



International Oil Pollution  
Compensation Funds

Agenda Item 9	IOPC/NOV21/9/1/1	
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1992 Fund Assembly	92A26	●
1992 Fund Executive Committee	92EC77	
Supplementary Fund Assembly	SA18	

## BUDGET FOR 2022 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

### 1992 FUND

#### Note by the Director

##### Summary

The draft budget for running the joint Secretariat for 2022 totals £4 855 778 (2021 – £4 708 287) and expenditure on the external audit fee, relating only to the 1992 Fund, is £53 600 (2021 – £53 600). An assessment is made of the likely compensation payments and other incident-related expenses.

The resulting need for 2021 contributions, payable by 1 March 2022 to the General Fund, is £12.2 million. Contributions are required for the reimbursement of a loan of £3.9 million taken by the General Fund from the *Hebei Spirit* Major Claims Fund to meet an estimated deficit in 2021. This loan was taken out as an alternative to levying 2020 contributions for receipt in March 2021.

In addition, contributions are required for payment of claims and claims-related expenses in respect of the Incident in Israel, up to a limit of SDR 4 million from the General Fund, approved by the 1992 Fund Executive Committee at its meeting in July 2021.

##### Action to be taken:

1992 Fund Assembly

- (a) Decide whether to renew the authorisation given to the Director to create additional posts in the General Service category as required (paragraph 4.1);
- (b) decide whether to renew the authorisation given to the Director to create a Professional post at the P3 level subject to need and budget availability (paragraph 4.2);
- (c) adopt the draft budget for 2022 for the 1992 Fund joint Secretariat administrative expenses of £4 855 778 (Annex I, Chapters I–VI) (2021 – £4 708 287) and the 1992 Fund’s external audit fee of £53 600 (Annex I, Chapter VII);
- (d) decide on the management fee payable by the Supplementary Fund to the 1992 Fund of £38 000 (section 6);
- (e) approve the Director’s estimate of the expenses to be incurred in 2022 in respect of the preparation for the entry into force of the HNS Convention of £35 000 (paragraph 8.3.4);

- (f) decide whether to maintain the working capital at £15 million in the budget year 2022 (paragraph 8.4.4); and
- (g) decide whether to authorise the Director to levy 2021 contributions of £12.2 million, payable by 1 March 2022 (section 10).

## **1 Introduction**

- 1.1 Article 18.5 of the 1992 Fund Convention requires the Assembly of the 1992 Fund to adopt the annual budget of the organisation.
- 1.2 Article 12 of the 1992 Fund Convention provides that the 1992 Fund Assembly shall determine the amount of contributions to be levied, if any. For this purpose, the 1992 Fund Assembly shall make an estimate in the form of a budget of the 1992 Fund's expenditure and income for each calendar year, taking into account the need to maintain sufficient liquid funds.
- 1.3 The 1992 Fund's expenditure consists of:
  - (a) costs and expenses of the administration of the 1992 Fund, and any deficit from preceding years;
  - (b) payments of claims and claims-related expenses up to SDR 4 million<sup><1></sup> per incident (minor claims); and
  - (c) payments of claims and claims-related expenses to the extent that the aggregate amount of the payments in respect of any one incident is in excess of SDR 4 million (major claims).
- 1.4 Expenses mentioned in subparagraphs (a) and (b) of paragraph 1.3 above have to be met from the General Fund (Financial Regulation 7.1(c)) and expenses with respect to major claims as defined in subparagraph (c) above have to be met from Major Claims Funds (Financial Regulation 7.2(d)).
- 1.5 This document incorporates in the draft budget the assessment of contributions to the General Fund, in accordance with Article 12.2(a) of the 1992 Fund Convention. The assessment of contributions to Major Claims Funds is dealt with in a separate document (document IOPC/NOV21/9/2/1).
- 1.6 As for the individual incidents covered in this document, reference is made to the information contained in the Director's comments and Notes to the 2020 Financial Statements (document IOPC/NOV21/5/6/1, Section One and Section Three).
- 1.7 It should be noted that in this document any estimate of amounts to be paid by the 1992 Fund in compensation has been made solely for the purpose of the assessment of the balance on the General Fund as at 31 December 2021. This document does not take into account the position of the 1992 Fund in respect of the admissibility of claims arising from the incidents.

## **2 Adoption of International Public Sector Accounting Standards**

- 2.1 Despite the adoption of the International Public Sector Accounting Standards (IPSAS) from 1 January 2010, the 1992 Fund's budget continues to be prepared on a modified cash basis.
- 2.2 The adoption of IPSAS has some impact on the estimated General Fund balance for the purposes of levying contributions, namely for the following items:

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<sup><1></sup> The SDR (Special Drawing Right) which is the unit of account used in the Conventions is valued on the basis of a basket of key international currencies and serves as the unit of account of the International Monetary Fund (IMF) and a number of other intergovernmental organisations.

- Fixed assets, which have a useful life of more than one year, will be shown on the balance sheet when they are purchased and only a portion (a charge for depreciation) of the purchase price of the assets will be reported in the expenditure statement, effectively spreading the cost of the assets over their useful life. As the budget is a cash budget, it will continue to show cyclical increases to show assets that are to be purchased as a result of replacing fully depreciated assets or the purchase of new assets as required. Reconciliation between the fixed assets cost presented in the Financial Statements and the budget for the year is provided in the Financial Statements for that year.
- All costs of employing staff during the course of the year need to be accounted for, whether these costs are borne in the year or later. These costs include liabilities such as accrued annual leave and repatriation costs for existing staff. This liability is required to be fully provided for in the Financial Statements, and this will have the direct impact of reducing the General Fund balance. A provision has therefore been made for this liability when making an estimate of the balance of the General Fund as at 31 December 2022 and is shown in the table in paragraph 9.1.

### **3 Joint Secretariat**

- 3.1 The 1992 Fund Assembly and the Supplementary Fund Assembly agreed that the 1992 Fund Secretariat should also administer the Supplementary Fund (documents 92FUND/A/ES.9/28, paragraph 7.3 and SUPPFUND/A.1/39, paragraphs 11.2 and 11.3).
- 3.2 As set out in section 6 below, the Director proposes that, in accordance with the approach taken by the governing bodies, the Supplementary Fund should pay a management fee to the 1992 Fund for the period 1 January to 31 December 2022 in respect of the costs of running the joint Secretariat.

### **4 Additional posts**

- 4.1 At its October 2001 session, the 1992 Fund Assembly authorised the Director to create positions in the General Service category as required, provided that the resulting cost would not exceed 10% of the figure for salaries in the budget (document 92FUND/A.6/28, paragraph 17.5). Since this authority was provided to the Director by the Assembly in October 2001, four posts have been created, one in 2004, one in 2008 and two in 2011. The Director considers that the authority to create additional posts in the General Service category has proven to be valuable and allows certain flexibility in the management of the Secretariat. The 1992 Fund Assembly may wish to consider whether to renew the corresponding authority for 2022 (i.e. up to £220 000 based on the draft 2022 budget).
- 4.2 At its October 2010 session, the 1992 Fund Administrative Council gave the Director the authority to create one additional unspecified post in the Professional category at P3 level in the 2011 budget. This authority has been renewed each year by the 1992 Fund Assembly and was utilised in 2020 when the Director created the post of Policy Officer in the Director's Office (document IOPC/NOV20/7/1, paragraph 2.1.8), which was filled in July 2021. The Director maintains that having this flexibility will assist in the management of the Secretariat. As in previous years, the Director has not included the unspecified P3 post within the 2022 budget (Chapter I – Personnel) but instead proposes that the Assembly renew the authority to create a Professional post at the P3 level (i.e. £96 000), subject to budget availability.

### **5 1992 Fund draft budget for administrative expenditure in 2022**

- 5.1 Financial Regulation 3 of the 1992 Fund provides that the financial period shall be the calendar year. The draft budget proposed by the Director, therefore, covers the period 1 January to 31 December 2022.

- 5.2 The presentation of the joint Secretariat budget follows the requirements of Financial Regulations 5.2 and 5.3. Comparative figures of the joint Secretariat's administrative expenses for 2020 (actual expenditure and budget appropriations) and 2021 (budget appropriations) are also given.
- 5.3 The Director submits for consideration by the 1992 Fund Assembly an administrative budget for the 1992 Fund, which covers the expenses for 2022 of running the joint Secretariat (Chapters I–VI) and expenditures under Chapter VII – External audit fee to be borne by the 1992 Fund only. The draft administrative budget for the 1992 Fund is at Annex I.
- 5.4 The draft joint Secretariat budget (Chapters I–VI) totals £4 855 778 (2021 – £4 708 287). This budget figure is 3.1% (£147 491) more than the 2021 budget, however it is less than the 2020 budget of £4 875 731. The draft budget for 2022 is broken down as follows:

Chapter	Proposed 2022 appropriation £	2022 appropriation %	2021 appropriation £	% Increase/(decrease) on 2021 appropriation
I Personnel	3 295 876	67.9	3 253 778	1.3
II General services	838 902	17.3	758 509	10.6
III Meetings	130 000	2.7	110 000	18.2
IV Travel	100 000	2.1	100 000	0.0
V Other expenditure	431 000	8.9	426 000	1.2
VI Unforeseen expenditure	60 000	1.2	60 000	0.0
<b>Total expenditure Chapters I–VI</b>	<b>4 855 778</b>		<b>4 708 287</b>	<b>3.1</b>

- 5.5 Following a review of the performance of the incumbent External Auditor by the Audit Body, the Assembly at its October 2019 session reappointed the External Auditor (BDO International) to audit the IOPC Funds' Financial Statements for a second four-year term, i.e. for the financial years 2020–2023 inclusive (document IOPC/OCT19/11/1, paragraph 6.1.13). The External Auditor, on reappointment, indicated that the yearly audit fee would be maintained at the same level for the duration of this second term. The fee for the audit of the 2022 Financial Statements will, therefore, be £53 600 and is set out under Chapter VII in the draft administrative budget.
- 5.6 Notes on the individual appropriations for the joint Secretariat administrative budget are set out in Annex II. A summary of the key changes to the 2022 budget compared to 2021 by Chapter is set out in paragraphs 5.7–5.12.

5.7 Chapter I – Personnel (67.9% of the 2022 proposed budget)

*Increase/(decrease) on 2021 budget appropriation: 1.3% increase*

## 5.7.1 The Chapter consists of:

<b>Expense Head</b>	<b>2022 appropriation £</b>	<b>2021 appropriation £</b>
Salaries	2 241 908	2 198 676
Separation and recruitment	120 000	120 000
Staff benefits, allowances and training	913 968	915 102
Conscious rewarding scheme	20 000	20 000
<b>Total</b>	<b>3 295 876</b>	<b>3 253 778</b>

5.7.2 As set out in document IOPC/NOV21/7/1, the Secretariat has 35 established posts, of which 26 posts are presently filled. Of the nine vacancies, there are six posts in the Professional category and three posts in the General Service category. As in previous years, one vacant post in the Professional category is included in the budget for 2022. The salaries, allowances and grants follow the United Nations (UN) common system as applied by the International Maritime Organization (IMO). For the 2022 budget, the Director has included an increase in salaries for staff in the Professional and higher categories and for staff in the General Service category to account for changes to the UN common system (Annex II, section 1). The increases are in line with that proposed by IMO at its Council meeting in July 2021.

5.8 Chapter II – General services (17.3% of the 2022 proposed budget)

*Increase/(decrease) on 2021 budget appropriation: 10.6% increase*

## 5.8.1 This Chapter consists of:

<b>Expense head</b>	<b>2022 appropriation £</b>	<b>2021 appropriation £</b>
Rent of office accommodation	192 902	188 109
IT (hardware, software, maintenance and connectivity)	448 000	378 400
Furniture and other office equipment	21 000	17 000
Office stationery and supplies	9 000	9 000
Communications (courier, telephone, postage)	28 000	26 000
Other supplies and services	22 000	22 000
Representation (hospitality)	20 000	20 000
Public information	98 000	98 000
<b>Total</b>	<b>838 902</b>	<b>758 509</b>

5.8.2 As set out in section 2 of Annex II of this document, the accommodation costs (rent, service charges, etc.) under this Chapter reflect amounts payable to IMO in accordance with the underlease Agreement signed in February 2016.

5.8.3 Also set out in section 2 of Annex II of this document, IT costs for 2022 are higher than in 2021. This heading includes software, IT maintenance and support, and software development, which make up two-thirds of the IT budget appropriation. In addition, additional cybersecurity measures were put in

place in 2020 and 2021 to further strengthen the security of the IT estate. The increase in the 2022 budget compared to the 2021 budget appropriation reflects these changes.

5.9 Chapter III – Meetings (2.7% of the 2022 proposed budget)

*Increase/(decrease) on 2021 budget appropriation: 18.2% increase*

In line with the decision of the 1992 Fund Administrative Council at its session in June 2009, only two meetings of the governing bodies have been held per year since 2012 (document 92FUND/AC.5/A/ES.14/9, paragraphs 4.4 and 4.5). The costs of holding these two meetings are difficult to predict due to varying length of meetings, the volume of documents and whether meetings are to be held in person, virtually or using a hybrid solution. The 2022 appropriation has been increased to £130 000 (Annex II, section 3) to include the additional costs of engaging KUDO to provide a platform for running remote meetings, as well as provision for more than two meetings should they be required.

5.10 Chapter IV – Travel (2.1% of the 2022 proposed budget)

*Increase/(decrease) on 2021 budget appropriation: no change*

This appropriation covers the costs of travel on missions, outreach activities such as the delivery of seminars and workshops, and international conferences and exhibitions. Where possible, this travel is combined with travel in relation to the various incidents handled by the IOPC Funds, and the costs are apportioned between travel and the incident in question. As a result of the global COVID-19 pandemic, many international conferences scheduled for 2020/2021 have been postponed or moved to 2022. There has been increased participation in virtual seminars and delivery of presentations through webinars during the pandemic and this trend may continue in 2022 (Annex II, section 4). The appropriation has been maintained at £100 000 for 2022 to reflect the uncertainty facing international conferences and travel.

5.11 Chapter V – Other expenditure (8.9% of the 2022 proposed budget)

*Increase/(decrease) on 2021 budget appropriation: 1.2% increase*

5.11.1 This Chapter consists of:

<b>Expense Head</b>	<b>2022 appropriation £</b>	<b>2021 appropriation £</b>
Consultants' and other fees	150 000	150 000
Audit Body	200 000	196 000
Investment Advisory Body	81 000	80 000
<b>Total</b>	<b>431 000</b>	<b>426 000</b>

5.11.2 As set out in section 5 of Annex II to this document, the budget for Consultants' and other fees has been maintained at the same level as in 2021. The Investment Advisory Body (IAB) budget for 2022 includes an increase in line with UK inflation measured by the Consumer Price Index (CPI) for June 2021 of 2.5%. The appropriation for the Audit Body is based on the composition of the Audit Body elected at the December 2020 sessions, consisting of its full complement of six members plus the external expert. This appropriation includes an increase in line with UK inflation, as for the IAB, of 2.5% for the honorarium payable to the members and fees payable to the external expert, plus estimated travel costs should it be possible to hold face-to-face meetings in 2022.

5.12 Chapter VI – Unforeseen expenditure (1.2% of the 2022 proposed budget)

*Increase/(decrease) on 2021 budget appropriation: no change*

This budget appropriation covers costs not anticipated at the time of preparation of the budget. The appropriation has been retained at the same level as in previous years at £60 000.

**6 Management fee paid by the Supplementary Fund**

6.1 The table below summarises the management fee approved by the governing bodies to be paid to the 1992 Fund by the Supplementary Fund for administering the joint Secretariat since the financial year 2006.

<b>Management fee paid by the Supplementary Fund</b>		
<b>Financial year</b>	<b>Number of working days</b>	<b>Management fee £</b>
2006	5	70 000
2007	5	70 000
2008	3.5	50 000
2009	3.5	50 000
2010	3.5	52 500
2011	3.5	56 000
2012	3.5	59 500
2013	2	33 000
2014	2	32 000
2015	2	33 000
2016	2	34 000
2017	2	34 000
2018	2	34 000
2019	2	36 000
2020	2	38 000
2021	2	36 000
2022	2	38 000

6.2 As in recent years, the Director proposes that the management fee for 2022 be calculated on an estimate of two working days, which the staff as a whole during 2022 would devote to tasks relating to the Supplementary Fund. The work relating to the Supplementary Fund (provided it is not involved in any incident) will be limited to administrative tasks, such as those connected with the Supplementary Fund Assembly. Should a major incident occur which does involve the Supplementary Fund, the governing bodies may wish to reassess the apportionment.

6.3 On the basis set out above, the Director has calculated the total costs per working day for the entire Secretariat, based on the joint Secretariat administrative budget for 2022 totalling £4 855 778 (2021 – £4 708 287) and 261 working days during the year. The daily costs of running the joint Secretariat would then be some £18 605 (2021 – £18 039). Rounding the daily cost up to £19 000, the Supplementary Fund should pay a management fee of £38 000 (2 x £19 000) as in 2020.

## 7 Estimated 1992 Fund General Fund balance as at 31 December 2021

### 7.1 Estimated balance

The balance on the General Fund at 31 December 2021 is estimated at £16 440 514 as shown in the table below:

	£	£
Balance b/f at 1 January 2021:		
Working capital	15 000 000	
Surplus/(deficit)	1 083 278	
		16 083 278
Add back:		
Provision for employee benefits (from 2020 Financial Statements IOPC/NOV20/5/6/1)	649 237	
Depreciation which exceeds the cost of fixed assets purchased (Note 7 to 2020 Financial Statements document IOPC/NOV20/5/6/1)	7 133	
		656 370
<i>Plus</i>		
2020 General Fund contributions receivable in 2021	-	
Previous years' General Fund contributions receivable in 2021	340 882	
Interest to be earned in 2021 (estimate)	30 000	
Loan from <i>Hebei Spirit</i> MCF, 1 March 2021	3 900 000	
Management fee payable by Supplementary Fund for 2021	36 000	
		4 306 882
		21 046 530
<i>Less</i>		
Estimated 2021 administrative expenditure of joint Secretariat (Chapter I–VI)	3 982 416	
External audit fee for 2021 (Chapter VII)	53 600	
Loans to HNS Fund	35 000	
Minor claims expenditure in 2021 (Annex III)	535 000	
		4 606 016
<b>Estimated balance as at 31 December 2021</b>		<b>16 440 514</b>

### 7.2 Income

#### *Contributions*

- 7.2.1 The 1992 Fund Assembly decided at its session in December 2020 that there should not be a levy of 2020 contributions for receipt by 1 March 2021 (document IOPC/NOV20/11/2, paragraph 9.1.17).
- 7.2.2 It was decided at the same session that the General Fund would take out a loan of £3.9 million from the *Hebei Spirit* Major Claims Fund in accordance with the Financial Regulations of the 1992 Fund to meet the estimated deficit on the General Fund for 2021 rather than levy 2020 contributions for

receipt by 1 March 2021. The loan is to be repaid on 1 March 2022. Interest payable for the loan taken by the General Fund from the *Hebei Spirit* Major Claims Fund would be £13 650 (i.e. 12 months at 0.35% per annum for £3.9 million), and this is included in the projected total 2021 administrative costs set out below.

*Interest to be earned in 2021*

- 7.2.3 Interest received for the period 1 January to 30 June 2021 amounts to some £17 000. Based on the current interest rates applicable to the 1992 Fund investments, interest income for 2021 is estimated at £30 000 based on an average capital of £15 million and at an average interest rate of 0.20% per annum.

*Management fee payable by the Supplementary Fund in 2021*

- 7.2.4 The management fee payable to the 1992 Fund by the Supplementary Fund for 2021 was set by the governing bodies at £36 000 (document IOPC/NOV20/11/2, paragraph 9.1.21).

7.3 Expenditure

*Administrative costs*

- 7.3.1 The administrative budget of the joint Secretariat (Chapter I–VI) for 2021 was set at £4 708 287. Based on information as at 30 June 2021, the total expenditure for 2021 for the joint Secretariat is estimated to be some £3 982 416, which is 15.4% lower than the 2021 budget appropriation, as set out in the table below:

Chapter	2021 appropriation £	Expenditure to 30 June 2021 £	Projected total 2021 expenditure £	Projected total as % of 2021 appropriation
I Personnel	3 253 778	1 379 169	2 927 624	90.0
II General services	758 509	301 061	715 954	94.4
III Meetings	110 000	42 610	118 510	107.7
IV Travel	100 000	-	15 000	15
V Other expenditure	426 000	53 613	205 328	48.2
VI Unforeseen expenditure	60 000	-	-	-
<b>Total expenditure Chapters I–VI</b>	<b>4 708 287</b>	<b>1 776 452</b>	<b>3 982 416</b>	<b>84.6</b>

- 7.3.2 As a result of the COVID-19 pandemic, costs related to Travel (Chapter IV) and Other expenditure (Chapter V – specifically Audit Body Travel) are estimated to show a large underspend. Estimated underspend across all Chapters in 2021 is estimated to be some 15%.
- 7.3.3 Expenditures which are borne by the 1992 Fund only are under Chapter VII (External audit fee) and these expenses are not considered when calculating the management fee payable by the Supplementary Fund.
- 7.3.4 Following a review by the Audit Body in 2019, the current External Auditor was reappointed by the Assembly of the 1992 Fund at its session in October 2019 to audit the 2020–2023 financial years.

The external audit fee has been set at £53 600 (Chapter VII) for the audit of the financial periods 2020–2023.

*Minor claims expenditure 2021*

- 7.3.5 As can be seen from Annex III, it is expected that claims and claims-related expenses will be incurred during 2021 in respect of seven incidents involving the 1992 Fund. The total claims and claims-related expenses payable from the General Fund during 2021 are estimated at £535 000.

**8 Income and expenditure estimates for 2022**

8.1 Income

*Interest to be earned in 2022*

- 8.1.1 Interest income during 2022 from the 1992 Fund's investment of the assets of the General Fund is estimated at £30 000. This estimated yield is based on an average principal of approximately £15 million at an average interest rate of some 0.20%.

*Management fee payable to the 1992 Fund*

- 8.1.2 The Director has proposed that the management fee payable to the 1992 Fund by the Supplementary Fund for 2022 be set at £38 000 (2021 – £36 000) (see section 6). If a different apportionment of costs between the two organisations were to be decided, the draft budget would have to be revised accordingly.

8.2 Expenditure

- 8.2.1 The estimated joint Secretariat administrative expenditure for 2022 totals £4 855 778 (2021 – £4 708 287), (see section 5). A provision for employment benefit (accrued annual leave and repatriation grant) of £649 237 has been made. As set out in paragraph 5.5, the external audit fee for auditing the 2022 Financial Statements has been set by the External Auditor at £53 600.

*Minor claims expenditure 2022*

- 8.2.2 The incidents for which payments may have to be made from the General Fund during 2022 are listed in Annex IV.
- 8.2.3 It is estimated that the payments by the 1992 Fund from the General Fund in 2022 relating to seven incidents will total £4 241 000, which includes expenditure on the Incident in Israel up to the amount payable from the General Fund. This is net of any reimbursement receivable from the shipowner/P&I Club under the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006 with respect to the *Solar 1*, *Haekup Pacific* and *Trident Star* incidents.
- 8.2.4 The estimate does not include any provision for the payment of claims and claims-related expenses in respect of incidents which may occur after the drafting of this document, for which payments may have to be made before the end of 2021. Such payments would have to be met from the working capital. This would also apply to payments which, although envisaged as not being due before 2021, have to be made earlier.

8.3 Loans to the Hazardous and Noxious Substances (HNS) Fund

- 8.3.1 At its sixth session held in October 2001, the 1992 Fund Assembly instructed the Director to develop a system in the form of a website or CD-ROM to assist States and potential contributors in the

identification and reporting of contributing cargo under the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, 2010 (2010 HNS Convention). The Assembly granted an extra appropriation of £150 000 for this purpose, provided that the costs, including interest, would be reimbursed to the 1992 Fund by the HNS Fund when the 2010 HNS Convention entered into force. It was noted that these costs would be paid from the General Fund.

8.3.2 Since 2001, loans have been provided to the HNS Fund from the General Fund to continue administrative preparations for the setting up of the HNS Fund, and a summary of appropriations, loans and interest per financial year is set out below:

Year	Appropriation £	Loan £	Interest £
2002	150 000	26 182	611
2003	50 000	9 488	1 230
2004	50 000	14 920	1 754
2005	50 000	25 130	3 083
2006	50 000	27 808	4 331
2007	30 000	6 577	6 165
2008	30 000	36 342	6 542
2009	30 000	733	1 312
2010	80 000	8 214	1 123
2011	150 000	41 119	1 263
2012	150 000	22 494	1 570
2013	150 000	22 692	1 690
2014	50 000	18 866	1 861
2015	25 000	17 919	1 999
2016	35 000	26 656	1 877
2017	35 000	9 792	1 685
2018	35 000	22 959	2 765
2019	35 000	29 928	3 905
2020	35 000	32 947	2 047
2021 (expenses and interest to 30 June 2021)	35 000	16 604	707
<b>Total</b>	<b>1 255 000</b>	<b>417 369</b>	<b>47 519</b>

8.3.3 As at 30 June 2021, of the total appropriations over the years of £1 255 000, an amount of £464 888 (including interest) had been used. Under the budgetary principles applied by the 1992 Fund, any unused portion of an appropriation for a particular financial year may not be carried over to the following year. The balance on the appropriations for the period 2002–2021 relating to the preparations for setting up the HNS Fund can therefore not be used to cover payments during 2022.

8.3.4 An appropriation of £35 000 has been included in the 2022 budget to cover the costs for the preparations and other administrative tasks in respect of the HNS Fund (document IOPC/NOV21/8/2).

8.3.5 All costs incurred by the 1992 Fund for the setting up of the HNS Fund will be reimbursed by the HNS Fund with interest.

#### 8.4 Working capital

- 8.4.1 The working capital is needed to cover claims payments not included in the estimated expenses for minor claims, and to make loans to Major Claims Funds for the satisfaction of claims and claims-related expenses to the extent that sufficient money is not available in the Major Claims Fund in question, pending the levy of contributions to that Major Claims Fund.
- 8.4.2 The Director considers that the prompt payment of compensation is of crucial importance. The 1992 Fund should, in the Director's view, hold sufficient liquid funds to enable it to pay claims without having to wait for the next payment of contributions. In addition, the Director considers that the working capital should be sufficiently large so that bank loans are not required for the prompt payment of settled claims, at least not in normal circumstances.
- 8.4.3 At its session in April 2017, the 1992 Fund Administrative Council decided to reduce the working capital from £22 million to £15 million over the budget years 2018 to 2020 (document IOPC/APR17/9/1, paragraph 6.1.10).
- 8.4.4 The Director is of the view that following the reduction of the working capital over the last three financial years and large payments being made in 2019, the overall assets of the Fund have declined, and the possibilities of loans being made from the General Fund to Major Claims Fund has somewhat reduced. The Director, therefore, proposes that the level of the working capital be maintained at £15 million in the budget year 2022.

#### 9 Estimated 1992 Fund General Fund balance as at 31 December 2022

- 9.1 The estimates for the General Fund for 2021 are set out in the table below:

	£	£
Estimated balance at 31 December 2021 (paragraph 7.1)		16 440 514
Surplus/(deficit)		
<b>Plus estimated income</b>		
Interest to be earned in 2022	30 000	
Management fee payable by Supplementary Fund for 2022	38 000	
		68 000
		16 508 514
<b>Less estimated expenditure</b>		
Joint Secretariat administrative expenditure 2022 (Annex I)	4 855 778	
Provision for employee benefit (accrued annual leave and repatriation grant as at 31 December 2022)	649 237	
External audit fee for 1992 Fund (paragraph 5.5)	53 600	
Minor claims expenditure 2022 (Annex IV)	4 241 000	
Loans to HNS Fund (paragraph 8.3.4)	35 000	
Repayment of loan to <i>Hebei Spirit</i> MCF	3 900 000	
Working capital (paragraph 8.4.4)	15 000 000	
		28 734 615
<b>Estimated expenditure over income</b>		<b>12 226 101</b>

- 9.2 The balance as at 31 December 2021 is estimated at £16 440 514, which is higher than the working capital of £15 million by £1 440 514. When assessing the need for levying contributions for payment in the following year (i.e. 2022) any estimated surplus or deficit brought forward in the General Fund is considered, thereby decreasing or increasing the amount that needs to be levied, i.e. any surplus/deficit is taken into account each year to determine the following year's requirements.
- 9.3 As shown from the estimates in the table above, contributions of £12 226 101 would be needed to balance the 2022 budget of the General Fund on the assumption that the 1992 Fund Assembly decides to maintain the working capital at £15 million as set out in paragraph 8.4.4.

## **10 Director's proposal on the assessment of 2021 contributions to the General Fund**

- 10.1 Considering the estimates set out in paragraph 9.1 of the amount needed to balance the 2022 budget of the General Fund, there should be a levy of 2021 contributions to the General Fund of £12.2 million.

### *Timing of levy*

- 10.2 Internal Regulation 3.6 provides that unless the Assembly decides otherwise, payment of annual contributions shall be due on 1 March of the year following that in which the Assembly decides on the levy of annual contributions.
- 10.3 At its first session, the Assembly decided to introduce a deferred invoicing system. Under this system, the Assembly fixes the total amount to be levied in contributions for a given calendar year but may decide that only a specific lower amount should be invoiced for payment by 1 March in the following year, the remaining amount, or a part thereof, to be invoiced later in the year if it should prove to be necessary (document 92FUND/A.1/34, section 16).
- 10.4 The Director proposes that the entire levy of £12.2 million be levied for payment by 1 March 2022.

## **11 Action to be taken**

### 1992 Fund Assembly

The 1992 Fund Assembly is invited to:

- (a) decide whether to renew the authorisation given to the Director to create additional posts in the General Service category as required (paragraph 4.1);
- (b) decide whether to renew the authorisation given to the Director to create a Professional post at the P3 level subject to need and budget availability (paragraph 4.2);
- (c) adopt the draft budget for 2022 for the 1992 Fund joint Secretariat administrative expenses of £4 855 778 (Annex I, Chapters I–VI) (2021 – £4 708 287) and the 1992 Fund's external audit fee of £53 600 (Annex I, Chapter VII);
- (d) decide on the management fee payable by the Supplementary Fund to the 1992 Fund of £38 000 (section 6);
- (e) approve the Director's estimate of the expenses to be incurred in 2022 in respect of the preparation for the entry into force of the HNS Convention of £35 000 (paragraph 8.3.4);
- (f) decide whether to maintain the working capital at £15 million in the budget year 2022 (paragraph 8.4.4); and

- (g) decide whether to authorise the Director to levy 2021 contributions of £12.2 million, payable by 1 March 2022 (section 10).

\* \* \*

**ANNEX I**  
**Draft 2022 Administrative Budget for 1992 Fund**

STATEMENT OF EXPENDITURE	Actual 2020 expenditure for 1992 Fund	2020 budget appropriations for 1992 Fund	2021 budget appropriations for 1992 Fund	2022 budget appropriations for 1992 Fund
	£	£	£	£
<b>I Personnel</b>				
(a) Salaries	2 113 714	2 303 563	2 198 676	2 241 908
(b) Separation and recruitment	83 447	40 000	120 000	120 000
(c) Staff benefits, allowances and training	813 405	980 968	915 102	913 968
(d) Conscious rewarding scheme	-	20 000	20 000	20 000
<b>Sub-total</b>	<b>3 010 566</b>	<b>3 344 531</b>	<b>3 253 778</b>	<b>3 295 876</b>
<b>II General services</b>				
(a) Rent of office accommodation (including service charges and rates)	167 945	186 500	188 109	192 902
(b) IT (hardware, software, maintenance and connectivity)	275 747	378 700	378 400	448 000
(c) Furniture and other office equipment	10 839	15 000	17 000	21 000
(d) Office stationery and supplies	2 136	10 000	9 000	9 000
(e) Communications (courier, telephone, postage)	21 921	30 000	26 000	28 000
(f) Other supplies and services	13 704	23 000	22 000	22 000
(g) Representation (hospitality)	1 873	20 000	20 000	20 000
(h) Public information	48 557	110 000	98 000	98 000
<b>Sub-total</b>	<b>542 722</b>	<b>773 200</b>	<b>758 509</b>	<b>838 902</b>
<b>III Meetings</b>				
Sessions of the 1992 Fund and Supplementary Fund governing bodies and intersessional Working Groups	86 658	130 000	110 000	130 000
<b>IV Travel</b>				
Conferences, seminars and missions	1 947	150 000	100 000	100 000
<b>V Other expenditure</b>				
(a) Consultants' and other fees	147 587	150 000	150 000	150 000
(b) Audit Body	66 303	189 000	196 000	200 000
(c) Investment Advisory Body	78 421	79 000	80 000	81 000
<b>Sub-total</b>	<b>292 311</b>	<b>418 000</b>	<b>426 000</b>	<b>431 000</b>
<b>VI Unforeseen expenditure (such as consultants and lawyers' fees, cost of extra staff and cost of equipment)</b>	<b>0</b>	<b>60 000</b>	<b>60 000</b>	<b>60 000</b>
<b>Total joint Secretariat expenditure I-VI</b>	<b>3 934 204</b>	<b>4 875 731</b>	<b>4 708 287</b>	<b>4 855 778</b>
<b>VII External audit fee (1992 Fund only)</b>	<b>53 600</b>	<b>53 600</b>	<b>53 600</b>	<b>53 600</b>
<b>Total Expenditure I-VII</b>	<b>3 987 804</b>	<b>4 929 331</b>	<b>4 761 887</b>	<b>4 909 378</b>

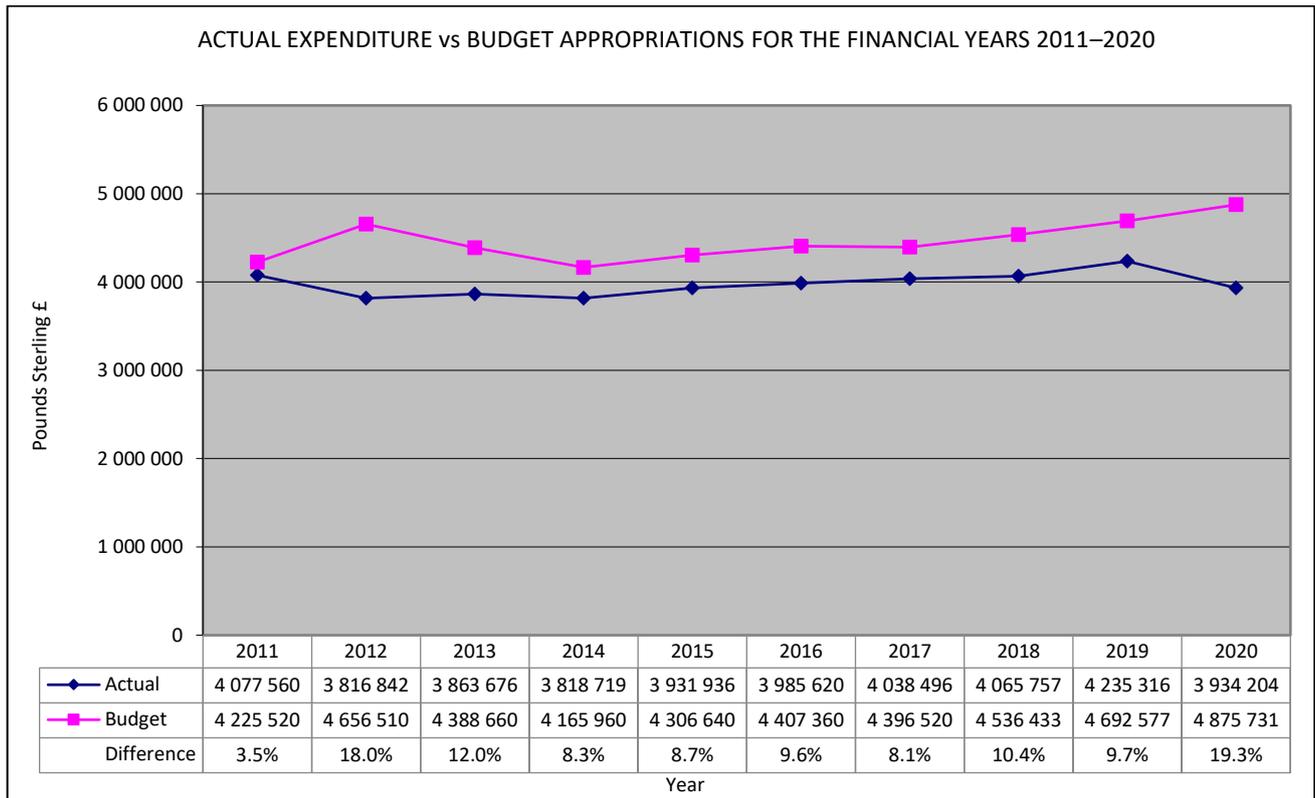
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## ANNEX II

### NOTES ON THE INDIVIDUAL APPROPRIATIONS BY CHAPTER

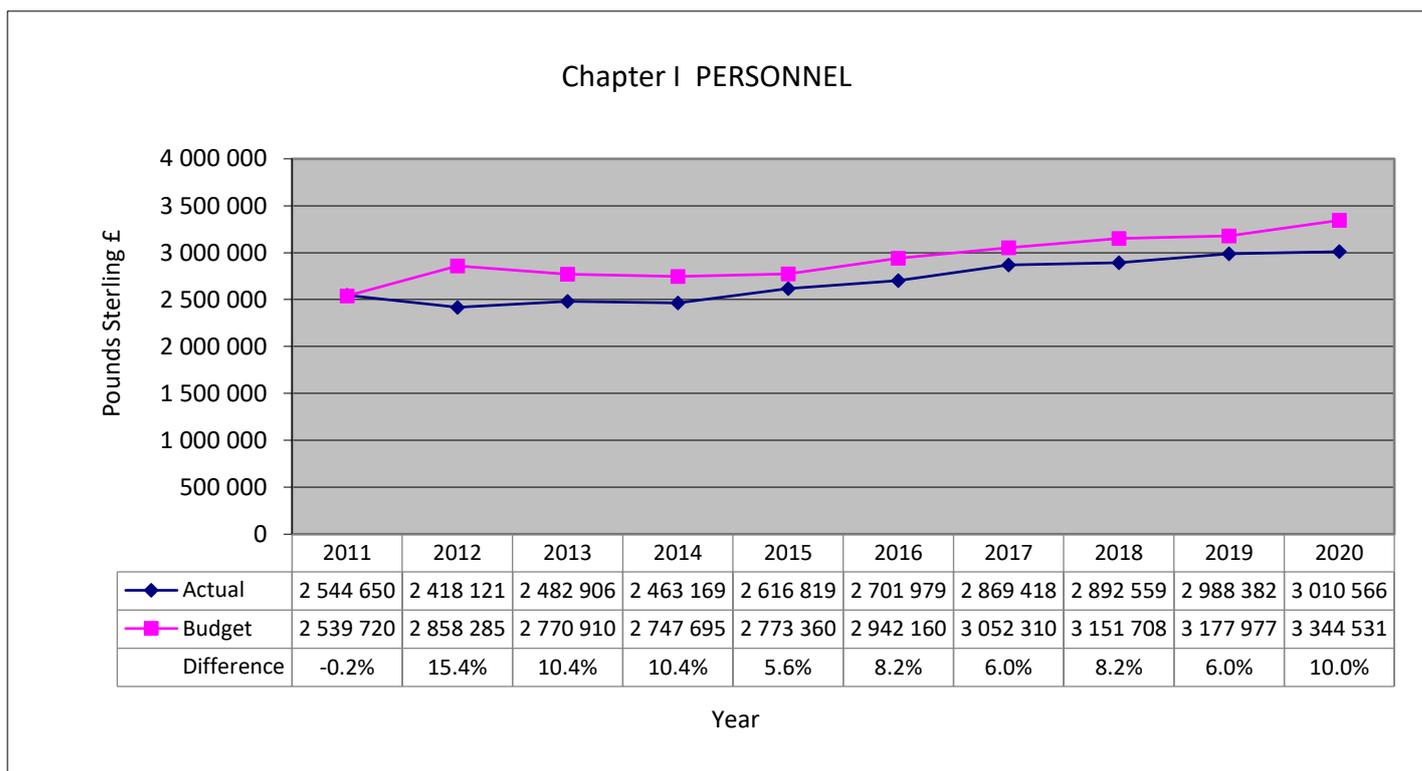
#### *Introduction*

- 0.1 When assessing the need for levying contributions for payment in the following year, any estimated surplus or deficit brought forward in the General Fund is considered, thereby decreasing or increasing the amount that needs to be levied, i.e. any surplus/deficit is considered each year to determine the following year's requirements.
- 0.2 As set out in the graph below, over the 10-year period 2011–2020 there has been an underspend on the approved budget of the joint Secretariat Chapters I–VI ranging from 19.3% of the budget to 3.5% of the budget.



- 0.3 Certain assumptions have been made, as set out in this Annex, in arriving at the budget appropriations, which may or may not materialise. The joint Secretariat budget is broken down into six Chapters.
- 0.4 Separate budget headings for expenses only attributable to the 1992 Fund have also been included, namely an appropriation for the external audit fee (Chapter VII) for 2022.

## 1 Personnel (Chapter I)



2022 Appropriation £	2021 Appropriation £	% Increase/(Decrease) on 2021 Appropriation
3 295 876	3 253 778	1.3 %

### Overview

- 1.1 The major part (67.9%) of the joint Secretariat draft budget for 2022 relates to Personnel costs and there is an increase of 1.3% under this Chapter compared to the 2021 budget. As indicated in the graph above, over the past 10 years, there has been an underspend (except in 2011) on the approved budget ranging from 15.4% of the budget to 5.6% of the budget.
- 1.2 Staff Regulation 17 of the 1992 Fund provides that the emoluments of members of staff of the 1992 Fund should follow the United Nations (UN) common system as applied by the International Maritime Organization (IMO). The calculation of the appropriation for salaries is based, therefore, on the UN salary system as applied by IMO, including all grants, allowances, overtime, and other benefits. The factors affecting changes in the costs are either inflation led or arise from the recommendations of the International Civil Service Commission (ICSC), approved as necessary by the UN General Assembly for application throughout the UN common system.
- 1.3 The relevant salary scales, pensionable remuneration and changes to the Staff Rules are reproduced as Annexes to document IOPC/NOV21/7/1. The Provident Fund contributions are calculated in accordance with 1992 Fund Staff Rule VIII.5.
- 1.4 The basic emoluments of Professional category staff include the net base salary and post adjustment. The base salary is established in US dollars on a global scale for application to all Professional category staff in the common system, regardless of the duty station. The post adjustment is variable according to the duty station and is designed to maintain equality of purchasing power of a given salary at all

duty stations by offsetting differences in the cost of living, taking account of changes in the rate of exchange between the US dollar and local currencies.

(a) Salaries

- 1.5 There is an increase of 2.0% in the 2022 appropriation (£2 241 908) compared to 2021 (£2 198 676).
- 1.6 Salaries comprise the cost of staff members and short-term assistance. To cover any increase in salaries which may be decided within the UN common system, it has been considered appropriate to include in the draft budget a provision of 2% for staff in the Professional and higher categories and General Service category. This is in addition to the annual increments which, in accordance with the Staff Regulations, are awarded to staff members (other than the Director) on satisfactory performance of duties (Staff Rule IV.1).
- 1.7 The number of established posts within the Secretariat as at the date of the document stands at 35, of which 20 are in the Professional category and 15 are in the General Service category (see document IOPC/NOV21/7/1). Of these established posts, 26 are filled. Nine established posts are vacant: six in the Professional category and three in the General Service category.
- 1.8 As in previous years, the 2022 draft budget includes the vacant post of Claims Manager at the P3 level. The other vacant posts in the Professional category are that of the External Relations Officer (P3) and two posts of in-house Translators (French and Spanish). The post of the External Relations Officer became vacant in July 2014. The Director does not envisage filling this post in the foreseeable future, therefore it is not included in the 2022 budget. With respect to the two in-house Translator posts, it is the intention to continue to use freelance translators as this has proven efficient and cost-effective. The costs of the two posts of in-house Translators have not been included in the budget since 2005 because the Director believes there is no need to fill them in the foreseeable future. Following the separation of both the Office Manager and the Legal Counsel in 2020, the Director reviewed the requirements for both posts and determined that there was no current requirement to fill these posts. Consequently, these posts are also not included in the budget.
- 1.9 There are three vacant posts in the General Service category. The three posts are that of Administrative Assistant (G4) in the Finance and Administration Department, Claims Assistant (G4) in the Claims Department and Administrative/Claims Assistant (G4) in the Director's office. They are not included in the 2022 budget as the Director does not envisage filling these posts in the immediate future.
- 1.10 Under the authority given to the Director by the Assembly in October 2001 to create positions in the General Service category, four posts were created between 2004 and 2011. No posts have been created since 2011.
- 1.11 The salaries budget in 2011 and 2012 included an appropriation for one unspecified P3 post. Since 2013 the Director has not included an appropriation for an unspecified P3 post in the budget, nor has he done so in the 2021 budget. As set out in section 4 of the main document, the authority to create a post in the Professional category provides the Director with the flexibility to manage the Secretariat, and the Director has also requested this authority for 2022. The establishment of a new post would only be made subject to a business need and budget availability. As set out in the main document, the Director availed himself of this authority in 2020 by establishing the post of Policy Officer in 2020, which was filled in July 2021.
- 1.12 At its third session held in October 1998, the 1992 Fund Assembly decided to authorise the Director to determine the grades of individual posts in the General Service category and the Professional category up to grade P5 and decide on promotions for these categories (document 92FUND/A.3/27,

paragraph 23.6). A Secretariat-wide job review/classification exercise was undertaken by a United Nations classifier in 2014/2015.

- 1.13 It may be necessary to make continued use of temporary assistance. With a small Secretariat, assistance is needed not only when there is an additional workload but also to cover leave periods such as parental leave and fill any vacancies temporarily until new incumbents are appointed. The budget appropriation for salaries in the draft 2022 budget has been maintained at the 2021 budget of £30 000 to cover such requirements.

(b) Separation and recruitment

- 1.14 This budget appropriation covers expenses that would be incurred if recruitment is to be made to posts that fall vacant or to existing vacant posts. The budget appropriation has been maintained at the 2021 level to cover separation and recruitment costs envisaged in 2022.

(c) Staff benefits, allowances and training

- 1.15 There is a slight decrease of 0.1% in the 2022 appropriation (£913 968) compared to 2020 (£915 102) under this heading.

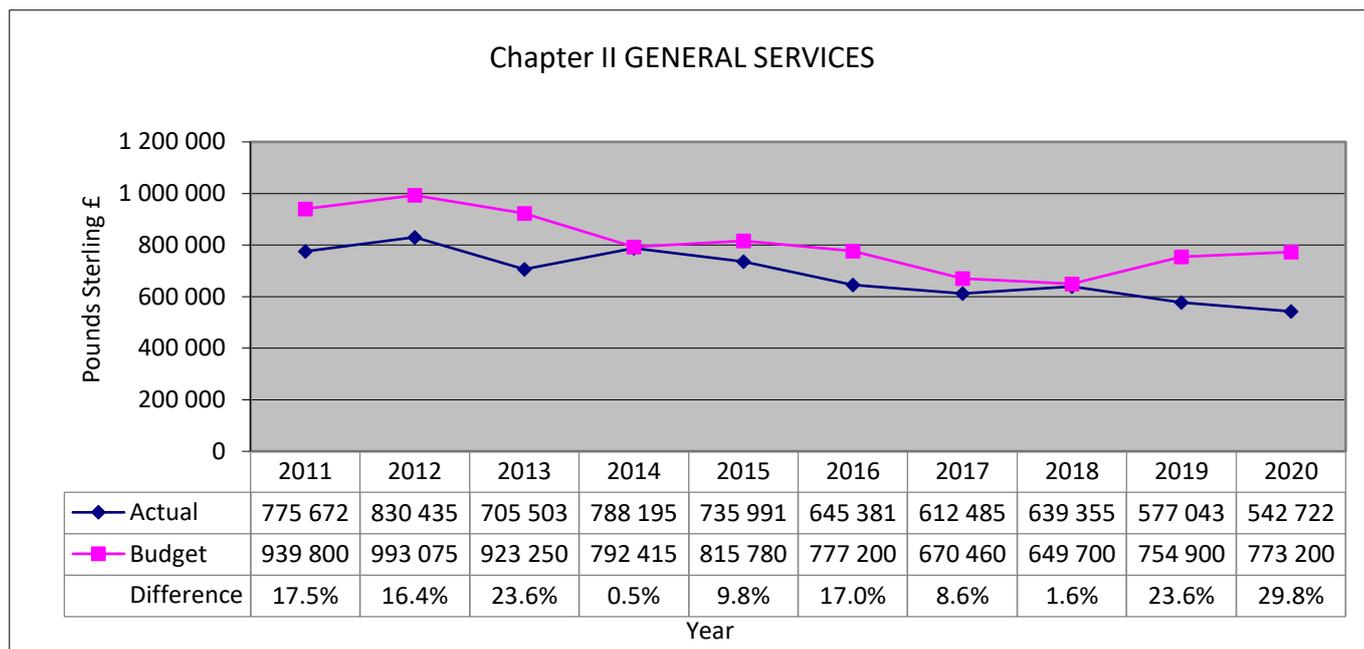
- 1.16 This appropriation covers mainly the 1992 Fund's contributions to the Provident Fund, education grants, home leave (increased compared to 2021 due to staff eligibility for travel in 2022), insurance (accident, life and medical) and staff training.

- 1.17 The IOPC Funds also pay IMO a charge for medical services provided to staff members. The charge per staff member is set annually and is in accordance with the budgeted number of staff members (27 staff members budgeted for in 2022) and paid annually in arrears.

(d) Conscious rewarding scheme

- 1.18 In October 2011, the Assembly noted that the Director had introduced a Conscious Rewarding Scheme to reward staff members for outstanding performance in their current role. The scheme was extended in 2014 to also include a Manager's Award, in recognition of staff contribution, in the form of non-cash vouchers. The total budget for any one year is limited to 1% of the total annual budget for salaries in the year the Conscious Reward is awarded. The 1% limit based on the draft salaries budget for 2022 is some £20 000 and is included under subsection (d) of Chapter I in Annex I.

## 2 General services (Chapter II)



2022 Appropriation £	2021 Appropriation £	% Increase/(Decrease) on 2021 Appropriation
838 902	758 509	10.6%

### Overview

2.1 The appropriations under subsections (a) to (h) are for the general expenses of the joint Secretariat, including rent of the IOPC Funds' offices and related expenses, maintenance and replacement of office machines, office equipment, stationery, communications and public information. As set out in the graph above, over the years there has been an underspend on the approved budget ranging from 29.8% to 0.5% of the budget.

#### (a) Rent of office accommodation (including service charges and rates)

2.2 There is an increase of some 2.5% in the 2022 appropriation (£192 902) compared to 2021 (£188 109) under this heading. The appropriation under this heading accounts for 4.0% of the overall joint Secretariat budget for 2022.

2.3 The appropriation has been calculated in accordance with the underlease Agreement signed in February 2016 by the Director and the Secretary-General of IMO and calculated on the space occupied in the IMO building (600.4 m<sup>2</sup>) and space retained outside the IMO building for storage.

2.4 The 2022 budget appropriations are in accordance with the underlease Agreement as follows:

- Rent fixed at £429.60/m<sup>2</sup>/year (i.e. £258 000) exclusive of service charges as described below, for the period between 1 September 2016 and the break point (i.e. 31 October 2024).
- The United Kingdom Government contributes 80% of the rent (i.e. £258 000 x 80% = £206 400 per annum). The net rent payable by the 1992 Fund is, therefore, £51 600 per annum up until 31 October 2024.

- Service charges are calculated in proportion to the area occupied, to cover common services provided by IMO as itemised in the Agreement and covers facilities and services to the IOPC Funds such as building insurance, utilities, water and sewerage, building maintenance and renovations, security service, local taxes (rates), use of conference rooms and the cafeteria, and one reserved car parking space for the Director.

2.5 All rent and service charges are calculated on a calendar-year basis and paid annually in arrears.

2.6 The table below shows a comparison between the costs relating to accommodation in 2022 and 2021:

Expense Head	2022 appropriation £	2021 appropriation £
Rent	51 600	51 600
Service charges (including utilities, local rates etc.)	115 302	112 009
Outside storage space rent	15 000	14 000
Office contents insurance	5 500	5 500
Other maintenance	5 500	5 000
<b>Total</b>	<b>192 902</b>	<b>188 109</b>
<b>Increase on 2021</b>	<b>2.5%</b>	

(b) IT (hardware, software, maintenance and cybersecurity)

2.7 The 2022 budget appropriation (£448 000) compared to 2021 (£378 400) shows an increase of 18.4%. The breakdown of the appropriation has been rationalised under different headings to reflect more clearly the types of expenditure. The figures for 2021 have been adjusted for comparative purposes as follows:

Expense Head	2022 appropriation £	2021 appropriation £
Software (including licensing)	100 000	169 500
Purchase IT hardware & consumables (<£500)	3 000	3 500
IT maintenance and support	100 000	26 800
Software development	100 000	100 000
Hosting	40 000	59 050
Internet services	32 000	15 000
Cybersecurity	45 000	0
Computer equipment (>£500)	28 000	5 000
<b>Total</b>	<b>448 000</b>	<b>378 400</b>
<b>Increase on 2021</b>	<b>18.4%</b>	

2.8 Software (licensing), IT maintenance and support, and software development constitute some two-thirds of the appropriation. Software covers licensing costs falling under software as a service. IT maintenance and support covers systems which include public-facing software packages, i.e. those that have external users, which are the Claims Handling System (CHS), the Claims Submission System (CSS) and the Online Reporting System (ORS), all hosted in the cloud. In 2020/2021, additional cybersecurity measures have been put in place to further enhance the security of the IT estate.

(c) Furniture and other office equipment

2.9 This appropriation has been increased to £21 000 (2021 – £17 000). The main portion of the budget covers the rental cost of photocopying/printing machines. There will be a need to enter into new agreements in 2022, hence the increase in the budget appropriation. The appropriation also includes office equipment (other than IT equipment), office equipment maintenance, repairs and replacement of furniture.

(d) Office stationery and supplies

2.10 This appropriation has been maintained at £9 000 (2021 – £9 000).

(e) Communications (courier, telephone, postage)

2.11 The appropriation has been increased to £28 000 (2021 – £26 000) to cover new mobile phone contracts due in 2022 and new fixed-line handsets. The appropriation also covers the cost of courier, postage and other telephone services.

(f) Other supplies and services

2.12 This item covers supplies and services not included under items (a) to (e) and miscellaneous expenditure such as bank charges and staff room supplies. The appropriation has been retained at £22 000 (2021 – £22 000).

(g) Representation (hospitality)

2.13 This appropriation relates to hospitality not covered by the Director's representation allowance, e.g. receptions given in connection with meetings of the IOPC Funds and official entertainment by the organisation. This appropriation has been retained at £20 000 (2021 – £20 000).

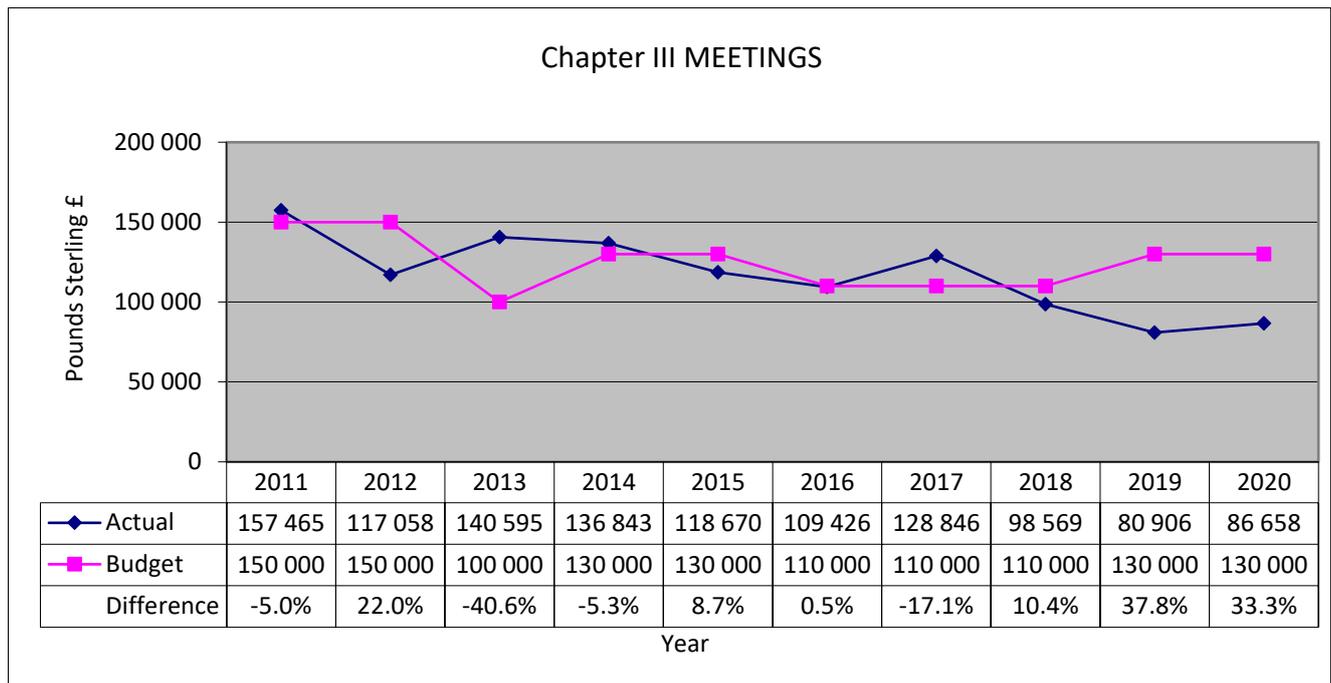
(h) Public information

2.14 The appropriation is to cover costs for the following:

- (i) the cost of printing, publication and bulk mailings of the joint Annual Report of the IOPC Funds in the three working languages, and of other publications and documents (other than those prepared for the sessions of the Funds' governing bodies);
- (ii) the cost of public information services, e.g. uploading information/minor changes to the organisations' websites, as well as expenditure in relation to other public relations projects, e.g. induction meetings and the Short Course;
- (iii) subscriptions for periodicals, newspapers, books;
- (iv) the cost of participating in key international oil spill conferences, including updating the IOPC Funds' exhibition stand; and
- (v) updating the short film on the IOPC Funds.

2.15 The total appropriation under this heading has been retained at £98 000 (2021 – £98 000). There will be further development of website content and other publications not undertaken in 2021.

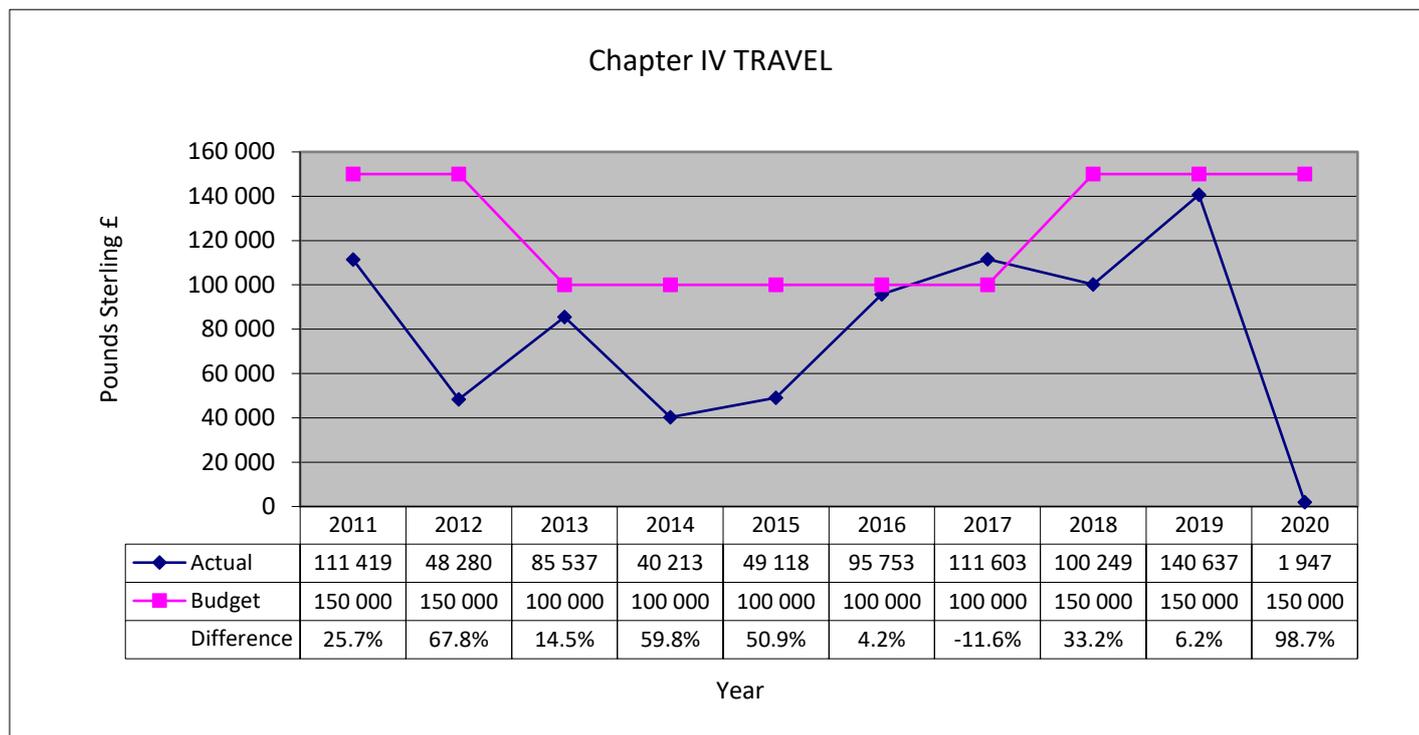
### 3 Meetings (Chapter III)



2022 appropriation £	2021 appropriation £	% Increase/(Decrease) on 20201 Appropriation
130 000	110 000	18.2%

- 3.1 The meetings of the IOPC Funds' governing bodies, as well as those of any intersessional Working Groups, are normally held in IMO conference rooms. As set out in the graph above, it can be seen that over the years there has been both an underspend and overspend on the approved budget ranging from an underspend of 37.8% of the budget to an overspend of 40.6% of the budget.
- 3.2 At its meeting in June 2009, the 1992 Fund Administrative Council considered reducing the number of meetings. It was agreed that it would be preferable to book three meetings per year as usual and cancel one if it were not needed.
- 3.3 Due to the COVID-19 pandemic meetings of the governing bodies were held remotely using the same KUDO meeting platform used by IMO. The IOPC Funds have entered into a separate annual agreement with KUDO and it is anticipated that meetings will continue to be held remotely for the foreseeable future. The 2022 appropriation has been increased to £130 000 (2021 – £110 000) to include the cost of the agreement with KUDO. It is difficult to determine the costs within this Chapter as it will depend on the number of meeting days scheduled. The budget appropriation considers the recent number of meeting days at each session and the number of meeting documents produced.

#### 4 Travel (Chapter IV)



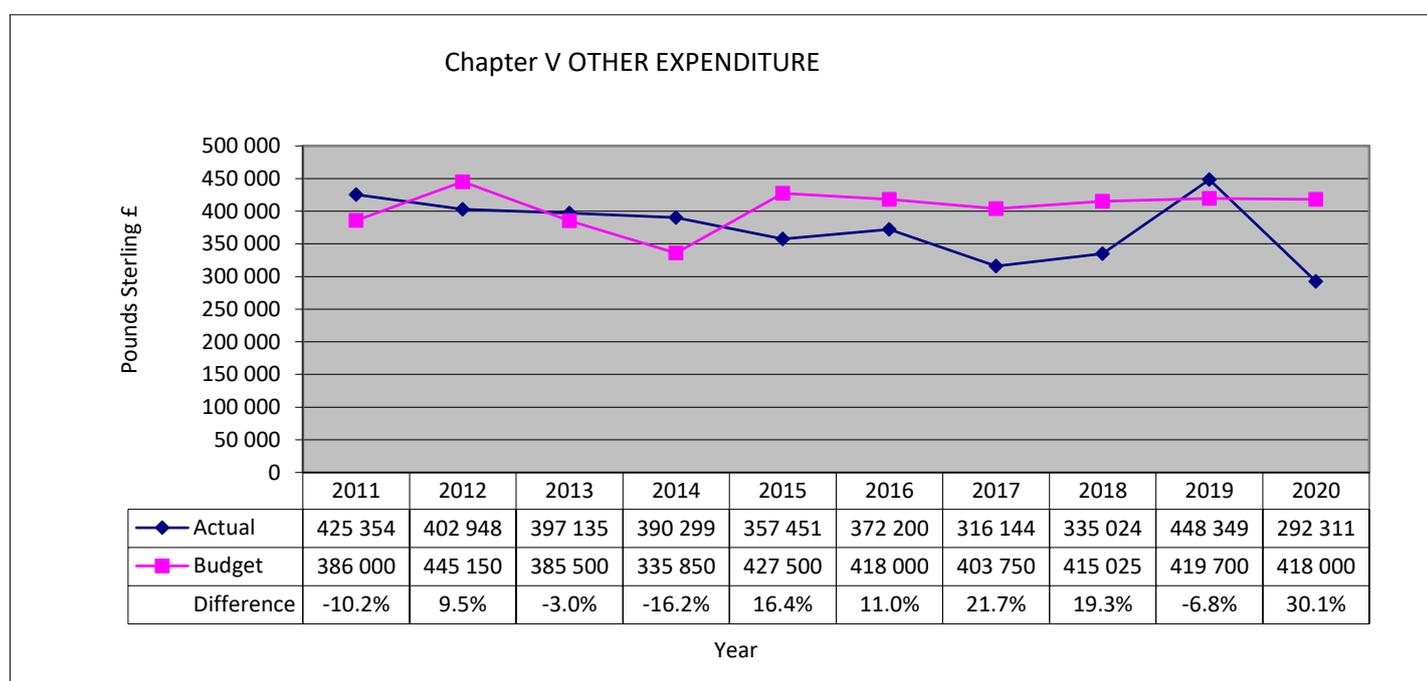
2022 Appropriation £	2021 Appropriation £	% Increase/(Decrease) on 2021 Appropriation
100 000	100 000	0.0%

- 4.1 This appropriation covers the costs of travel on missions and for attendance at conferences and seminars. As set out in the graph above, over the years there has been an underspend on the approved budget ranging from 98.7% (due to the global COVID-19 pandemic during 2020) to 4.2% of the budget, except for 2017 which saw an overspend of 11.6%.
- 4.2 These trips are reported to Member States as outreach activities in the Report of the Director and other communication materials such as the Annual Report or the IOPC Funds' website. Outreach is defined as the activity of providing services to any stakeholders who might not otherwise have access to them. A key component of outreach is that the organisation delivers such services to stakeholders at their locations, either in person or by other means of communication.
- 4.3 The Secretariat of the IOPC Funds participates in outreach activities such as:
- seminars/workshops for the promotion of the international oil pollution liability and compensation regime;
  - training on claims and compensation matters;
  - support to Member States for the implementation of the Conventions into national law;
  - support efforts to ensure a consistent application of the Conventions;
  - participation in conferences and other events to maintain/improve engagement with industry and other key stakeholders; and
  - delivery of lectures at academic events.
- 4.4 Since its inception, the Secretariat has been delivering such activities around the world, generally in response to requests from Member and non-Member States, or from IMO and other regional organisations interested in gaining expertise in the area of liability and compensation for oil pollution.

In recent years, the Secretariat has received an increase in the number of requests for such assistance, which may in part be attributable to the increasing membership of the 1992 Fund Convention and the increased focus on effective implementation of the Conventions into national law.

- 4.5 In 2020 and 2021, the global COVID-19 pandemic has curtailed travel on missions and participation in seminars and workshops. International conferences, such as Interspill, planned for 2021, have been postponed to 2022 and it is expected that there will be fewer requests from Member States to deliver seminars and workshops in person in 2022.
- 4.6 The Secretariat, where possible, has participated in various seminars and workshops remotely in cooperation with Member States and regional bodies.
- 4.7 The budget appropriation is retained at £100 000 (2021 – £100 000).

## 5 Other expenditure (Chapter V)



2022 Appropriation £	2021 Appropriation £	% Increase/(Decrease) on 2021 Appropriation
431 000	426 000	1.2 %

- 5.1 This appropriation covers the costs of consultants, the costs of the joint Audit Body and the costs of the joint Investment Advisory Body. As set out in the graph above, over the years there has been both an underspend and overspend on the approved budget ranging from an underspend of 30.1% of the budget to an overspend of 16.2% of the budget. The table below provides a breakdown of the budget appropriations for 2022, which shows an increase on the 2021 budget and the breakdown by expense category.

Expenses	2022 appropriation £	2021 appropriation £	% Increase/(decrease) on 2021 appropriation
Consultants' and other fees	150 000	150 000	0.0
Audit Body	200 000	196 000	2.0
Investment Advisory Body	81 000	80 000	1.3
<b>Total</b>	<b>431 000</b>	<b>426 000</b>	<b>1.2%</b>

(a) Consultants' and other fees

- 5.2 The 2021 budget appropriation for consultants' fees has been retained at £150 000 (2021 – £150 000).
- 5.3 It will be necessary to engage consultants/lawyers if work which cannot be undertaken by permanent staff members has to be carried out.
- 5.4 The use of consultants might be required, for example, to undertake studies of a general nature which are not related to specific incidents. For example, consultants were engaged to assist the Secretariat with developing and implementing the new accounting and contributions management system (ERP) which was completed in 2020 and has been the sole financial management system since 1 January 2021. The appropriation is also used for work completed externally such as internal audit reviews on specific topics to assist the Director in the review of key operational areas of the Secretariat, e.g. reviews of cybersecurity and the IOPC Funds' 'Risk Management Framework' have been undertaken and shared with the Audit Body.
- 5.5 The table below provides a summary of the use of the consultants' fees budget for the period 2016–2020.

Expenses £	2016	2017	2018	2019	2020
Legal/administrative costs	79 198	35 951	70 218	204 126	146 962
Human resources matters	-	-	-	266	-
Non-incident related studies	21 109	19 363	3 766	-	625
<b>Total</b>	<b>100 307</b>	<b>55 314</b>	<b>73 984</b>	<b>204 392</b>	<b>147 587</b>

- 5.6 It should be noted that fees for consultants/lawyers engaged in connection with individual incidents are charged against the respective incidents.

(b) Audit Body

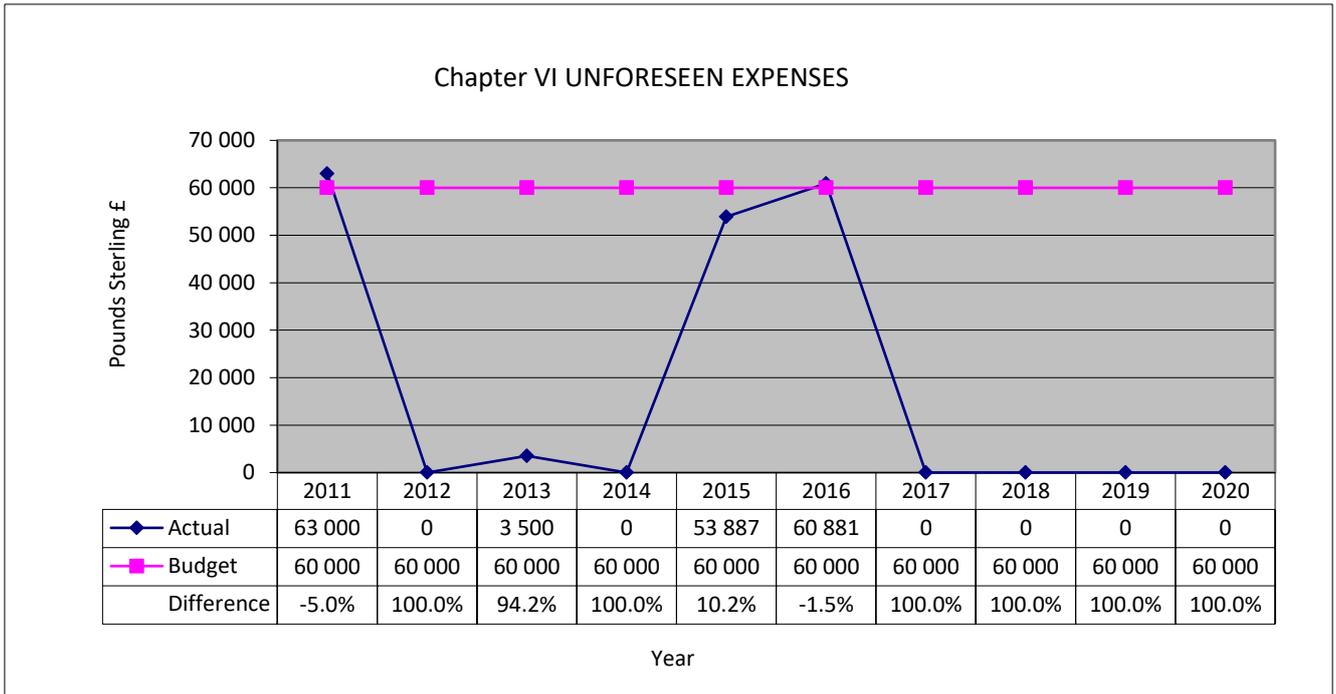
- 5.7 As decided by the respective governing bodies, the Funds have a joint Audit Body consisting of six members nominated by Member States and one member not related to the organisations (the 'external expert') with expertise and experience in financial matters. The Audit Body normally holds three regular meetings per year.
- 5.8 The 1992 Fund Assembly elected a new Audit Body at its December 2020 session for a three-year term until the regular session of the Assembly in 2023 and also extended the tenure of the incumbent external expert until 31 December 2021. The Assembly shall appoint a new external expert at its forthcoming session in November 2021, to commence from 1 January 2022 for an initial term of three years.

- 5.9 An appropriation of £200 000 is included in the draft 2022 budget (2021– £196 000) to cover the costs resulting from the operation of this Body, i.e. the travel and subsistence costs of the members, the fee for the external expert and an honorarium for the members nominated by Member States.
- 5.10 At its October 2009 session, the 1992 Fund Administrative Council set the level of annual honoraria/fees for the members of the Audit Body. It was also decided that all the honoraria/fees should be indexed annually using the United Kingdom Retail Price Index at the time of the preparation of the relevant budget (document IOPC/OCT09/11/1, paragraphs 6.2.8 and 6.2.9).
- 5.11 As set out in the 2015 budget document, the Retail Price Index is no longer classified as a ‘national statistic’ by the Office for National Statistics in the United Kingdom and therefore, from 2017, the United Kingdom Consumer Price Index (UK CPI) has been used for indexing (IOPC/OCT15/9/1/1, Annex II, paragraph 5.11).
- 5.12 The June 2021 UK CPI Index of 2.5% has been used for preparing the 2022 budget appropriations resulting in the following honoraria payable for the period 1 November 2021 up to next year’s regular sessions in October 2022 for the six members elected by the Assembly:
- Chair £8 084 (2021 – £7 887)
  - Vice-Chair £6 737 (2021 – £6 573)
  - Members (three) £5 392 each – £21 568 for four members (2021 – £5 260 each)
  - External expert £36 418 (2021 – £35 530) fee payable for the full calendar year 2022
- 5.13 Travel costs, including daily subsistence allowance to attend meetings, for the members has been estimated at £126 500.
- 5.14 An appropriation of £200 000 (2021 – £196 000) has been included for 2022 to also include an increase in honorarium at the regular session in 2022.

(c) Investment Advisory Body

- 5.15 As decided by the respective governing bodies, the Funds have a joint Investment Advisory Body (IAB), composed of three external experts with specific knowledge in financial matters.
- 5.16 At its October 2009 session, the 1992 Fund Administrative Council decided to increase the remuneration for the members of the IAB to £20 000. It also decided that the fee should be indexed annually using the United Kingdom Consumer Price Index at the time of the preparation of the relevant budget (document IOPC/OCT09/11/1, paragraphs 6.2.8 and 6.2.9). The June 2021 UK CPI of 2.5% has been used for preparing the 2022 budget appropriations.
- 5.17 The remuneration payable up to the next regular session of the Assembly in 2022 for the three members will be £27 389 (2021 – £26 271) per member for the period 1 November 2021 to October 2022.
- 5.18 An appropriation of £81 000 has been included in the draft budget to cover any increase in fees from 1 November 2022.

6 **Unforeseen expenditure (Chapter VI)**



2022 Appropriation £	2021 Appropriation £	% Increase/Decrease) on 2021 Appropriation
60 000	60 000	-

The appropriation under this Chapter is designed to cover expenditure that was not foreseen at the time of the adoption of the administrative budget, such as consultants’ and lawyers’ fees, cost of extra staff, cost of equipment and any other cost not foreseen. As set out in the graph above, over the years there has mainly been an underspend on the approved budget ranging from an underspend of 100% to an overspend of 5% of the budget. This appropriation has been maintained at £60 000, representing some 1.2% of the draft budget.

7 **External audit fee (1992 Fund only) (Chapter VII)**

- 7.1 External audit fees are paid by the respective Fund and are not included as part of the management fee paid by the Supplementary Fund to the 1992 Fund. Chapter VII represents the audit fee payable by the 1992 Fund.
- 7.2 The External Auditor had advised on reappointment that the audit fee is maintained unchanged for the audit of the IOPC Funds’ Financial Statements for the financial periods 2020–2023. The audit fee, therefore, for auditing the accounts of the 2022 financial period of the 1992 Fund will be maintained at £53 600 (2021 – £53 600).

\* \* \*

**ANNEX III**  
**Estimated General Fund claims expenditure in 2021**  
*(Figures in pounds sterling)*

Incident	Date	Maximum payable from General Fund: SDR 4 million	Expenditure up to 31/12/20		Receipt under STOPIA 2006** up to 31/12/20	Balance payable from General Fund at 31/12/20	2021 Expenditure				** Receipts/receivables under STOPIA 2006 01/01/21–31/12/21	Estimated General Fund expenditure in 2021	Estimated total General Fund expenditure up to 31/12/21	Estimated balance payable from General Fund at 31/12/21
			Compensation paid up to 31/12/20	Claims-related expenses paid up to 31/12/20			Compensation		Claims-related expenses					
							Paid 01/01/21–30/06/21	Estimate 01/07/21–31/12/21	Paid 01/01/21–30/06/21	Estimate 01/07/21–31/12/21				
<i>Solar 1*</i>	11/08/06	3 134 944	(6 491 623)	(294 121)	6 522 136	2 871 336	-	-	-	(15 000)	-	(15 000)	(279 000)	2 857 000
<i>Redferm</i>	30/03/09	4 091 560	-	(81 091)	-	4 010 469	-	-	-	(5 000)	-	(5 000)	(86 000)	4 006 000
<i>Haekup Pacific*</i>	20/04/10	3 993 132	-	(31 858)	-	3 961 274	-	-	-	(10 000)	-	(10 000)	(41 000)	3 952 000
<i>Trident Star*</i>	24/08/16	4 243 640	(447 353)	(78 458)	447 353	3 717 829	-	-	-	(50 000)	-	(50 000)	(575 000)	3 668 000
<i>Nathan E. Stewart***</i>	13/10/16	4 521 280	-	(17 167)	-	4 504 113	-	-	(6)	(5 000)	-	(5 000)	(22 000)	4 500 000
<i>Bow Jubail</i>	23/06/18	4 258 160	-	-	-	4 258 160	-	-	(19 553)	(230 447)	-	(250 000)	(250 000)	4 009 000
<i>Incident in Israel****</i>	23/07/21	4 135 680	-	-	-	4 135 680	-	-	(141 233)	(58 767)	-	(200 000)	(200 000)	3 936 000
												<b>(535 000)</b>		

\* Under STOPIA 2006 compensation payments up to SDR 20 million will be reimbursed by the P&I Club within 14 days

\*\*Receipts under STOPIA 2006 includes bank charges related to the compensation payments.

Figures in brackets show outflow.

\*\*\* Previously reported as Incident in Canada

\*\*\*\* Date of authorisation of payments by Executive Committee

\* \* \*

**ANNEX IV**  
**Estimated General Fund claims expenditure in 2022**  
*(Figures in pounds sterling)*

Incident	Date	Maximum payable from General Fund: SDR 4 million	Estimated balance payable from General Fund at 31/12/2021	2022 Estimated Expenditure		Receivable under STOPIA 2006	Estimated General Fund expenditure in 2022	Estimated total General Fund Expenditure up to 31/12/22	Estimated balance payable from General Fund at 31/12/22
				Compensation	Claims-related expenses				
<i>Solar 1*</i>	11/08/06	3 134 944	2 857 000	-	(10 000)	-	(10 000)	(289 000)	2 847 000
<i>Redfferm</i>	30/03/09	4 091 560	4 006 000	-	(3 500)	-	(3 500)	(89 500)	4 002 500
<i>Haekup Pacific*</i>	20/04/10	3 993 132	3 952 000	-	(8 000)	-	(8 000)	(49 000)	3 944 000
<i>Trident Star*</i>	24/08/16	4 243 640	3 668 000	-	(30 000)	-	(30 000)	(605 000)	3 638 000
<i>Nathan E. Stewart**</i>	13/10/16	4 521 280	4 500 000	-	(3 500)	-	(3 500)	(25 500)	4 496 500
<i>Bow Jubail</i>	23/06/18	4 258 160	4 009 000	-	(250 000)	-	(250 000)	(500 000)	3 759 000
Incident in Israel***	23/07/21	4 135 680	3 936 000	(3 636 000)	(300 000)	-	(3 936 000)	(4 136 000)	0
							<b>(4 241 000)</b>		

\* Under STOPIA 2006 compensation payments up to SDR 20 million will be reimbursed by the P&I Club within 14 days

Figures in brackets show outflow.

\*\* Previously reported as Incident in Canada

\*\*\* Date of authorisation of payments by Executive Committee