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BUDGET FOR 2006 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

Note by the Director

Summary:	The draft administrative budget for 2006 is presented, with the Director's comments thereon. The draft budget for the 1992 Fund for 2006 totals £3 243 400. The resulting need for 2005 contributions to the General Fund is examined. It is considered that there is no need for any such levy.
Action to be taken:	Adopt the administrative budget for 2006 and decide on the levy, if any, of 2005 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.10/29).
- 1.6 As for the individual incidents, reference is made to the information contained in the Financial Statements (document 92FUND/A.10/10, Annex IV, Schedule II) and to the various documents relating to incidents submitted to the 30th 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 Income

2.1 Surplus as at 31 December 2005

- 2.1.1 The administrative costs of the joint Secretariat excluding the External Audit fees was set at £3 317 600 for 2005. Based on information to date the total expenditure for 2005 is estimated to be some £2 722 930 (82%) and is made up as follows:

CHAPTER	2005 Appropriation £	Expenditure to 30 June 2005 £	Projected total 2005 expenditure £	%
I Personnel	1 977 900	809 000	1 681 500	85%
II General services	709 700	262 320	562 850	79%
III Meetings	145 000	45 540	145 000	100%
IV Travel	125 000	82 370	130 380	104%
V Miscellaneous expenditure (excluding external audit fees)	300 000	93 200	203 200	68%
VI Unforeseen expenditure	60 000	0	0	0%
Total Expenditure Chapters I-VI	3 317 600	1 292 430	2 722 930	82%

- 2.1.2 Including the External Audit fee of £42 500 in respect of the 1992 Fund's Financial Statements for 2004, payable in 2005, the total expenditure for the 1992 Fund for the 2005 financial year is estimated at £2 765 430.
- 2.1.3 As can be seen from Annex I, it is anticipated that payments of compensation from the General Fund will be made during 2005 in respect of four incidents. It is expected that fees will be incurred during 2005 in respect of seven incidents involving the 1992 Fund. The total claims and claims related expenses during 2005 is estimated at £4 962 000.

- 2.1.4 The estimated surplus at 31 December 2005 of £24 687 937 is arrived at as shown in the table below:

	£	£
Surplus as at 1 January 2005		25 364 213
<i>Plus</i>		
2004 General Fund contributions receivable in 2005	5 400 000	
Previous years' General Fund contributions receivable in 2005	101 154	
Interest to be earned in 2005 (estimate)	1 000 000	
Management fee payable by 1971 Fund	325 000	
Management fee payable by Supplementary Fund	125 000	
Transfer from <i>Nakhodka</i> Major Claims Fund closed in 2005 (cf paragraph 2.2)	100 000	7 051 154
	7 051 154	32 415 367
<i>Less</i>		
Estimated 2005 administrative expenditure	2 765 430	
Minor claims expenditure in 2005 (Annex I)	4 962 000	
	7 727 430	7 727 430
Estimated surplus as at 31 December 2005		24 687 937

2.2 Transfer from Major Claims Fund

At its October 2004 session the Assembly decided that, after certain reimbursements had been made to contributors to the *Nakhodka* Major Claims Fund, the remaining balance should be transferred to the General Fund on 1 March 2005 (documents 92FUND/A.9/31, paragraph 28.5).

2.3 Interest to be earned in 2006

The income in interest during 2006 from the 1992 Fund's investment of the assets of the General Fund is estimated at £1 million. This estimated yield is based on an average principal of approximately £23 million.

3 Expenditure

3.1 Administrative expenditure 2006

Introduction

- 3.1.1 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).
- 3.1.2 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).
- 3.1.3 As set out in document 92FUND/A.10/26, 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 a management fee to the 1992 Fund for the period 1 January - 31 December 2006 in respect of the costs of running the joint Secretariat. It has been proposed

that the management fee be set at £275 000 for the 1971 Fund and at £70 000 for the Supplementary Fund. 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.

- 3.1.4 The Director submits for consideration by the Assembly an administrative budget covering the expenses for 2006 of the joint Secretariat. The draft budget is at Annex II.
- 3.1.5 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 2004 (actual expenditure and budget appropriations) and for 2005 (budget appropriations) are also given.
- 3.1.6 A summary of the administrative budget for the joint Secretariat is given below.

CHAPTER	2006 Appropriation £	2005 Appropriation £	% Increase/(decrease) Appropriation on 2005
I Personnel	2 086 500	1 977 900	5.5%
II General services	757 400	709 700	6.7%
III Meetings	150 000	145 000	3.4%
IV Travel	160 000	125 000	28.0%
V Miscellaneous expenditure (excluding external audit fees)	327 500	300 000	9.2%
VI Unforeseen expenditure	60 000	60 000	0%
Total Expenditure Chapters I-VI	3 541 400	3 317 600	6.7%

Explanatory notes to the administrative budget

- 3.1.7 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 to 31 December 2006.
- 3.1.8 The estimates of the draft administrative budget for the three Organisations total £3 541 400. This amount does not include the External Auditor's fees which are paid directly by each Fund. This budget figure is 6.7% (£223 800) higher than the 2005 budget appropriations of £3 317 600. A major part of this increase relates to the extra costs resulting from the transition from the present Director to his successor, including a salary of one extra post for the period 1 September-31 December 2006 (cf paragraph 3.1.12 below).
- 3.1.9 The joint administrative budget, including the cost of the external audit for all three Organisations (£60 500), is £3 601 900 compared to £3 372 600 in 2005.
- 3.1.10 It should be noted that 67% (£2 373 900) of the total appropriations in the draft joint 2006 budget of £3 541 400 relates to personnel and office accommodation costs.

*Notes on the individual appropriations***I** Personnel

2006 Appropriation £	2005 Appropriation £	% Increase on 2005 Appropriation
2 086 500	1 977 900	5.5%

- 3.1.11 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 Staff Rules (cf document 92FUND/A.10/17). The Provident Fund contributions are calculated in accordance with 1992 Fund Staff Rule VIII.5.
- 3.1.12 The present Director's contract expires on 31 December 2006. At its March 2005 session, the Assembly decided that in order to ensure the efficient functioning of the Organisations as well as a smooth transition, and in the interests of the incoming and outgoing Directors, the present Director should retain full responsibility for the Organisations up to 31 October 2006, the newly-elected Director should join the Secretariat on 1 September 2006 and take over responsibility for the Organisations on 1 November 2006 and the present Director should continue to be available up to 31 December 2006 (document 92FUND/A/ES.9/28, paragraph 23.2.28).
- 3.1.13 At their October 2004 sessions the governing bodies 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.
- 3.1.14 The Secretariat has 31 established posts. Three posts are vacant in the professional category, namely those of Claims Manager, French Translator and Spanish Translator.
- 3.1.15 The costs of the vacant post of Claims Manager has been included in the draft budget for 2006, but recruitment to that post would only be made if required due to an increase in workload.
- 3.1.16 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 during 2005 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 2006 budget.
- 3.1.17 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 2004 sessions seven posts have been regraded - three posts in the Professional category and four posts in the General Service category (cf document 92FUND/A.10/15).

- 3.1.18 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).
- 3.1.19 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 and to fill any vacancies temporarily until new incumbents are appointed. As in the budgets for 2003, 2004 and 2005, an amount of £40 000 has been included for this purpose in the appropriation for salaries in the draft 2006 budget.
- 3.1.20 As indicated above the present Director's contract expires on 31 December 2006 and provision has been made for the recruitment expenses in accordance with the Staff Rules for the new Director. An appropriation for the separation costs in respect of the present Director has also been included in the 2006 Budget in accordance with the Staff Rules.
- 3.1.21 The budget appropriation also includes expenses which would be incurred in the event that recruitment were to be made to the vacant post of Claims Manager.
- 3.1.22 An appropriation of £576 200 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.
- 3.1.23 A provision of £100 000 has been included for staff training, as in the 2005 budget.
- 3.1.24 The Director considers that the authority given to him referred to in paragraph 3.1.13 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 2006.

II General services

2006 Appropriation £	2005 Appropriation £	% Increase on 2005 Appropriation
757 400	709 700	6.7%

- 3.1.25 The appropriations under (a) to (h) below amounting to £757 400 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

- 3.1.26 The appropriation of £287 400 under this heading has been calculated on the space occupied in Portland House and the space retained in the IMO building.
- 3.1.27 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. As the United Kingdom Government refunds 80% of the rent, only 20% or £89 000 of

the rent has been payable by the IOPC Funds for the 23rd floor and £1 200 for the storage space. However, under the lease agreement a rent review is to be undertaken in June 2005 and any rent increase will be effective from 1 June 2005. 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. As the review process is at an early stage, the budget for 2006 has been prepared using the Landlord's indicative figures.

- 3.1.28 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.
- 3.1.29 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.
- 3.1.30 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 rent for these offices has been calculated as in previous years at £8.23 per square foot (£11 324). A sum of £31 000 is included in the appropriation to cover rent, rates and service charges in respect of these offices, calculated on the basis of the space occupied. This appropriation 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.
- 3.1.31 Other costs relating to the premises total £63 000, consisting mainly of £15 000 for general maintenance and office insurance, £18 000 in respect of the daily cleaning of the premises and £18 000 for electricity.
- (b) Office machines
- 3.1.32 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 increased to £110 000 from £90 000 in 2005 to cover the maintenance and development costs of the Organisations' IT systems.
- (c) Furniture and other office equipment
- 3.1.33 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
- 3.1.34 This appropriation has been maintained at £22 000.
- (e) Communications
- 3.1.35 The appropriation has been reduced to £68 000 from £70 000 and covers the cost of courier, postage, telephone and e-mail / internet connections.
- (f) Other supplies and services
- 3.1.36 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 £47 500 from £51 000.

(g) Representation (hospitality)

3.1.37 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 increased from £20 000 to £25 000 to cover also the cost of additional entertainment that may be undertaken in connection with the transition from the outgoing to the incoming Director.

(h) Public information

3.1.38 It is recalled that 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.

3.1.39 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.

3.1.40 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.

III Meetings

2006 Appropriation £	2005 Appropriation £	% Increase on 2005 Appropriation
150 000	145 000	3.4 %

3.1.41 The meetings of the governing bodies of the 1992 Fund and the 1971 Fund, as well as those of any intersessional Working Groups, have over the years taken place in the IMO conference rooms. It is assumed that the arrangements for holding meetings during 2006 will remain the same as in previous years. The budget for 2006 has been prepared on that basis. However it should be noted that discussions are currently being held between IMO and the United Kingdom Government in respect to the refurbishment of the IMO Headquarters building, which may result in meetings having to be held outside that building. The Director will inform the Assembly of any developments in this regard.

3.1.42 The total appropriation for 2006 has been increased to £150 000 from £145 000, 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 2006: 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.

- 3.1.43 The costs relating to holding meetings have increased as a result of an increase in the volume of documents to be translated as well as increases in the fees of interpreters.

IV Travel

2006 Appropriation £	2005 Appropriation £	% Increase on 2005 Appropriation
160 000	125 000	28.0%

- 3.1.44 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. 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 increased to £160 000 for 2006. This increase also covers additional travel that may need to be undertaken taken by the outgoing and incoming Directors to ensure a smooth transition of responsibilities.
- 3.1.45 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.

V Miscellaneous expenditure

2006 Appropriation £	2005 Appropriation £	% Increase on 2005 Appropriation
388 000	355 000	9.30%

(a) External audit

- 3.1.46 The fee for auditing the accounts of the 1992 Fund, 1971 Fund and Supplementary Fund for the 2005 financial period which is payable in 2006 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 informed the Director that, as regards the 1992 Fund, the estimate includes staff travel costs to visit the local claims handling offices in Spain and France, set up in relation to the *Prestige* incident, as part of the external audit process. He has also stated that if visits to other 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 that Fund.

(b) Consultants' fees

- 3.1.47 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.
- 3.1.48 In this regard the Director has engaged consultants to assist the Secretariat in its Risk Management process. In addition, as a follow up to the Audit Body's Review of Claims Handling (document 92FUND/A.10/12) the Director intends to explore various methods to improve further the claims handling process and in particular to develop further the use of IT in that process.
- 3.1.49 The accounting and contribution software will need to be developed further, which will require programming support from an external consultant.

- 3.1.50 Increased efforts to pursue contributors in arrears will result in additional lawyers' fees.
- 3.1.51 The appropriation in the draft budget for consultants' fees has been maintained at £180 000.
- 3.1.52 Fees for consultants engaged in connection with individual incidents are charged against the respective incidents.

(c) Audit Body

- 3.1.53 As decided by the governing bodies, the three Funds have a joint Audit Body to assist the External Auditor in his task.
- 3.1.54 The Audit Body holds three regular sessions a year. Its members also attend the autumn sessions of the governing bodies. An appropriation of £110 000 is included in the draft 2006 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 other members nominated by Member States which was fixed by the governing bodies at their October 2003 sessions at £1 500 per member (documents 92FUND/A.8/30, paragraph 12 and 71FUND/AC.12/22, paragraph 8).

(d) Investment Advisory Body

- 3.1.55 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.
- 3.1.56 It is proposed that the remuneration of the three members of the Body be increased from £10 000 to £12 500 per member, ie a total of £37 500. The fees were last increased for the financial year 2003 from £9 000 to £10 000. An appropriation to this effect has been included in the draft budget.

VI Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff, cost of equipment and any other cost not foreseen).

2006 Appropriation £	2005 Appropriation £	% Increase on 2005 Appropriation
60 000	60 000	0%

- 3.1.57 The appropriation under this chapter is designed to cover expenditure that was not foreseen at the time of the adoption of the administrative budget. This appropriation has been maintained at £60 000, representing some 1.7% of the draft budget.

3.2 Minor claims expenditure 2006

- 3.2.1 The two known incidents in respect of which payments may have to be made from the General Fund during 2006 are listed in Annex III.
- 3.2.2 As regards the *Al Jaziah 1* incident which occurred in the United Arab Emirates on 24 January 2000, both the 1971 Fund Convention and the 1992 Fund Convention apply. The governing bodies of the 1971 Fund and the 1992 Fund have decided that the liabilities should be distributed between the two Funds on a 50:50 basis. All claims arising from this incident have been paid and the 1992 Fund will not be required to make any further compensation payments. Dependent on the outcome of a recourse action against the owner of the *Al Jaziah 1*, the 1992 Fund may recover a part of the amount it has paid in compensation in respect of this incident.

3.2.3 It is estimated that the payments by the 1992 Fund from the General Fund in 2006 relating to two incidents will total only £20 000. 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 2006. 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 2007, actually have to be made earlier.

3.3 Working capital

3.3.1 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 Funds in question.

3.3.2 The Director has submitted a document to the Assembly in which he proposes that the working capital be maintained at £22 million (document 92FUND/A.10/27). If the Assembly were to decide otherwise, the Director would revise his proposals in respect of the budget.

4 General Fund assessment

4.1 Sum required

4.1.1 The estimates for the General Fund for 2006 are set out in the following table.

		£	£
	ESTIMATED INCOME		
<i>Plus</i>	Surplus as at 31 December 2005	24 687 937	
	Interest to be earned in 2006	1 000 000	
	Management fee payable by 1971 Fund for 2006	275 000 70	
	Management fee payable by Supplementary Fund for 2006	000	
	Total estimated income 2006		26 032 937
<i>LESS</i>	ESTIMATED EXPENDITURE		
	Joint administrative expenditure 2006 (excluding external audit fee for all three Organisations) (Annex II)	3 541 400	
<i>Plus</i>	External audit fee for 1992 Fund	47 000	
<i>Plus</i>	Minor claims expenditure 2006 (Annex III)	20 000	
	Loans to HNS Fund (cf paragraph 4.1.4)	50 000	
<i>Plus</i>	Working capital	22 000 000	
	Total estimated expenditure 2006		25 658 400
	Estimated surplus		374 537

4.1.2 As shown from the estimates in the table above, no contributions would be needed to balance the 2006 budget of the General Fund.

4.1.3 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). 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 and

2005 for this purpose. Of the total appropriation of £250 000 only £68 201 (including interest) had been used as at 30 June 2005. It is anticipated that a further amount of £30 000 would be required for the remainder of 2005, including the costs of the workshop held in June 2005 which have not yet been paid.

- 4.1.4 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 2005 relating to the preparations for setting up the HNS Fund can therefore not be used to cover payments during 2006. For this reason it is necessary to include in the 2006 budget an appropriation to cover the costs for these preparations and an amount of £50 000 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.

4.2 Director's proposal

In the light of the estimates set out in paragraph 4.1.1 the Director proposes that there should be no levy of 2005 contributions to the General Fund.

5 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 2006 for the administrative expenses of the 1992 Fund (section 3.1 and Annex II);
- (c) to decide in respect of the assessment of 2005 contributions to the General Fund (paragraph 4.2);
- (d) 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 £138 000 based on the draft 2006 budget) (paragraph 3.1.24); and
- (e) 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 4.1.4).

* * *

ANNEX I

General Fund claims expenditure in 2005

(Figures in Pounds Sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Expenditure up to 31/12/04		Balance Payable from General Fund at 31/12/2004	2005 Expenditure				Estimated Total General Fund Expenditure in 2005	Estimated Total General Fund Expenditure up to 31/12/05	Estimated Balance payable from General Fund at 31/12/2005
			Compensation paid up to 31/12/04	Claims related expenses paid up to 31/12/04		Compensation		Claims related expenses				
						Paid 1/1/05-30/6/05	Estimate 1/7/05-31/12/05	Paid 1/1/05-30/6/05	Estimate 1/7/05-31/12/05			
<i>Incident in Germany</i>	20/06/96	3 752 700	0	(83 437)	3 669 263	0	(1 100 000)	(21 089)	(10 000)	(1 131 000)	(1 215 000)	2 539 000
<i>Dolly</i>	05/11/99	3 383 800	0	(43 246)	3 340 554	0	(1 200 000)	(74 589)	(15 000)	(1 290 000)	(1 334 000)	2 051 000
<i>Al Jaziah 1</i>	24/01/00	3 307 800	(566 166)	(77 028)	2 664 606	0	0	(1 475)	(8 000)	(10 000)	(654 000)	2 654 000
<i>Slops</i>	15/06/00	3 535 920	0	(144 402)	3 391 518	0	(2 100 000)	(93 479)	0	(2 194 000)	(2 339 000)	1 198 000
<i>Incident in Sweden</i>	23/09/00	3 553 840	0	(5 143)	3 548 697	0	0	0	(10 000)	(10 000)	(16 000)	3 538 000
<i>Incident in Bahrain</i>	15/03/03	3 469 600	(362 772)	(9 460)	3 097 368	(304 827)	0	(16 610)	(4 000)	(326 000)	(699 000)	2 772 000
<i>Kyung Won</i>	12/09/03	3 488 440	(1 567 229)	(152 040)	1 769 171	0	0	(781)	0	(1 000)	(1 721 000)	1 769 000
										(4 962 000)		

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ANNEX II

DRAFT 2006 ADMINISTRATIVE BUDGET FOR 1992 FUND

STATEMENT OF EXPENDITURE		Actual 2004 Expenditure for 1992 and 1971 Funds		2004 budget Appropriations for 1992 and 1971 Funds		2005 budget Appropriations for 1992 Fund		2006 budget Appropriations for 1992 Fund	
		£		£		£		£	
SECRETARIAT									
I	Personnel								
(a)	Salaries	1 161 433		1 341 000		1 306 900		1 385 300	
(b)	Separation and recruitment	29 619		115 000		105 000		125 000	
(c)	Staff benefits, allowances and training	399 377		551 800		566 000		576 200	
	Sub-total		1 590 429		2 007 800		1 977 900		2 086 500
II	General Services								
(a)	Rent of office accommodation (including service charges and rates)	235 995		249 700		259 200		287 400	
(b)	Office machines, including maintenance	45 284		90 000		90 000		110 000	
(c)	Furniture and other office equipment	6 527		17 500		17 500		17 500	
(d)	Office stationery and supplies	12 448		13 587		22 000		22 000	
(e)	Communications (courier, telephone, postage, e-mail/internet)	55 193		65 000		70 000		68 000	
(f)	Other supplies and services	47 413		47 413		51 000		47 500	
(g)	Representation (hospitality)	16 875		18 000		20 000		25 000	
(h)	Public Information	86 027		179 560		180 000		180 000	
	Sub-total		505 762		680 760		709 700		757 400
III	Meetings								
	Sessions of the 1992 and 1971 Fund Governing Bodies and Intersessional Working Groups		145 440		145 440		145 000		150 000
IV	Travel								
	Conferences, seminars and missions		84 415		100 000		125 000		160 000
V	Miscellaneous expenditure								
(a)	External audit fees for IOPC Funds	53 250		53 250		55 000		60 500	
(b)	Consultants' fees	87 455		125 000		180 000		180 000	
(c)	Audit Body	82 075		90 000		90 000		110 000	
(d)	Investment Advisory Bodies	30 000		30 000		30 000		37 500	
	Sub-total		252 780		298 250		355 000		388 000
VI	Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff and cost of equipment)		45 787		60 000		60 000		60 000
Total Expenditure I-VI			2 624 613		3 292 250		3 372 600		3 601 900
Total Expenditure I-VI excluding external audit fees for IOPC Funds							3 317 600		3 541 400
VII	Due from 71Fund								
	Management fee payable to 1992 Fund by 1971 Fund	325 000		325 000		(325 000)		(275 000)	
VIII	Due from Supplementary Fund								
	Management fee payable to 1992 Fund by Supplementary Fund					(125 000)		(70 000)	
1992 Fund Budget Appropriation excluding external audit fee for IOPC Funds							2 867 600		3 196 400
1992 Fund Budget Appropriation including external audit fee for 1992 Fund only							2 914 600		3 243 400

ANNEX III

General Fund claims expenditure in 2006

(Figures in Pounds Sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Estimated Balance Payable from General Fund at 31/12/2005	2006 Estimated 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			
<i>Al Jaziah 1</i>	24/01/00	3 307 800	2 654 000	0	(10 000)	(10 000)	(664 000)	2 644 000
<i>Incident in Sweden</i>	23/09/00	3 553 840	3 538 000	0	(10 000)	(10 000)	(26 000)	3 528 000
						(20 000)		