



56th CIML – Item 7.6

16th Conference – Item 10.3

Policy on the OIML Operating Reserve Fund



Introduction

- Addendum 7.6a (56th CIML) / 10.3a (16th Conference) provides information on the OIML Operating Reserve Fund.
- The proposed Policy itself is detailed in Addendum 7.6b / 10.3b.



Organisation Internationale de Métrologie Légale

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Information



[Info]

Background

- The 15th Conference requested the CIML to consider the Operating Reserve policy and the purpose for which the Reserve should be used.
- The 15th Conference stated that recommendations should be reported to the 16th Conference.
- The Operating Reserve was also discussed at the 55th CIML Meeting.



[Info]

Rationale

- Although the Operating Reserve is referenced in the Convention, there is no formal policy.
- The total cash balance fluctuates throughout each year.
- This uncertainty could lead to a shortfall of available funds.
- An Operating Reserve Fund Policy is therefore needed to ensure that an adequate level of funds is maintained.



[Info]

Analysis of funds received

- The average total cash balance of the Organisation over the period 2017–2020 was 8.8 months of average annual operating expenditure.
- The cash balance ranged from a low of 7.4 months to a high of 10.5 months.



[Info]

Payments

- Analysis of 2017–2020 payments shows that the average Member States payment delay ranged from 5.5 months in 2020 to 7.1 months in 2018.
- While every effort is made to collect Member contributions on time, any increase in the delay would pose a risk to the OIML's operations.



[Info]

Target minimum Operating Reserve

- Based on this analysis, the target minimum Operating Reserve Fund is proposed to be set at 6 months of the average operating expenditure.
- This takes into consideration the average delay time in Member payments.



[Info]

Impact and risk

- The lack of an Operating Reserve Fund Policy could impact on the OIML's operational and strategic management.
- It could also impact on the commitments the OIML can provide to its stakeholders.
- Additional potential impact on the OIML's capacity to plan and invest in strategic and long-term initiatives for its Members.



[Info]

Recommendation

- It is recommended that the OIML Operating Reserve Fund Policy is approved by the CIML and endorsed by the Conference.



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Policy



[Policy]

Authority to establish a reserve

- The authority to establish a reserve for the Organisation is contained in Article XXIV of the Convention.



[Policy]

Purpose

- To build and maintain an adequate level of net current assets to support the Organisation's operations in the event of unforeseen shortfalls.
- The Fund may also be used for essential emergency expenses.
- Not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.
- The Policy will be implemented in conjunction with the other financial policies.



[Policy]

Definitions and goals

- The Operating Reserve Fund is defined as the designated fund set aside by the Conference.
- The minimum operating reserve will be sufficient to maintain ongoing operations for a set number of months.
- The Operating Reserve Fund will be reviewed and adjusted in response to internal and external changes.
- The target amount is equal to 6 months of average recurring operating costs of the Organisation.



[Policy]

Accounting for reserves

- The Operating Reserve Fund will be recorded in the accounts as the “Designated Operating Reserve”.
- The Operating Reserve Fund will be funded and available in cash or cash equivalents.
- Operating reserves will be managed with the general cash and investment accounts of the Organisation.



[Policy]

Funding of reserves

- The Operating Reserve Fund will be funded by the existing cash balance of the Organisation.
- If there is a budget surplus at the end of the financial period, the Conference may direct that the Operating Reserve Fund will be funded with some or all of the surplus.
- The Conference may also direct that a specific source of income be set aside for the Operating Reserve Fund.
- Should the Operating Reserve Fund fall below 3 months of the average operating costs, an alert will be issued by the CIML President.



[Policy]

Authority to use the Operating Reserve Fund

- Article XXV of the Convention: Authority for the use of the Operating Reserve Fund is delegated to the BIML Director in consultation with the CIML President:
 - identify the need for access to the Fund;
 - confirm that the use is consistent with the purpose of the reserves as described in this Policy;
 - carry out detailed analysis.
- Use of the Fund will be reported to the CIML/Conference.



[Policy]

Reporting and monitoring

- The BIML Director and the CIML President are responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy.
- The BIML Director will maintain records of the use of funds.
- The BIML Director will provide updates to the CIML President.
- The BIML Director and the CIML President will discuss annually any additional risk factors and their impact on operating reserve levels.



[Policy]

Review of policy

- This Policy will be reviewed by the BIML Director and the CIML President every year, or sooner if warranted by internal or external events or changes.
- Changes to the Policy will be recommended to the CIML for approval.



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Close