is expected in order to accommodate the new Secretariat resource provided for in 40000.

2.4 Item 47900 (Misc Legal and audit)

No change is proposed to that as provided in ExMC/541/CD as presented during the Melbourne 2009 IECEx meetings. This is fairly static; no significant increase is expected and includes auditing of IECEx financial accounts and records

2.5 Item 47920 (Website maintenance)

While CHF 9'000 was provided in ExMC/541/CD as presented during the Melbourne 2009 IECEX meetings, this has now been revised down by the Treasurer and Secretariat to CHF 5'000 as no major website development is expected during 2011, given work now being done in 2010.

2.6 Items 48000 (Publicity and Promotion)

No change is proposed to that as provided in ExMC/541/CD as presented during the Melbourne 2009 IECEX meetings. As discussed in Melbourne 2009 ExMC meeting, the increase from 2010 approved budget is to cater for promotional programmes now that IECEX have completed the major development of all three IECEX Schemes covering Equipment, Services and Personnel.

2.7 Item 49000 (Travel and Meeting expenses)

While CHF 115'000 was provided in ExMC/541/CD as presented during the Melbourne 2009 IECEX meetings, the Treasurer and Secretary have revised this down to CHF 105'000 in further consideration of planned travel and meeting costs. While an increase to the 2010 Approved budget, this is regularly monitored and reviewed in light of results during the operational year and end of 2010 figures and adjusted downward should income levels fall below budget predictions.

Travel and meeting costs are associated with travel and accommodation of the Secretariat staff and also meeting costs where applicable.

Travel and meeting costs are associated with

- IECEX Committee meetings, including WGs
- Attending CAB meetings and related on behalf of IECEX
- Participation in CASCO WGs
- Presentations at International and Regional events, e.g. WTO, APEC, ASEAN, etc
- Travel for promotional events and IECEX related Conferences

Where possible, travel of the Secretariat is coordinated with that of IECQ to share in travel costs in line with the direction of Central Office, e.g. attendance at CAB meetings (2 per year) plus CAB WG meetings etc.

2.8 Item 48500 (Resources for Special Projects)

While CHF 40'000 was provided in ExMC/541/CD as presented during the Melbourne 2009 IECEX meetings, the Treasurer and Secretary have now revised this down to CHF 25'000 in further consideration of both the 2009 end of year results and concerns over the world economic environment.

2.9 Item 50000 (Contribution to the IECEX General Reserve)

While CHF 53'500 was provided in ExMC/541/CD as presented during the Melbourne 2009 IECEX meetings, the Treasurer and Secretary have revised this figure up to CHF 62'000 in recognition of the adjustments made to the various expenditure items noting the ExMC 2009 Meeting consideration to build a general reserve to cover 2 years operational expenditure.

At end 2009 the IECEX General Reserve stands at **CHF 514'178**

CHF 62'000 is proposed as a contribution to the IECEX General Reserves for 2011.

Annex A: Proposed updated 2011 budget for the IECEX (Column D)

Annex B: Breakdown of annual dues

- Figures for Country, ExCBs and ExTLs are based on On-Line Document OD 001 (version Feb 2010). ExCBs + ExTLs include both accepted and candidate Bodies, as per established practice.
- A member country pays the dues for at least 1 ExCB and 1 ExTL this applies even when they are not yet defined or even when there are no applicant or accepted ExCB or ExTL in that country.
- The Total dues per country (last column) will be invoiced to the national Member Body, unless the Member Body informs the Secretariat of alternative arrangements. .

Annex A – Draft 2011 IECEX Budget (Column D)

		A	B	C*	D
	INCOME	2009 End of Year Accounts CHF	2010 Approved Budget CHF	2011 Draft ExMC/541/CD Considered in Melbourne 2009	2011 Final Draft Budget CHF
6000	National Dues	241,500	234,000	250,000	250,000
6020	Application Fees	18,000	12,000	26,000	26,000
6110	Publications (Include IECEX Bulletin)	4,745	7,500	13,000	13,000
6200	Interest, Miscellaneous	1,846	3,000	6,500	5,000
6400	Certificate Fee Equipment Program	284,625	350,000	450,000	450,000
	Certificate Fee Surcharges	13,500	included in Certificate Fee	included in Certificate Fee	included in Certificate Fee
6900	Other Income	0	3,000	4,000	4,000
6410	Certificate Fee Services Program	16,500	20,000	34,000	25,000
BBBB	Certificate Fee Certified Persons Scheme	New Scheme not operational till end 2009	15,000	35,000	30,000
6950	Assessment Fees Administration	1,108	1,500	1,500	1,500
ZZZZ	IECEX Mark Fees	0	10,000	10,000	0
					0
	Total Income	581,824	656,000	830,000	804,500

	EXPENDITURE	CHF	CHF	CHF	CHF
40000	Personnel Costs (Salaries, Insurance + Pensions) – Total	308,000.00	400,000	520,000	520,000
47100	Office Equipment + Stationery	3,387.00	7,150	10,000	5,000
47200	Serviced Office facilities providing: Rent, Heating, Cleaning, Computer equipment with IT support, fax and general communication	25,000.00	25,000	32,500	32,500
47900	Miscellaneous, legal audit	4,871.59	7,000	10,000	10,000
47920	Website Maintenance and Development	3,973.00	7,150	9,000	5,000
48000	Publicity + Promotion	14,306.00	25,000	40,000	40,000
49000	Travel + Meeting Expenses	72,116.00	90,000	115,000	105,000
48500	Resources for special projects	25,543.00	40,000	40,000	25,000
	Total Operating Costs	457,196.59	601,300	776,500	742,500
50000	Portion allocated to build IECEX Reserves	82,000.00	54,700.00	53,500	62,000
	Total Expenses	539,196.59	656,000.00	830,000	804,500
	End of year surplus	42,627.16			
	Total End of Year Contribution to Reserves	124,627.16			

*Items in Column C, shown in red text, are those that while endorsed during the 2009 ExMC Melbourne meeting, have now been adjusted by the Treasurer and Secretary following review during Feb 2010, Refer to **Overview** page 3 for further explanation .

Annex B: Annual Dues Split – Calculator (as at Feb 2010)

	Country	Number	Number	Number	Number	Dues split				
		ExCBs	ExTLs	ExCBs	ExCBs					
		IECEx 02 Equipment	IECEx 02 Equipment	IECEx 03 Services	IECEx 05 Persons	National share	Each ExCB	Each ExTL	Total dues per country Country	
						CHF	3,000	1,250	1,000	--
1	AU	3	4	2		3,000	6250	4000	13,250	
2	BR	1	1			3,000	1250	1000	5,250	
3	CA	2	3			3,000	2500	3000	8,500	
4	CN	1	4			3,000	1250	4000	8,250	
5	CZ	1	1			3,000	1250	1000	5,250	
6	DK	1	1			3,000	1250	1000	5,250	
7	FI	1	1			3,000	1250	1000	5,250	
8	FR	2	2		1	3,000	3750	2000	8,750	
9	DE	8	9	2		3,000	12500	9000	24,500	
10	GB	5	5	2	2	3,000	11250	5000	19,250	
11	HR	1	1			3,000	1250	1000	5,250	
12	HU	1	1			3,000	1250	1000	5,250	
13	IN	1	3			3,000	1250	3000	7,250	
14	IT	2	2			3,000	2500	2000	7,500	
15	JP	1	1			3,000	1250	1000	5,250	
16	KR	3	3			3,000	3750	3000	9,750	
17	MY	1	1			3,000	1,250	1,000	5,250	
18	NL	1	1	1		3,000	2500	1000	6,500	
19	NO	2	2	1	1	3,000	5000	2000	10,000	
20	NZ	1	1			3,000	1250	1000	5,250	
21	PL	1	1			3,000	1,250	1,000	5,250	
22	RO	1	1			3,000	1250	1000	5,250	
23	RU	1	1			3,000	1250	1000	5,250	
24	SI	1	1			3,000	1250	1000	5,250	
25	SG	1	1			3,000	1250	1000	5,250	
26	ZA	1	1			3,000	1250	1000	5,250	
27	SE	1	1			3,000	1250	1000	5,250	
28	TR	1	1			3,000	1250	1000	5,250	
29	CH	1	1			3,000	1250	1000	5,250	
30	US	4	4	1		3,000	6250	4000	13,250	
31	New*	1	1			3,000	1250	1000	5,250	
Total columns		53	61	9	4	93,000	82,500	61,000	236,500	

* Provides for 1 new country to join, as notified to the Secretariat during February 2010