



BUDGET FOR 2008 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

Note by the Director

Summary:	The draft administrative budget for 2008 is presented, with the Director's comments thereon. The draft budget (excluding External Auditor's fees) for the joint Secretariat for 2008 totals £3 584 000. An assessment is made of the likely compensation payments and other incident-related expenses. The resulting need for 2007 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 2008 (Annex I) and decide on the levy of 2007 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.12/22).
- 1.6 As for the individual incidents, reference is made to the information contained in the 2006 Financial Statements (document 92FUND/A.12/8, Annex V, Schedule II) and to the various documents relating to incidents submitted to the 38th 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.
- 1.8 The structural changes to the budget document that were introduced last year have been continued in this document. Therefore the 'Notes' on the individual appropriations by Chapter are included in Annex II and information on the developments in the joint Secretariat's administrative budget and actual expenses during the seven-year period 2000-2006 is given in Annex V.

2 Joint Secretariat

- 2.1 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 92FUND/A.2/29, paragraph 13.1 and 71FUND/A.19/30, paragraph 11).
- 2.2 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).
- 2.3 As set out in document 92FUND/A.12/20, 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 2008 in respect of the costs of running the joint Secretariat.

3 Budget for administrative expenditure in 2008

- 3.1 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 2008.
- 3.2 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 2006 (actual expenditure and budget appropriations) and for 2007 (budget appropriations) are also given.
- 3.3 The draft administrative budget for the three Organisations totals £3 584 000. This amount does not include the External Auditor's fees which are paid directly by each Fund. This budget figure is 1.5% higher than the corresponding 2007 budget appropriations of £3 530 250. The administrative budget, including the total cost of the external audit for all three Organisations (£62 000), is £3 646 000, compared to £3 590 750 in the 2007 budget.
- 3.4 It should be noted that 68% (£2 469 000) of the total appropriations in the draft administrative budget (including External Auditor's fees) of £3 646 000 relate to personnel and office accommodation costs.

3.5 A summary of the administrative budget for the joint Secretariat is given below:

CHAPTER	Proposed 2008 Appropriation £	2007 Appropriation £	% Increase/(decrease) Appropriation on 2007
I Personnel	2 152 700	2 042 350	5.4%
II General services	748 000	740 400	1.1%
III Meetings	175 000	200 000	(12.5)%
IV Travel	150 000	160 000	(6.2)%
V Miscellaneous expenditure (excluding External Audit fees)	297 500	327 500	(9.2)%
VI Unforeseen expenditure	60 000	60 000	0.0%
Total Expenditure Chapters I-VI	3 584 000	3 530 250	1.5%

3.6 The Director submits for consideration by the Assembly an administrative budget covering the expenses for 2008 of the joint Secretariat. The draft budget is at Annex I.

3.7 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 2005-2007.

3.8 The Director considers that the authority given to him referred to in paragraph 3.7 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 2008.

3.9 Notes on the individual appropriations are set out in Annex II.

4 Predicted balance as at 31 December 2007

4.1 Income

Contributions

4.1.1 The Assembly decided at its 11th session in October 2006 to levy contributions of £3.0 million for receipt by 1 March 2007.

Interest to be earned in 2007

4.1.2 Interest earned for the period 1 January – 30 June 2007 amounts to some £500 000. Based on the current interest rates applicable to the 1992 Fund investments, interest income for 2007 is estimated at £1.0 million.

Management fee payable to the 1992 Fund in 2007

- 4.1.3 The management fee payable to the 1992 Fund for 2007 was set by the governing bodies at £275 000 for the 1971 Fund and at £70 000 for the Supplementary Fund (document 92FUND/A.11/35, paragraph 27.3).

4.2 Expenditure

Administrative costs

- 4.2.1 The administrative costs of the joint Secretariat, excluding the External Audit fees, was set in the budget at £3 530 250 for 2007. Based on information to date the total expenditure for 2007 is estimated to be some £3 093 342, which is 12.4% lower than the 2007 budget appropriation, and is made up as follows:

CHAPTER	2007 Appropriation £	Expenditure to 30 June 2007 £	Projected total 2007 expenditure £	%
I Personnel	2 042 350	921 068	1 854 572	90.8%
II General services	740 400	196 425	604 195	81.6%
III Meetings	200 000	91 472	220 000	110.0%
IV Travel	160 000	47 501	122 501	76.6%
V Miscellaneous expenditure (excluding External Audit fees)	327 500	113 324	292 074	89.2%
VI Unforeseen expenditure	60 000	0	0	0%
Total Expenditure Chapters I-VI	3 530 250	1 369 790	3 093 342	87.6%

- 4.2.2 Including the External Audit fee of £47 000 in respect of the 1992 Fund's Financial Statements for 2006, payable in 2007, the total expenditure for the 1992 Fund for the 2007 financial year is estimated at £3 140 342.

Compensation payments and other incident-related expenses

- 4.2.3 The list in Annex III includes the *Solar 1* incident, which occurred on 12 August 2006 in the Philippines. The incident falls under the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006. The effect of STOPIA is that the maximum amount of compensation payable by owners of all ships of 29 548 tonnage or less falling under the agreement 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, whichever is the less. The amount received/receivable from the shipowner/P&I Club under the agreement is set out in the Annex III.
- 4.2.4 As can be seen from Annex III, compensation from the General Fund will be paid during 2007 in respect of four incidents. It is expected that fees will be incurred during 2007 in respect of six incidents involving the 1992 Fund. The total claims and claims-related expenses during 2007 are estimated at £1 475 000 net of the reimbursement received from the shipowner/P&I Club under the STOPIA 2006 agreement with respect to the *Solar 1* incident.

4.3 Estimated balance

The balance on the General Fund at 31 December 2007 is estimated at £24 210 082 as shown in the table below:

	£	£
Balance b/f at 1 January 2007		
Working Capital	22 000 000	
Surplus / (deficit)	2 639 049	24 639 049
<i>Plus</i>		
2007 General Fund contributions receivable in 2007	2 826 375	
Previous years' General Fund contributions receivable in 2007	15 000	
Interest to be earned in 2007 (estimate)	1 000 000	
Management fee payable by 1971 Fund	275 000	
Management fee payable by Supplementary Fund	70 000	
		28 825 424
<i>Less</i>		
Estimated 2007 administrative expenditure including		
External Auditor's fees	3 140 342	
Minor claims expenditure in 2007 (Annex III)	1 475 000	
		4 615 342
Estimated balance as at 31 December 2007		24 210 082

5 Estimates for 20085.1 Income*Interest to be earned in 2008*

- 5.1.1 Interest income during 2008 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 £20 million.

Management fee payable to the 1992 Fund

- 5.1.2 It has been proposed that the management fees payable to the 1992 Fund for 2008 be set at £210 000 for the 1971 Fund and at £50 000 for the Supplementary Fund (document 92FUND/A.12/20). 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.

5.2 Expenditure

- 5.2.1 The administrative expenditure for 2008 totals £3 584 000, as detailed in section 3, and the External Audit fee has been estimated at £48 500.

Minor claims expenditure 2008

- 5.2.2 The known incidents in respect of which payments may have to be made from the General Fund during 2008 are listed in Annex IV.
- 5.2.3 It is estimated that the payments by the 1992 Fund from the General Fund in 2008 relating to three incidents will total £2 950 000 and is net of the reimbursement receivable from the

shipowner/P&I Club under the STOPIA 2006 agreement with respect to the *Solar 1* incident (cf paragraph 4.2.3 above). 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 2008. 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.

5.3 Loans to the HNS Fund

5.3.1 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).

5.3.2 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 and £30 000 for 2007. Of the total appropriation of £330 000 some £120 000 (including interest) had been used as at 30 June 2007. It is anticipated that a further amount of £10 000 would be required for the remainder of 2007.

5.3.3 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 2003–2007 relating to the preparations for setting up the HNS Fund can therefore not be used to cover payments during 2008. For this reason it is necessary to include in the 2008 budget an appropriation to cover the costs for these preparations and an amount similar to that made in 2007 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.

5.4 Working capital

5.4.1 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.

5.4.2 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.

5.4.3 As a result of STOPIA 2006 it may be possible to lower the working capital at a future date. In the Director's view it is premature at this stage to assess the impact that STOPIA 2006 may have on future liquidity of funds to meet compensation payments that need to be made by the 1992 Fund to claimants in accordance with the 1992 Fund Convention. The Director will keep this issue under review.

5.4.4 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 2008 budget accordingly.

5.5 Estimated balance

5.5.1 The estimates for the General Fund for 2008 are set out in the table below:

		£	£
	ESTIMATED INCOME		
	Balance at 31 December 2007 (paragraph 4.3)	24 210 082	
<i>Plus</i>	Interest to be earned in 2008	1 000 000	
	Management fee payable by 1971 Fund for 2008	210 000	
	Management fee payable by Supplementary Fund for 2008	50 000	
	Total estimated income 2008		25 470 082
<i>LESS</i>	ESTIMATED EXPENDITURE		
	Joint administrative expenditure 2008 (excluding external audit fee for all three Organisations) (Annex I)	3 584 000	
<i>Plus</i>	External Audit fee for 1992 Fund	48 500	
<i>Plus</i>	Minor claims expenditure 2008 (Annex IV)	2 950 000	
	Loans to HNS Fund (cf paragraph 5.3.3)	30 000	
<i>Plus</i>	Working capital (cf paragraph 5.4.4)	22 000 000	
	Total estimated expenditure 2008		28 612 500
	ESTIMATED EXPENDITURE OVER INCOME		3 142 418

5.5.2 The balance as at 31 December 2007 is estimated at £24 210 082 which exceeds the working capital by £2 210 082. When assessing the need for levying contributions for payment the following year any estimated surplus or deficit brought forward in the General Fund is taken into account, thereby decreasing or increasing the amount that needs to be levied, ie any deficit/surplus is taken into account each year to determine the following year's requirements.

5.5.3 As shown from the estimates in the table above, contributions of £3 142 418 would be needed to balance the 2008 budget of the General Fund on the assumption that the Assembly decides to maintain the working capital at £22 million as set out above.

6 Director's proposal on assessment of 2007 contributions to the General Fund

In the light of the estimate set out in paragraph 5.5.1 the Director proposes that there should be a levy of 2007 contributions of £3.0 million payable in 2008 to the General Fund.

7 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 2008 for the administrative expenses of the 1992 Fund (section 3 and Annex I);
- (c) to consider the Director's proposal that the working capital of the 1992 Fund be maintained at £22 million (paragraph 5.4.4)
- (d) to decide in respect of the assessment of 2007 contributions to the General Fund (paragraph 6);
- (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 £148 500 based on the draft 2008 budget) (paragraph 3.8); 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 5.3.3).

* * *

ANNEX I

DRAFT 2008 ADMINISTRATIVE BUDGET FOR 1992 FUND

STATEMENT OF EXPENDITURE		Actual 2006 expenditure for 1992 Fund		2006 budget appropriations for 1992 Fund		2007 budget appropriations for 1992 Fund		2008 budget appropriations for 1992 Fund	
		£		£		£		£	
	SECRETARIAT								
I	Personnel								
(a)	Salaries	1 377 018		1 385 300		1 433 650		1 485 034	
(b)	Separation and recruitment	142 272		142 272		35 000		35 000	
(c)	Staff benefits, allowances and training	479 031		558 928		573 700		632 666	
	Sub-total		1 998 321		2 086 500	2 042 350		2 152 700	
II	General Services								
(a)	Rent of office accommodation (including service charges and rates)	260 585		287 400		280 400		316 300	
(b)	Office machines, including maintenance	56 352		110 000		110 000		80 000	
(c)	Furniture and other office equipment	6 879		17 500		17 500		15 000	
(d)	Office stationery and supplies	15 140		22 000		22 000		22 000	
(e)	Communications (courier, telephone, postage, e-mail/internet)	50 287		68 000		68 000		73 000	
(f)	Other supplies and services	39 795		47 500		37 500		37 500	
(g)	Representation (hospitality)	19 412		25 000		25 000		25 000	
(h)	Public Information	87 553		180 000		180 000		180 000	
	Sub-total		536 003		757 400	740 400		748 800	
III	Meetings								
	Sessions of the 1992, Supplementary and 1971 Fund Governing Bodies and Intersessional Working Groups		176 638		176 638	200 000		175 000	
IV	Travel								
	Conferences, seminars and missions		143 991		145 000	160 000		150 000	
V	Miscellaneous expenditure								
(a)	External audit fees for IOPC Funds	60 500		60 500		60 500		62 000	
(b)	Consultants' fees	219 312		219 312		180 000		150 000	
(c)	Audit Body	116 420		116 420		110 000		110 000	
(d)	Investment Advisory Bodies	37 500		37 500		37 500		37 500	
	Sub-total		433 732		433 732	388 000		359 500	
VI	Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff and cost of equipment)		-		2 630	60 000		60 000	
Total Expenditure I-VI			3 288 685		3 601 900	3 590 750		3 646 000	
Total Expenditure I-VI excluding External Audit fees for IOPC Funds						3 530 250		3 584 000	
VII	Due from 71Fund								
	Management fee payable to 1992 Fund by 1971 Fund		275 000		275 000	(275 000)		(210 000)	
VIII	Due from Supplementary Fund								
	Management fee payable to 1992 Fund by Supplementary Fund		70 000		70 000	(70 000)		(50 000)	
1992 Fund Budget Appropriation excluding External audit fee for IOPC Funds						3 185 250		3 324 000	
1992 Fund Budget Appropriation including External audit fee for 1992 Fund only						3 232 250		3 372 500	

ANNEX II

NOTES ON THE INDIVIDUAL APPROPRIATIONS BY CHAPTER

1 Personnel (Chapter I)

2008 Appropriation £	2007 Appropriation £	% Increase /(Decrease) on 2007 Appropriation
2 152 700	2 042 350	5.4%

- 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 document 92FUND/A.12/15, Amendments to Staff Rules. The Provident Fund contributions are calculated in accordance with 1992 Fund Staff Rule VIII.5.
- 1.2 The outcome of a place-to-place survey on costs of living in London undertaken during the latter part of 2006 and early 2007 by the International Civil Service Commission of the United Nations was published in July 2007 and implemented by the IMO in August 2007. The result of the survey was an increase in the 2006 General Service salary scale of 1.24% and also an increase to the dependency allowances of some 18% to 28%, both with effect from 1 October 2006.
- 1.3 The Secretariat has 31 established posts. As at 29 August 2007 six posts are vacant in the professional category, namely those of Deputy Director/Technical Advisor, Claims Manager, Human Resource Manager, Information Officer, French Translator and Spanish Translator and one post in the General Service category, namely that of Publications Administrator.
- 1.4 It is envisaged that recruitment to the professional category posts of Deputy Director/Technical Advisor, Human Resource Manager and Information Officer would be filled by the end of 2007, or soon thereafter but that recruitment to the post of Claims Manager would only be made if required due to an increase in workload. Similarly it is envisaged that the vacant post in the General Service category will be filled in 2007. The costs of the above five vacant posts have been included in the draft budget for 2008.
- 1.5 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 2008 budget.
- 1.6 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 2006 sessions one post has been regraded in the General Service category. The outgoing Director made two personal promotions in the professional category in October 2006, with effect from 1 November 2006 (cf document 92FUND/A.12/13).

- 1.7 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).
- 1.8 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 five years 2003–2007, an amount of £40 000 has been included for this purpose in the appropriation for salaries in the draft 2008 budget.
- 1.9 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 in 2008.
- 1.10 An appropriation of £632 666 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 2007 budget.

2 General services (Chapter II)

2008 Appropriation £	2007 Appropriation £	% Increase / (Decrease) on 2007 Appropriation
748 800	740 400	1.1 %

- 2.1 The appropriations under (a) to (h) below amounting to £748 800 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 £316 300 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, 700 square feet, used to house the printing machinery and the main IT hardware and storage space of 600 square feet in the basement of Portland House.
- 2.4 The premises are subject to a lease dated 26 June 2000 and covering the period June 2000 – June 2010. The rent has so far totalled £445 000 per annum (exclusive of VAT) for the 23rd floor and £6 000 per annum for the storage space in the basement. The

United Kingdom Government refunds 80% of the rent for the 23rd floor and for the storage space. Under the lease agreement, a rent review was to be undertaken in June 2005 and any increase would be effective from 24 June 2005.

- 2.5 The rent review for the 23rd floor was concluded, with the assistance of the United Kingdom Government, at the end of 2006 at £469 000 per annum (exclusive of VAT) with effect from June 2005. There was no increase in the rent in respect of the basement storage area. The additional amount due to the landlord as a result of the review was paid by the 1992 Fund at the end of 2006, with the United Kingdom Government refunding 80% of this sum.
- 2.6 In accordance with the recommendation of the Fund's chartered surveyors and in agreement with the United Kingdom Government, the 1992 Fund and the landlord agreed to surrender the lease dated 26 June 2000 for nil consideration and a new lease up to 24 March 2015 has been entered into on the following terms:
- a single new lease to cover the 11 000 square feet of office space at £41.30 per square foot and 700 square feet at £20.65 per square foot of auxiliary space on the 23rd floor as well as the 600 square feet of storage space at £12.50 per square foot in the basement and, in addition, two car parking spaces (at £2 000 per car space) in the basement, the cost of which will be borne by the 1992 Fund only;
 - the total rent will therefore be £480 500 per annum (exclusive of VAT) with a rent review fixed at 24 June 2010;
 - One free motorcycle parking space will be provided in the basement of Portland House, subject to availability.
- 2.7 The United Kingdom Government will refund 80% of £476 500 pa (ie £480 500 pa less £4 000 pa for the two car parks) resulting in 20% or £95 300 pa being payable by the 1992 Fund.
- 2.8 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 £105 000. This includes an additional service charge payable in respect of the surrounding Cardinal Place estate, which Portland House forms part of.
- 2.9 Local taxes ('rates') are also payable for the premises. Like diplomatic missions and other intergovernmental organisations, the 1992 Fund pays only a minor portion of the rates. An appropriation of £10 000 has been included for rates.
- 2.10 Office space of some 1 300 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 not being available to the IOPC Funds until early 2008. The rent of the office space in the IMO building has been calculated for a ten month period only 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. An appropriation of £31 000 has been included, as for 2006, compared to £15 000 in 2007, when rent was included only for the last quarter in view of the refurbishment .

- 2.11 Other costs relating to the accommodation in Portland House consisting of £15 000 for general maintenance, £18 000 for the daily cleaning of the premises, £18 000 for electricity and £10 000 for office contents insurance.

(b) Office machines

- 2.12 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 reduced to £80 000 compared to £110 000 in 2007.

(c) Furniture and other office equipment

- 2.13 This appropriation, which has been reduced to £15 000 from £17 500 in 2007, covers general costs for maintenance, repairs and replacement of furniture and other office equipment.

(d) Office stationery and supplies

- 2.14 This appropriation has been maintained at £22 000.

(e) Communications

- 2.15 The appropriation, has been increased to £73 000 from £68 000, and covers the cost of courier, postage, telephone and e-mail/internet connections. The appropriation has been increased to cover the additional costs of improving the communication lines between the IMO offices and the Portland House offices.

(f) Other supplies and services

- 2.16 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 maintained at £37 500.

(g) Representation (hospitality)

- 2.17 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

- 2.18 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.

- 2.19 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' governing bodies) and for the Organisations' website.

2.20 The total appropriation under this 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 in the three official languages.
- (ii) An amount of £80 000 is included for public information to cover the cost of the ongoing development of the Organisations' website and document server as well as expenditure in relation to other public relations projects.

3 Meetings (Chapter III)

2008 Appropriation £	2007 Appropriation £	% Increase /(Decrease) on 2007 Appropriation
175 000	200 000	(12.5)%

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, March 2007, and June 2007 sessions of the governing bodies were held outside the IMO building. The former two meetings were held at the Headquarters building of INMARSAT in London and the June meeting was hosted by the Government of Canada at the Headquarters of the International Civil Aviation Organization (ICAO) in Montreal, Canada. The Government of Monaco have invited the IOPC Funds to hold their February 2008 sessions of the governing bodies in Monaco. The budget for 2008 has been prepared on the basis that the remaining sessions of the governing bodies in 2008 will be held in the conference rooms of the IMO.

3.2 The total appropriation for 2008 has been reduced to £175 000 from £200 000, 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 2008: 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)

2008 Appropriation £	2007 Appropriation £	% Increase / (Decrease) on 2007 Appropriation
150 000	160 000	(6.2)%

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 Where possible, travel for missions, conferences and seminars 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. With the reduced number of incidents involving the Funds such cost sharing is no longer possible to the same extent.

- 4.3 There is an increasing demand from Member States for participation by the IOPC Funds in seminars and conferences and for Fund staff conducting training courses. The appropriation has been reduced slightly to £150 000 from £160 000 in light of the costs actually incurred in 2006 (£143 991) and the estimated cost for 2007 (£122 500). The IOPC Funds continue to make efforts to obtain funding to cover the cost of travel from Organisers of conferences and seminars.

5 Miscellaneous expenditure (Chapter V)

2008 Appropriation £	2007 Appropriation £	% Increase /(Decrease) on 2007 Appropriation
359 500	388 000	(7.3)%

(a) External audit

- 5.1 The fee for auditing the accounts of the 1992 Fund, 1971 Fund and Supplementary Fund for the 2007 financial period which is payable in 2008 has been provisionally advised by the United Kingdom National Audit Office as £48 500 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, for example, the 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 reduced to £150 000 from £180 000. In 2006 a large proportion of the consultants' fees was earmarked for the upgrade of the bespoke financial and contribution system (FUNDMAN) and in 2007 for the new web based claims management system (WCMS) being undertaken in 2007 in order to improve further the claims handling process. No such large projects are envisaged for 2008.
- 5.3 Fees for consultants engaged in connection with individual incidents are charged against the respective incidents.
- 5.4 Increased efforts to pursue contributors in arrears will result in additional lawyers' fees.

(c) Audit Body

- 5.5 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 2008 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

- 5.6 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, ie a total of £37 500. An appropriation to this effect has been included in the draft budget.

6 Unforeseen expenditure (Chapter VI)

2008 Appropriation £	2007 Appropriation £	% Increase / Decrease) on 2007 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 1.6% of the draft budget.

* * *

ANNEX III

General Fund claims expenditure in 2007

(Figures in Pounds Sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Expenditure up to 31/12/06		Receipt under STOPIA Agreement upto 31/12/06	Balance Payable from General Fund at 31/12/2006	2007 Expenditure				Receipts /receivables under STOPIA Agreement 1/1/07 to 31/12/2007	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 paid up to 31/12/06	Claims-related expenses paid up to 31/12/06			Compensation		Claims-related expenses					
							Paid 1/1/07-30/6/07	Estimate 1/7/07-31/12/07	Paid 1/1/07-30/6/07	Estimate 1/7/07-31/12/07				
<i>Incident in Germany</i>	20/06/96	3 752 700	0	(108 671)	-	3 644 029	0	(1 000 000)	(4 362)	(25 000)	-	(1 029 000)	(1 138 000)	2 615 000
<i>Al Jaziah 1</i>	24/01/00	3 307 800	(566 166)	(98 900)	-	2 642 734	0	0	(3 414)	(7 000)	-	(11 000)	(677 000)	2 632 000
<i>Slops</i>	15/06/00	3 535 920	0	(280 743)	-	3 255 177	0	0	(6 900)	(73 000)	-	(80 000)	(361 000)	3 176 000
<i>N°7 Kwang Min</i>	24/11/05	3 307 260	(1 164 982)	(178 008)	-	1 964 270	0	(55 000)	(15 163)	(15 000)	-	(86 000)	(92 000)	1 879 000
<i>Solar 1 *</i>	11/08/06	3 134 944	(1 965 877)	(39 317)	1 337 568	2 467 318	(3 753 302)	(200 000)	(141 464)	(80 000)	4 605 275	431 000	(237 000)	2 899 000
<i>Shosei Maru</i>	28/11/06	3 096 480	0	0	-	3 096 480	0	(600 000)	0	(100 000)	-	(700 000)	(700 000)	2 397 000
												(1 475 000)		

* *Solar 1* - Under STOPIA 2006 compensation payments up to 20 million SDR will be reimbursed by the P&I Club

* * *

ANNEX IV

General Fund claims expenditure in 2008

(Figures in Pounds Sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Estimated Balance Payable from General Fund at 31/12/2007	2008 Estimated Expenditure		Receivable under STOPIA Agreement	Estimated Total General Fund Expenditure in 2008	Estimated Total General Fund Expenditure up to 31/12/08	Estimated Balance payable from General Fund at 31/12/2008
				Compensation	Claims-related expenses				
<i>Al Jaziah 1</i>	24/01/00	3 307 800	2 632 000	0	(20 000)	-	(20 000)	(697 000)	2 612 000
<i>Slops</i>	15/06/00	3 535 920	3 176 000	(2 500 000)	(80 000)	-	(2 580 000)	(2 941 000)	596 000
<i>Solar 1</i>	11/08/06	3 134 944	2 899 000	(400 000)	(100 000)	400 000	(100 000)	(337 000)	2 799 000
<i>Shosei Maru</i>	28/11/06	3 096 480	2 397 000	(200 000)	(50 000)	-	(250 000)	(950 000)	2 147 000
							(2 950 000)		

* *Solar 1* - Under STOPIA 2006 compensation payments up to 20 million SDR will be reimbursed by the P&I Club

* * *

ANNEX V

ACTUAL EXPENDITURE VS BUDGET APPROPRIATIONS FOR THE JOINT SECRETARIAT FOR THE PERIOD 2000–2006

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 2006.

Total administrative expenditure

During the period 2000–2006, the actual expenditure was between 8% 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 5.5.2 of the main 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.12/8 in respect of the 2006 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 has been included in the budget in recent years but this increase has not always materialised.

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 were in fact only 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 40% 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. During 2006 the cost of holding the October sessions of the governing bodies had increased as the meetings were held outside the International Maritime Organization due to its refurbishment.

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 1.7% of the total budget, is intended to give the Director the possibility to respond to developments. This appropriation has been maintained at £60 000 over the recent years. 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

