



## BUDGET FOR 2007 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

### Note by the Director

**Summary:**

The draft administrative budget for 2007 is presented, with the Director's comments thereon. The draft budget for the joint Secretariat for 2007 totals £3 530 250. An assessment is made of the likely compensation payments and other incident-related expenses. The resulting need for 2006 contributions to the General Fund is examined and a levy of £3.0 million is proposed.

**Action to be taken:**

Adopt the administrative budget for 2007 and decide on the levy of 2006 General Fund contributions.

### 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 Assembly shall determine the amount of contributions to be levied, if any. For this purpose the 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 necessity 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 4 million SDR 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 4 million SDR (major claims).
- 1.4 Expenses mentioned in sub-paragraphs (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 sub-paragraph (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 92FUND/A.11/27).
- 1.6 As for the individual incidents, reference is made to the information contained in the Financial Statements (document 92FUND/A.11/10, Annex V, Schedule II) and to the various documents relating to incidents submitted to the 34th session of the Executive Committee.
- 1.7 It should be noted that any estimate in this document of amounts to be paid by the 1992 Fund in compensation has been made solely for the purpose of the assessment of annual contributions, without prejudice to the position of the 1992 Fund in respect of the claims.

## **2 Changes to structure and contents of the budget document**

- 2.1 The Director has made changes to the overall presentation of the budget document for the purpose of making it more reader friendly. To this end the 'Notes on the individual appropriations by Chapter' have been moved to an annex.
- 2.2 As recommended by the Audit Body information on the developments in the joint Secretariat's administrative budget and actual expenses during the six-year period 2000-2005 is given in Annex V.

## **3 Joint Secretariat**

- 3.1 In June 1996 the 1971 Fund Assembly and the 1992 Fund Assembly decided that the 1971 Fund and the 1992 Fund should have a joint Secretariat. Since 16 May 1998 the 1992 Fund Secretariat has been responsible for the administration of these two Funds (documents 71FUND/A.19/30, paragraph 11 and 92FUND/A.2/29, paragraph 13.1).
- 3.2 At their March 2005 sessions, the 1992 Fund Assembly, the 1971 Fund Administrative Council and the Supplementary Fund Assembly agreed that the three Funds should have a joint Secretariat and that the 1992 Fund Secretariat should administer, in addition to the 1971 Fund, also the Supplementary Fund (documents 92FUND/A/ES.9/28, paragraph 7.3, 71FUND/AC.16/15, paragraph 4.4 and SUPPFUND/A.1/39, paragraphs 11.2 and 11.3).
- 3.3 As set out in document 92FUND/A.11/25, the Director proposes that, in accordance with the approach taken by the governing bodies of the three Funds, the 1971 Fund and the Supplementary Fund should pay management fees to the 1992 Fund for the period 1 January – 31 December 2007 in respect of the costs of running the joint Secretariat.

## **4 Budget for administrative expenditure in 2007**

- 4.1 Financial Regulation 3 of the Organisation provides that the financial period of the 1992 Fund shall be the calendar year. The draft budget proposed by the Director therefore covers the period 1 January – 31 December 2007.
- 4.2 The presentation of the budget follows the requirements of Financial Regulations 5.2 and 5.3. Comparative figures of the joint Secretariat's administrative expenses for 2005 (actual expenditure and budget appropriations) and for 2006 (budget appropriations) are also given.
- 4.3 The estimates of the draft administrative budget for the three Organisations total £3 530 250. This amount does not include the External Auditor's fees which are paid directly by each Fund. This budget figure is 0.3% (£11 150) lower than the corresponding 2006 budget appropriations of £3 541 400. The administrative budget, including the total cost of the external audit for all three Organisations (£60 500), is £3 590 750, compared to £3 601 900 in the 2006 budget.

- 4.4 It should be noted that 66% (£2 322 750) of the total appropriations in the draft administrative budget of £3 530 250 relate to personnel and office accommodation costs.
- 4.5 A summary of the administrative budget for the joint Secretariat is given below:

CHAPTER	Proposed 2007 Appropriation £	2006 Appropriation £	% Increase/(decrease) Appropriation on 2005
<b>I</b> Personnel	2 042 350	2 086 500	(2.1%)
<b>II</b> General services	740 400	757 400	(2.3%)
<b>III</b> Meetings	200 000	150 000	33.3%
<b>IV</b> Travel	160 000	160 000	0%
<b>V</b> Miscellaneous expenditure (excluding external audit fees)	327 500	327 500	0%
<b>VI</b> Unforeseen expenditure	60 000	60 000	0%
<b>Total Expenditure Chapters I-VI</b>	<b>3 530 250</b>	<b>3 541 400</b>	<b>(0.3%)</b>

- 4.6 The Director submits for consideration by the Assembly an administrative budget covering the expenses for 2007 of the joint Secretariat. The draft budget is at Annex I.
- 4.7 At their October 2004 sessions the governing bodies of the 1992 Fund and the 1971 Fund renewed their authorisation to 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 (documents 92FUND/A.9/31, paragraph 27.4 and 71FUND/AC.15/21, paragraph 20.4). One such post was created by the Director in 2004 but none in 2005 or 2006.
- 4.8 The Director considers that the authority given to him referred to in paragraph 4.7 above to create additional posts in the General Service category is valuable and gives him a certain flexibility in the management of the Secretariat. Although he has only used this authority on one occasion, the governing bodies may wish to consider whether to grant the Director the corresponding authority for 2007.
- 4.9 Notes on the individual appropriations are set out in Annex II.

## 5 Predicted balance at 31 December 2006

### Interest to be earned in 2006

- 5.1 Interest earned for the period 1 January – 30 June 2006 amounts to some £500 000. Based on the current interest rates applicable to the 1992 Fund investments, interest income for 2006 is estimated at £1.0 million.

### Management fee payable to the 1992 Fund in 2006

- 5.2 The management fee payable to the 1992 Fund for 2006 was set by the governing bodies at £275 000 for the 1971 Fund and at £70 000 for the Supplementary Fund (document 92FUND/A.10/37, paragraph 28.4).

### Administrative costs

- 5.3 The administrative costs of the joint Secretariat, excluding the External Audit fees, was set in the budget at £3 541 400 for 2006. Based on information to date the total expenditure for 2006 is

estimated to be some £3 260 285 to be made up as follows:

CHAPTER	2006 Appropriation £	Expenditure to 30 June 2006 £	Projected total 2006 expenditure £	%
I Personnel	2 086 500	878 958	1 958 958	94%
II General services	757 400	246 127	603 827	80%
III Meetings	150 000	39 506	150 000	100%
IV Travel	160 000	51 572	160 000	100%
V Miscellaneous expenditure (excluding external audit fees)	327 500	209 135	327 500	100%
VI Unforeseen expenditure	60 000	43 926	60 000	100%
<b>Total Expenditure Chapters I-VI</b>	<b>3 541 400</b>	<b>1 469 224</b>	<b>3 260 285</b>	<b>92%</b>

- 5.4 Including the External Audit fee of £47 000 in respect of the 1992 Fund's Financial Statements for 2005, payable in 2006, the total expenditure for the 1992 Fund for the 2006 financial year is estimated at £3 307 285.

#### Compensation payments and other incident-related expenses

- 5.5 As can be seen from Annex III, it is anticipated that payments of compensation from the General Fund will be made during 2006 in respect of three incidents. It is expected that fees will be incurred during 2006 in respect of five incidents involving the 1992 Fund. The total claims and claims-related expenses during 2006 are estimated at £4 166 000.
- 5.6 The list in Annex III does not include a new incident, the *Solar 1*, which occurred on 12 August 2006 in the Philippines. The incident falls under STOPIA 2006 (The Small Tanker Oil Pollution Indemnification Agreement 2006). The effect of STOPIA 2006 is that the maximum amount of compensation payable by owners of all ships of 29 548 tonnage or less is 20 million SDR. The 1992 Fund is not a party to the agreement, but the agreement confers legally enforceable rights on the 1992 Fund of indemnification from the shipowner involved. The 1992 Fund will nevertheless be liable to compensate claimants in accordance with the 1992 Fund Convention but is entitled to indemnification by the shipowner of the difference between the limitation amount applicable to the ship under the 1992 Civil Liability Convention and the total amount of the admissible claims or 20 million SDR, which ever is the less. The Director will submit an addendum to this document if, by the time of the Assembly's session, he expects this incident to have any major budgetary implications.

#### Estimated balance

- 5.7 The balance on the General Fund at 31 December 2006 is estimated at £23 272 911 as shown in the table overleaf:

	£	£
Balance b/f at 1 January 2006		
Working Capital	22 000 000	
Surplus / (deficit)	7 372 402	29 372 402
<i>Plus</i>		

2005 General Fund contributions receivable in 2006	0	
Previous years' General Fund contributions receivable in 2006	28 794	
Interest to be earned in 2006 (estimate)	1 000 000	
Management fee payable by 1971 Fund	275 000	
Management fee payable by Supplementary Fund	70 000	
		1 373 794
		30 746 196
<i>Less</i>		
Estimated 2006 administrative expenditure including		
External Auditor's fees	3 307 285	
Minor claims expenditure in 2006 (Annex III)	4 166 000	
	7 473 285	7 473 285
Estimated balance as at 31 December 2006		23 272 911

## 6 Estimates for 2007

### Management fee payable to the 1992 Fund

- 6.1 It has been proposed that the management fees payable to the 1992 Fund for 2007 be set at £275 000 for the 1971 Fund and at £70 000 for the Supplementary Fund (document 92FUND/A.11/25). The draft budget has been prepared on that basis. If the Assembly were to decide on a different apportionment of costs between the three Organisations, the draft budget would have to be revised accordingly.

### Interest to be earned in 2007

- 6.2 The income in interest during 2007 from the 1992 Fund's investment of the assets of the General Fund is estimated at £1.0 million. This estimated yield is based on an average principal of approximately £23 million.

### Minor claims expenditure 2007

- 6.3.1 The known incidents in respect of which payments may have to be made from the General Fund during 2007 are listed in Annex IV. The list does not include the new incident, *Solar 1*, referred to in paragraph 5.6 above.
- 6.3.2 It is estimated that the payments by the 1992 Fund from the General Fund in 2007 relating to two incidents will total £2 050 000. This 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 2007. 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 2008, actually have to be made earlier.

### Loans to the HNS Fund

- 6.4.1 At its 6th session held in October 2001, the 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 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 HNS Fund Convention entered into force. It was noted that these costs would be paid from the General Fund (document 92FUND/A.6/28, paragraphs 28.5 and 28.6).
- 6.4.2 At its 1st session in May 2003, the Administrative Council instructed the Director to continue to study issues on the administrative preparations for the setting up of the HNS Fund

(document 92FUND/AC.1/A/ES.7/7, paragraph 6.8). A further appropriation of £50 000 was included in the administrative budget for each of the years 2004–2006 for this purpose. Of the total appropriation of £300 000 some £110 000 (including interest) had been used as at 30 June 2006. It is anticipated that a further amount of £20 000 would be required for the remainder of 2006.

- 6.4.3 Under the budgetary principles applied by the 1992 Fund, an 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 2003 to 2006 relating to the preparations for setting up the HNS Fund can therefore not be used to cover payments during 2007. For this reason it is necessary to include in the 2007 budget an appropriation to cover the costs for these preparations and an amount of £30 000 has been included for this purpose. All costs incurred by the 1992 Fund in this regard will be reimbursed by the HNS Fund with interest.

#### 6.5 Working capital

- 6.5.1 The working capital is needed to cover claim 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.
- 6.5.2 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.
- 6.5.3 At its 9th session in October 2004 the 1992 Fund Assembly set the working capital at £22 million. The Director proposes that the working capital be maintained at £22 million. If the Assembly were to decide otherwise, the Director would revise his proposal in respect of the 2007 budget accordingly.

### **7 Estimates for the General Fund for 2007**

- 7.1 The estimates for the General Fund for 2007 are set out in the table overleaf:

		£	£
	<b>ESTIMATED INCOME</b>		
	Balance at 31 December 2006 (paragraph 5.7)	23 272 911	
<i>Plus</i>	Interest to be earned in 2007	1 000 000	
	Management fee payable by 1971 Fund for 2007	275 000	
	Management fee payable by Supplementary Fund for 2007	70 000	
	Total estimated income 2006		24 617 911
	<b>ESTIMATED EXPENDITURE</b>		
	Joint administrative expenditure 2007 (excluding external audit fee for all three Organisations) (Annex I)	3 530 250	
<i>Plus</i>	External audit fee for 1992 Fund	47 000	
<i>Plus</i>	Minor claims expenditure 2007 (Annex IV)	2 050 000	
<i>Plus</i>	Loans to HNS Fund (cf paragraph 6.4.3)	30 000	
<i>Plus</i>	Working capital (cf paragraph 6.5.3)	22 000 000	
	Total estimated expenditure 2007		27 657 250
	<b>ESTIMATED EXPENDITURE OVER INCOME</b>		3 039 339

- 7.2 The balance as at 31 December 2006 is estimated at £23 272 911, which exceeds the working capital by £1 272 911. When assessing the need for levying contributions for payment the following year the estimated surplus brought forward on the General Fund is taken into account, thereby reducing the amount that needs to be levied. Any surplus is therefore simply not accumulated each year to create a reserve but used for meeting the following year's expenses.

- 7.3 As shown from the estimates in the table above, contributions of £3 039 339 would be needed to balance the 2007 budget of the General Fund.

**8 Director's proposal on assessment of 2006 contributions to the General Fund**

In the light of the estimates set out in paragraph 7.1 the Director proposes that there should be levy of 2006 contributions of £3.0 million payable in 2007 to the General Fund.

**9 Action to be taken by the Assembly**

The Assembly is invited, in accordance with Article 12 of the 1992 Fund Convention:

- (a) to take note of the information contained in this document;
- (b) to consider for adoption the draft budget for 2007 for the administrative expenses of the 1992 Fund (section 4 and Annex I);
- (c) to consider the Director's proposal that the working capital of the 1992 Fund be maintained at £22 million (paragraph 6.5.3)
- (d) to decide in respect of the assessment of 2006 contributions to the General Fund (paragraph 8);
- (e) to renew the authorisation given to the Director to create additional posts in the General Service category as required provided that the resulting cost would not exceed 10% of the figure for salaries in the budget (ie up to £143 000 based on the draft 2007 budget) (paragraph 4.8); and
- (f) to note the Director's estimate of the expenses to be incurred in respect of the preparation for the entry into force of the HNS Convention (paragraph 6.4.3).

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**ANNEX I**

**DRAFT 2007 ADMINISTRATIVE BUDGET FOR 1992 FUND**

STATEMENT OF EXPENDITURE		Actual 2005 expenditure for 1992 and 1971 Funds		2005 budget appropriations for 1992 and 1971 Funds		2006 budget appropriations for 1992 Fund		2007 budget appropriations for 1992 Fund	
		£		£		£		£	
<b>SECRETARIAT</b>									
<b>I Personnel</b>									
(a) Salaries		1 223 974		1 306 900		1 385 300		1 433 650	
(b) Separation and recruitment		10 522		105 000		125 000		35 000	
(c) Staff benefits, allowances and training		423 949		566 000		576 200		573 700	
<b>Sub-total</b>				1 658 445		1 977 900		2 086 500	
<b>II General Services</b>									
(a) Rent of office accommodation (including service charges and rates)		255 199		259 200		287 400		280 400	
(b) Office machines, including maintenance		71 492		90 000		110 000		110 000	
(c) Furniture and other office equipment		7 212		17 500		17 500		17 500	
(d) Office stationery and supplies		10 456		22 000		22 000		22 000	
(e) Communications (courier,telephone, postage, e-mail/internet)		57 250		70 000		68 000		68 000	
(f) Other supplies and services		33 022		51 000		47 500		37 500	
(g) Representation (hospitality)		19 377		20 000		25 000		25 000	
(h) Public Information		115 617		180 000		180 000		180 000	
<b>Sub-total</b>				569 625		709 700		757 400	
<b>III Meetings</b>									
Sessions of the 1992 and 1971 Fund Governing Bodies and Intersessional Working Groups				151 598		145 000		150 000	
<b>IV Travel</b>									
Conferences, seminars and missions				108 791		125 000		160 000	
<b>V Miscellaneous expenditure</b>									
(a) External audit fees for IOPC Funds		55 000		55 000		60 500		60 500	
(b) Consultants' fees		169 743		180 000		180 000		180 000	
(c) Audit Body		89 048		90 000		110 000		110 000	
(d) Investment Advisory Bodies		30 000		30 000		37 500		37 500	
<b>Sub-total</b>				343 791		355 000		388 000	
<b>VI Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff and cost of equipment)</b>				27 449		60 000		60 000	
<b>Total Expenditure I-VI</b>				2 859 699		3 372 600		3 601 900	
<b>Total Expenditure I-VI excluding External Audit fees for IOPC Funds</b>								3 541 400	
<b>VII Due from 71Fund</b>									
Management fee payable to 1992 Fund by 1971 Fund				325 000		325 000		(275,000)	
<b>VII Due from Supplementary Fund</b>									
Management fee payable to 1992 Fund by Supplementary Fund								(70,000)	
<b>1992 Fund Budget Appropriation excluding External audit fee for IOPC Funds</b>								3 196 400	
<b>1992 Fund Budget Appropriation including External audit fee for 1992 Fund only</b>								3 243 400	
								3 232 250	

## **ANNEX II**

### **NOTES ON THE INDIVIDUAL APPROPRIATIONS BY CHAPTER**

#### **1. Personnel (Chapter I)**

2007 Appropriation £	2006 Appropriation £	% Increase /(decrease) on 2006 Appropriation
2 042 350	2 086 500	(2.1)%

- 1.1 Staff Regulation 17 of the 1992 Fund provides that the emoluments of members of staff of the 1992 Fund should follow the United Nations common system as applied by the International Maritime Organization (IMO). The calculation of the appropriation for salaries is based, therefore, on the United Nations salary system as applied by IMO, including all grants, allowances, overtime and insurance payments. The relevant salary scales and the relevant schedules of post adjustments are reproduced as Annexes to the 1992 Fund's Amendments to Staff Regulations and Rules (cf document 92FUND/A.11/16). The Provident Fund contributions are calculated in accordance with 1992 Fund Staff Rule VIII.5.
- 1.2 It should be noted that the outcome of a place-to-place survey on costs of living in London undertaken during the latter part of 2005 by the International Civil Service Commission of the United Nations resulted in an increase in 2006 of some 9% of salaries of the professional staff (document 92FUND/A.11/16, paragraph 6).
- 1.3 The Secretariat has 31 established posts. Four posts are vacant in the professional category, namely those of Legal Counsel, Claims Manager, French Translator and Spanish Translator.
- 1.4 The costs of the vacant post of Claims Manager has been included in the draft budget for 2007, but recruitment to that post would only be made if required due to an increase in workload.
- 1.5 Recruitment to the post of Legal Counsel is in progress.
- 1.6 At its 5th session held in October 2000 the Assembly approved the Director's proposal to engage a Spanish in-house translator. No appointment has been made to this post. The post of French Translator has been vacant since May 2003. Translations into French and Spanish are carried out exclusively by freelance translators. The Director does not intend to fill the vacant posts of in-house translators but to continue to use freelance translators for the foreseeable future. The costs of the two posts of in-house translators are therefore not included in the 2007 budget.
- 1.7 At its 3rd 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 in the professional category up to Grade P5 and to decide on promotions for these categories (document 92FUND/A.3/27, paragraph 23.6). The 1971 Fund Executive Committee, acting on behalf of the Assembly, noted this decision at its 59th session (document 71FUND/EXC.59/17/A.21/24, paragraph 22.3). Since the governing bodies' October 2005 sessions three posts have been regraded in the General Service category (cf document 92FUND/A.11/15).

- 1.8 In order to cover any increase in salaries which may be decided within the United Nations common system, it has been considered appropriate to include in the draft budget a provision for such increases of 3% for staff in all categories, 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).
- 1.9 It may be necessary to make continued use of temporary assistance. Such assistance is needed not only when there is an additional heavy workload, but also to cover leave periods (including maternity leave) and to fill any vacancies temporarily until new incumbents are appointed. As in the budgets for the last four years 2003–2006, an amount of £40 000 has been included for this purpose in the appropriation for salaries in the draft 2007 budget.
- 1.10 The budget appropriation also includes expenses which would be incurred in the event that recruitment was to be made to the vacant post of Claims Manager.
- 1.11 An appropriation of £573 700 has been included under the heading for Staff benefits, allowances and training. This appropriation covers mainly the 1992 Fund's contributions to the Provident Fund, education grants, home leave and accident, medical and national insurance and staff training. A provision of £100 000 has been included in this appropriation for staff training, as in the 2006 budget.

2. General services (Chapter II)

2007 Appropriation £	2006 Appropriation £	% Increase / (Decrease) on 2006 Appropriation
740 400	757 400	(2.3) %

- 2.1 The appropriations under (a) to (h) below amounting to £740 400 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.

(a) Office accommodation

- 2.2 The appropriation of £280 400 under this heading has been calculated on the space occupied in Portland House and the space retained in the IMO building.
- 2.3 The office premises occupied on the 23rd floor of Portland House consist of 11 000 square feet of office space, at £39.50 per square foot, and 700 square feet of ancillary space, at £15.00 per square foot, used to house the printing machinery and the main IT hardware. A storage space of 600 square feet, at £10 per square foot, has been obtained in the basement of Portland House. The rent has so far totalled £445 000 per annum for the 23rd floor and £6 000 per annum for the basement. The United Kingdom Government refunds 80% of the rent resulting in 20% being payable by the IOPC Funds. Under the lease agreement a rent review was to be undertaken in June 2005. Due to the Landlord's consideration of whether to refurbish Portland House the review process is still not concluded (document 92FUND/A.11/19). The Landlord has indicated that he will be seeking a rent review based upon a rent of £45.00 per square foot on the main accommodation and half that rate (£22.50) on the ancillary space, resulting in a rent of £510 750 of which 20% will be payable by the IOPC Funds. Any

rent increase will be effective from 1 June 2005. The budget for 2007 has been prepared using the Landlord's indicative figures set out above.

- 2.4 Service charges are also payable for the premises in Portland House. The service charges, which cover building insurance, gas, water and sewerage, building maintenance and renovations, security services and management fees, are estimated at £80 000. This includes additional service charge payable in respect of the surrounding Cardinal Place estate, which Portland House forms part of.
- 2.5 Local taxes ('rates') are also payable for the premises. Like diplomatic missions and other intergovernmental organisations, the IOPC Funds pay only a minor portion of the rates. An appropriation of £10 000 has been included for rates.
- 2.6 Office space of some 1300 square feet has been retained in the IMO building. The present lease of these premises covers the period to 31 October 2012. The appropriation covers rent, rates and service charges in respect of these offices, calculated on the basis of the space occupied. It also covers the costs of general services given by IMO, including the services of a staff doctor and nurse and all information necessary to implement the Staff Regulations and Staff Rules in accordance with the United Nations common system as applied by IMO. The rent for these offices has been calculated as in previous years at £8.23 per square foot (£11 324). The IMO building is undergoing refurbishment resulting in the office space being available to the IOPC Funds only for the last quarter of 2007. An amount of £15 000 has been included for 2007 in the rent of the office space in the IMO building, calculated for only the last quarter of 2007, compared with £31 000 for 2006 whereas the costs of the services of the staff doctor and nurse have been calculated for the full year as these services will be made available to the IOPC Funds also during the refurbishment.
- 2.7 Other costs relating to the accommodation in Portland House consisting mainly of £15 000 for general maintenance, £18 000 for the daily cleaning of the premises and £18 000 for electricity.
  - (b) Office machines
- 2.8 This item covers purchases, rental, maintenance and repairs of office machines (including IT hardware and software) and includes the rental cost of photocopying/printing machinery. This appropriation has been maintained to £110 000.
  - (c) Furniture and other office equipment
- 2.9 This appropriation, which has been maintained at £17 500, covers general costs for maintenance, repairs and replacement of furniture and other office equipment.
  - (d) Office stationery and supplies
- 2.10 This appropriation has been maintained at £22 000.
  - (e) Communications
- 2.11 The appropriation, which has been maintained at £68 000, covers the cost of courier, postage, telephone and e-mail/internet connections.

(f) Other supplies and services

2.12 This item covers supplies and services not included under items (a) to (e) and miscellaneous expenditure, bank charges, books for the library, periodicals and newspapers. The appropriation has been reduced to £37 500 from £47 500.

(g) Representation (hospitality)

2.13 This appropriation relates to hospitality not covered by the Director's representation allowance, eg receptions to be given in connection with meetings of the IOPC Funds and official entertainment by the Organisations. The appropriation has been maintained at £25 000.

(h) Public information

2.14 The governing bodies of the Organisations have considered that the IOPC Funds should continue to strengthen their activities in the field of information and public relations.

2.15 Under this heading funds are provided for the publication of a joint Annual Report of the IOPC Funds, for the printing of publications and documents (other than those prepared for the sessions of the Funds' organs) and for the Organisations' web site.

2.16 The total appropriation under the heading has been maintained at £180 000 and is broken down as follows:

- (i) The cost of printing, publication and bulk mailings has been estimated at £100 000. This appropriation covers the cost of the Annual Report.
- (ii) An amount of £80 000 is included for public information to cover the cost of the ongoing development of the Organisations' web site and document server as well as expenditure in relation to other public relations projects.

3 Meetings (Chapter III)

2007 Appropriation £	2006 Appropriation £	% Increase on 2006 Appropriation
200 000	150 000	33.3 %

3.1 The meetings of the governing bodies of the IOPC Funds, as well as those of any intersessional Working Groups, have over the years taken place in the IMO conference rooms. Due to the refurbishment of the IMO Headquarters building, the October 2006 sessions of the governing bodies are to be held outside that building. It is assumed that two sessions of the governing bodies and any meetings of the 1992 Fund 3rd intersessional Working Group in 2007 will also have to be held outside that building. The budget for 2007 has been prepared on that basis. An additional amount of £50 000 has been included to cover the costs of hiring conference facilities outside of the IMO building.

3.2 The total appropriation for 2007 has been increased to £200 000 from £150 000, on the basis of the following meeting schedule of 15 days:

- (i) ordinary sessions of the governing bodies of the 1992 Fund, 1971 Fund and Supplementary Fund in October 2007: five days;

- (ii) further sessions of the Executive Committee of the 1992 Fund, the Administrative Council of the 1971 Fund and intersessional Working Groups: ten days.

4 Travel (Chapter IV)

2007 Appropriation £	2006 Appropriation £	% Increase on 2006 Appropriation
160 000	160 000	0%

- 4.1 This appropriation covers the costs for missions and for attendance at conferences and seminars in which it is in the interest of the IOPC Funds to participate.
- 4.2 In the past, where possible, travel for missions, conferences and seminars was combined with travel in relation to the various incidents handled by the IOPC Funds, and the costs were apportioned between travel and the incident in question. With the reduced number of incidents involving the Funds such cost sharing is no longer possible to the same extent.
- 4.3 Since there is an increasing demand from Member States for participation by the Funds in seminars and conferences and for Fund staff conducting training courses, this appropriation has been maintained at £160 000.

5 Miscellaneous expenditure (Chapter V)

2007 Appropriation £	2006 Appropriation £	% Increase on 2006 Appropriation
388 000	388 000	0%

(a) External audit

- 5.1 The fee for auditing the accounts of the 1992 Fund, 1971 Fund and Supplementary Fund for the 2006 financial period which is payable in 2007 has been provisionally advised by the United Kingdom National Audit Office as £47 000 in respect of the 1992 Fund, £10 000 in respect of the 1971 Fund and £3 500 in respect of the Supplementary Fund. The External Auditor has stated that if visits to Claims Handling Offices were to be required, the fee may have to be increased. The amounts of £10 000 and £3 500 in respect of the 1971 Fund and Supplementary Fund will be paid directly by the respective Fund.

(b) Consultants' fees

- 5.2 It will be necessary to engage consultants if work which cannot be undertaken by the permanent staff members has to be carried out. The use of consultants might be required, for example, in connection with the continuing efforts to improve the operation of the Secretariat and to undertake studies of a general nature, which are not related to specific incidents. The appropriation in the draft budget for consultants' fees has been maintained at £180 000.
- 5.3 Fees for consultants engaged in connection with individual incidents are charged against the respective incidents.

5.4 As a follow up to the Audit Body's Review of Claims Handling (document 92FUND/A.10/12) the Director intends to continue to explore various methods to improve further the claims-handling process and in particular to develop further the use of IT in that process.

5.5 Increased efforts to pursue contributors in arrears will result in additional lawyers' fees.

(c) Audit Body

5.6 As decided by the governing bodies, the three Funds have a joint Audit Body which should *inter alia* assist the External Auditor in his task. The Audit Body holds three regular sessions a year. An appropriation of £110 000 is included in the draft 2007 budget to cover the costs resulting from the operation of this Body, ie the travel and subsistence costs of the members, the fee of £25 000 for the 'outsider/expert' member and an honorarium for the members nominated by Member States which was fixed by the governing bodies at their October 2005 sessions at £3 000 per member (document 92FUND/A.10/37, paragraph 30.3).

(d) Investment Advisory Body

5.7 As decided by the respective governing bodies, the three Funds have a joint Investment Advisory Body, composed of three external experts with specific knowledge in financial matters. The remuneration of the three members of the Body was fixed at the October 2005 session at £12 500 per member, i.e a total of £37 500. An appropriation to this effect has been included in the draft budget.

6 Unforeseen expenditure (Chapter VI)

2007 Appropriation £	2006 Appropriation £	% Increase on 2006 Appropriation
60 000	60 000	0%

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. This appropriation has been maintained at £60 000, representing some 1.7% of the draft budget.

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### ANNEX III

#### General Fund claims expenditure in 2006

*(Figures in Pounds Sterling)*

Incident	Date	Maximum payable from General Fund: 4 million SDR	Expenditure up to 31/12/05		Balance Payable from General Fund at 31/12/2005	2006 Expenditure				Estimated Total General Fund Expenditure in 2006	Estimated Total General Fund Expenditure up to 31/12/06	Estimated Balance payable from General Fund at 31/12/2006				
						Compensation		Claims-related expenses								
			Compensation paid up to 31/12/05	Claims-related expenses paid up to 31/12/05		Paid	Estimate	Paid	Estimate							
						1/1/06-30/6/06	1/7/06-31/12/06	1/1/06-30/6/06	1/7/06-31/12/06							
Incident in Germany	20/06/96	3,752,700	0	(108,671)	3,644,029	0	(1,100,000)	0	(30,000)	(1,130,000)	(1,239,000)	2,514,000				
Dolly	05/11/99	3,383,800	0	(162,882)	3,220,918	0	(1,100,000)	(8,194)	(70,000)	(1,179,000)	(1,342,000)	2,042,000				
Al Jaziah 1	24/01/00	3,307,800	(566,166)	(89,684)	2,651,950	0	0	(5,618)	(5,000)	(11,000)	(667,000)	2,641,000				
Slops	15/06/00	3,535,920	0	(240,735)	3,295,185	0	0	(36,099)	(45,000)	(82,000)	(323,000)	3,214,000				
N°7 Kwang Min	24/11/05	3,307,260	0	0	3,307,260	(815,984)	(700,000)	(97,068)	(150,000)	(1,764,000)	(1,764,000)	1,544,000				
										(4,166,000)						

**ANNEX IV**

**General Fund claims expenditure in 2007**

(Figures in Pounds Sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Estimated Balance Payable from General Fund at 31/12/2006	2007 Estimated Expenditure		Estimated Total General Fund Expenditure in 2007	Estimated Total General Fund Expenditure up to 31/12/07	Estimated Balance payable from General Fund at 31/12/2007
				Compensation	Claims-related expenses			
<i>Al Jaziah 1</i>	24/01/00	3,307,800	2,641,000	0	(10,000)	(10,000)	(677,000)	2,631,000
<i>Slops</i>	15/06/00	3,535,920	3,214,000	(2,000,000)	(40,000)	(2,040,000)	(2,363,000)	1,174,000
						(2,050,000)		

## ANNEX V

### **ACTUAL EXPENDITURE VS BUDGET APPROPRIATIONS FOR THE JOINT SECRETARIAT FOR THE PERIOD 2000–2005**

The tables and graphs below set out the actual expenditure compared to the budget appropriations for the administration of the joint Secretariat for the financial years 2000 to 2005.

#### **Total administrative expenditure**

During the period 2000–2005, the actual expenditure was between 15% and 24% lower than the budget appropriations.

Under the budgetary principles applied by the IOPC Funds, an unused portion of an appropriation may not be carried forward to the following financial year. Conversely, if a budget appropriation for a particular chapter of the budget proves to be insufficient, transfers of more than 10% of the appropriation amount from another chapter require the approval of the Assembly. Given the difficulty of budgeting accurately for some appropriations and of the need for the Funds to be able to take necessary actions in the light of changed circumstances or instructions to the Director by the governing bodies, it is essential that there is a reasonable margin within the budget in order to minimise the number of transfers required.

As stated in paragraph 7.2 of this document, when assessing the need for levying contributions for payment the following year, the estimated surplus brought forward on the General Fund is taken into account. Any surplus therefore is not accumulated each year to create a reserve but used to meet the following year's expenses.

In the documents containing the Financial Statements submitted to the October sessions of the governing bodies, the Director comments on the various expenses under each Chapter, indicating where savings have been made in relation to the budget appropriations and setting out the reasons for major savings (cf document 92FUND/A.11/10 in respect of the 2005 Financial Year).

#### **Chapter I - Personnel**

The appropriations under this Chapter cover staff salaries, separation and recruitment, staff benefits, allowances and training.

Under the 1992 Fund Staff Regulations, the emoluments of staff members follow the United Nations common system as applied by the International Maritime Organization (IMO). However, when the budget is prepared, it is not known whether the salaries under the common system will be increased and, if so, to what extent. A general 3% salary increase is therefore normally budgeted for but this increase has not always materialised. Conversely, in 2006 the increase of salaries for staff in the Professional and higher categories was 9%.

Equally, when the budget is prepared it is not generally known what staff changes there will be during the year and as a result what expenses will be incurred in respect of separation and recruitment. For example, separation and recruitment costs in respect of the post of Director were included in the 2004 and 2005 budgets but these costs will in fact only be incurred during 2006. In addition, the appropriation has included costs for recruitment to vacant staff posts, such as that of an additional Claims Manager, in order to enable the Director to fill these posts should the need arise.

## **Chapter II – General services**

The appropriations under this Chapter cover office accommodation, office machines, furniture and other office equipment, office stationery and supplies, communications, other supplies and services, hospitality and public information.

Of the total appropriations under this Chapter, some 35% relates to office accommodation, which can normally be budgeted accurately.

The appropriation for public information covers the cost of the Annual Report, the ongoing development of the Organisations' website and document server and other public relations projects. The cost of producing publications can be difficult to estimate in advance since it depends on the number and volume of publications produced, which can depend on a number of factors including decisions of the governing bodies during the year (eg adoption of a new Claims Manual). The costs of public relations projects are also difficult to estimate since to a large extent they depend on developments during the budget year.

## **Chapter III - Meetings**

The appropriations under this Chapter cover meetings of the governing bodies and working groups. The number of meeting days has increased in recent years as a result of, for example, the occurrence of major incidents and the setting up of a working group. The number and length of documents produced has also increased over the years, which has implications for translation costs. The cost of external translators and interpreters during meetings has also increased.

## **Chapter IV - Travel**

Travel costs have increased over the years mainly as a result of an increase in demand from Member States for Funds' staff to conduct training courses and workshops and to participate in seminars and conferences. It is difficult to predict these costs when the budget is prepared. When the Funds used to deal with a large number of incidents it was often possible to combine participation in seminars and workshops with meetings relating to specific incidents and the costs were then apportioned between the relevant incident and the administrative budget. As a result of the decrease in the number of incidents, this has not been possible to the same extent in recent years.

## **Chapter V – Miscellaneous expenditure**

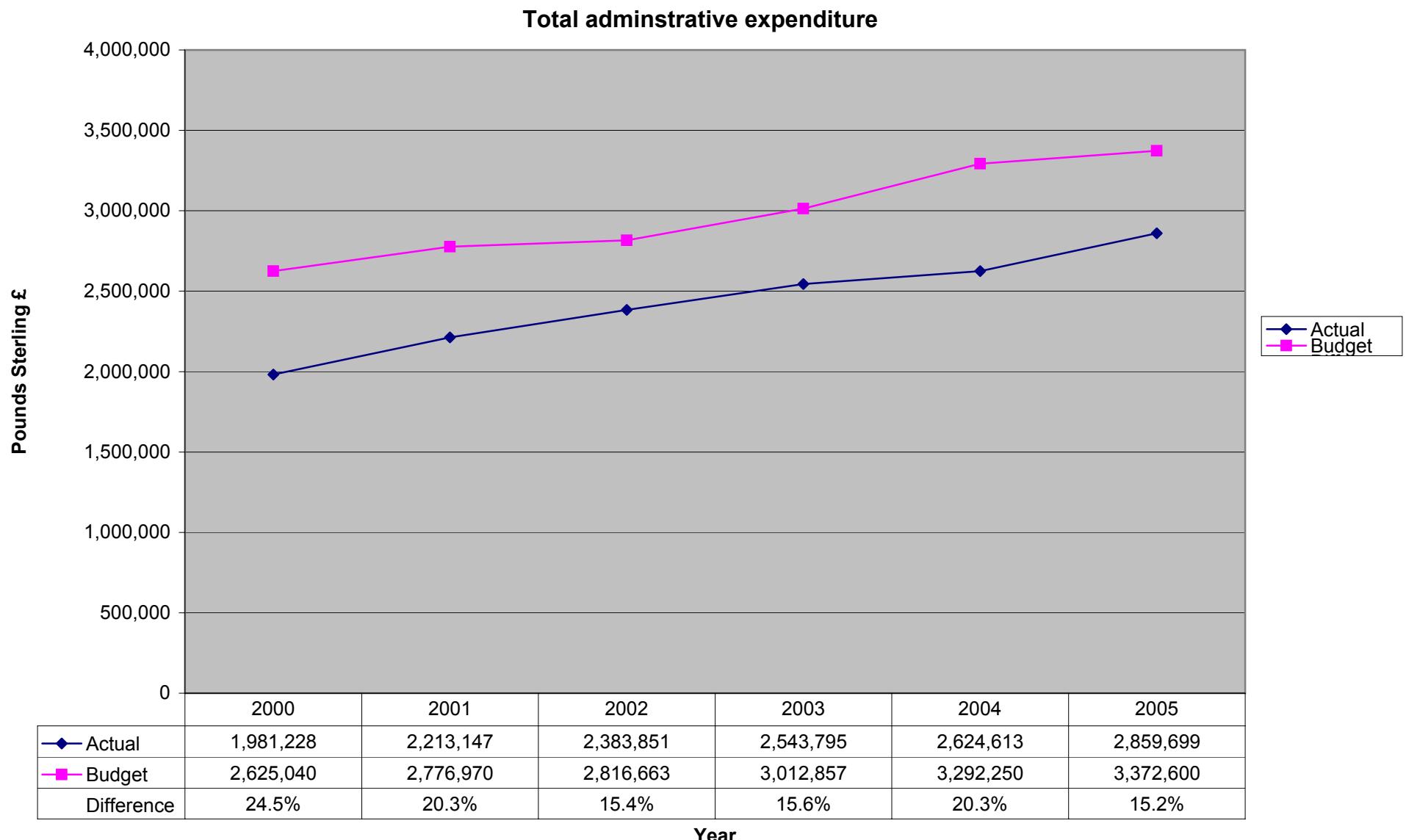
Appropriations under this Chapter include the External Audit fees and costs of the Audit Body and the Investment Advisory Body, which can be estimated fairly accurately. This Chapter also covers Consultants' fees which are more difficult to predict since the extent to which consultants have to be used depends on developments during the budget year and on decisions by the governing bodies.

## **Chapter VI – Unforeseen expenditure**

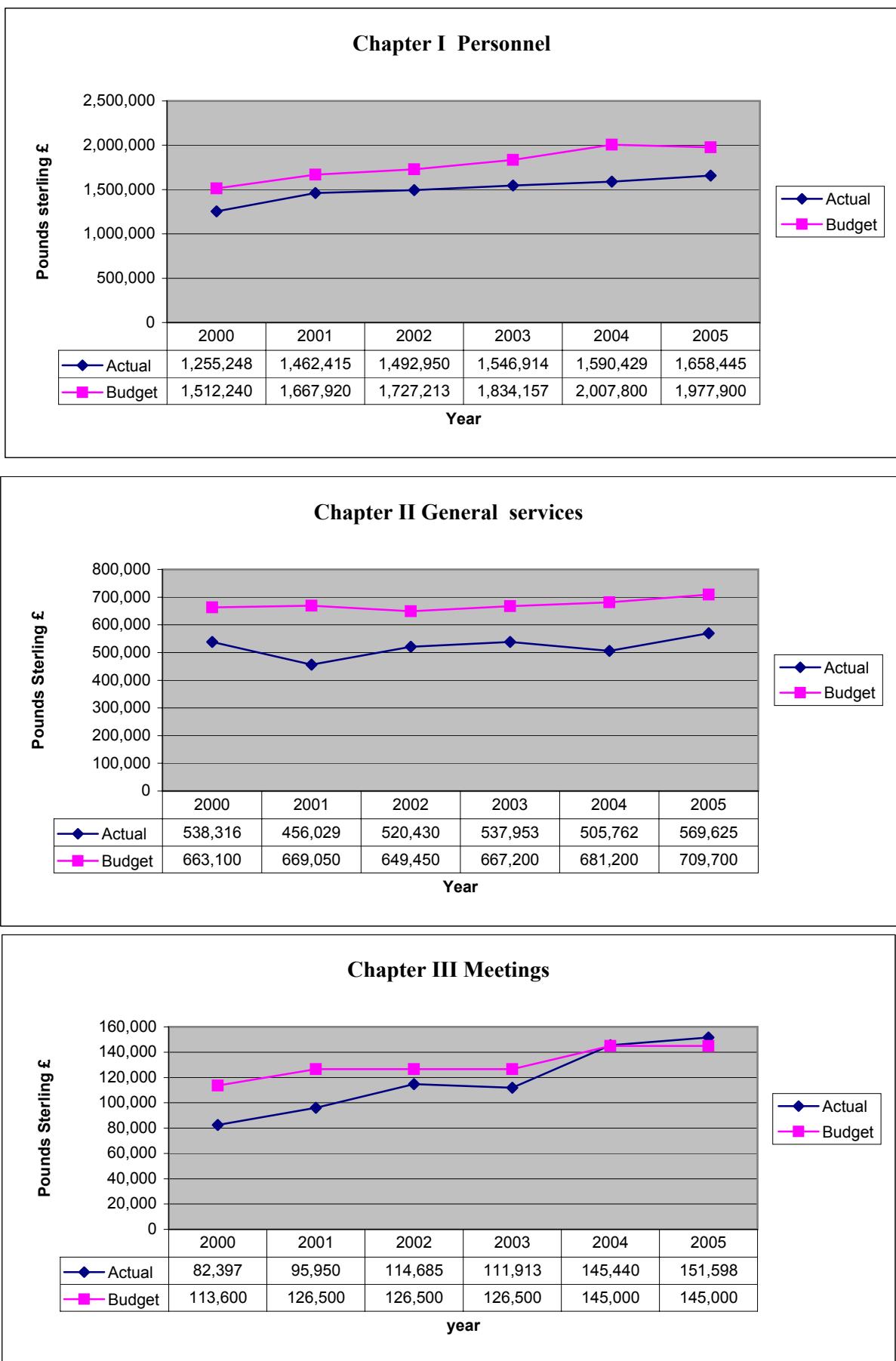
The budget appropriation under this Chapter, which over the period has decreased from 2.2% to 1.8% of the total budget, is intended to give the Director the possibility to respond to developments. This appropriation has been maintained at the same level over the period 2000–2005. The appropriation was used in 2003, 2004 and 2005 for expenditure that had not been foreseen at the time of the adoption of the budget, for example, costs relating to the business continuity programme such as improvements to communication links and backup facilities and the scanning of contributors' files.

**ANNEX V**

**ACTUAL EXPENDITURE vs BUDGET APPROPRIATIONS FOR THE FINANCIAL YEARS 2000-2005**



## ANNEX V



## ANNEX V

