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BUDGET FOR 2005 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

Note by the Director

Summary:	The draft budget for 2005 is presented, with the Director's comments thereon. The draft administrative budget for the 1992 and 1971 Funds for 2005 totals £3 372 660, an increase of 2.4% on the 2004 budget. The resulting need for 2004 contributions to the General Fund is examined. A levy of £8.3 million is proposed.
Action to be taken:	Adopt the administrative budget for 2005 and decide on the levy of 2004 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 up to 4 million SDR per incident (minor claims); and

- (c) payments of claims 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.9/25).
- 1.6 As for the individual incidents, reference is made to the information contained in the Financial Statements (document 92FUND/A.9/8, Annex IV, Schedule II) and to the various documents relating to incidents submitted to the 26th 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 2004

- 2.1.1 The estimated surplus at 31 December 2004 of £24 355 528 is arrived at as shown in the table below.
- 2.1.2 As can be seen from Annex I, it is anticipated that payments of compensation from the General Fund will be made during 2004 in respect of two incidents. It is expected that fees will be incurred during 2004 in respect of thirteen incidents involving the 1992 Fund.

	£	£
Surplus as at 1 January 2004		21 565 602
<i>Plus</i>		
2003 General Fund contributions receivable in 2004	7 000 000	
Previous years' General Fund contributions receivable in 2004	391 176	
Interest to be earned in 2004 (estimate)	800 000	
	8 191 176	8 191 176
		29 756 778
<i>Less</i>		
Joint administrative expenditure 2004 less 1971 Fund administrative expenses (the latter includes management fee payable to 1992 Fund)	2 952 250	
Minor claims expenditure in 2004 (Annex I)	2 449 000	
	5 401 250	5 401 250
Estimated surplus as at 31 December 2004		24 355 528

2.2 Interest to be earned in 2005

The income in interest during 2005 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 £25 million.

3 Expenditure

3.1 Administrative expenditure 2005

Introduction

- 3.1.1 As decided in June 1996 by the 1971 Fund Assembly and the 1992 Fund Assembly, the 1971 Fund and the 1992 Fund have a joint Secretariat. Since 16 May 1998 the 1992 Fund Secretariat has been responsible for the administration of the two Funds (documents 71FUND/A.19/30, paragraph 11 and 92FUND/A.2/29, paragraph 13.1).
- 3.1.2 As indicated in document 92FUND/A.9/22 and 71FUND/AC.15/16, the Director proposes that, in accordance with the approach taken by the governing bodies for 2004, the 1971 Fund would pay a management fee to the 1992 Fund for the period 1 January - 31 December 2005 in respect of the costs of running the joint Secretariat. This fee has been proposed for that period at £325 000 (the same figure as for 2004) which is approximately 10% of the proposed administrative budget for 2005. If the governing bodies were to decide on a different basis of sharing the costs of the joint Secretariat, the distribution in the budget would need to be revised accordingly.
- 3.1.3 The Director submits for consideration by the Assembly an administrative budget covering the expenses for 2005 of the joint Secretariat. The draft budget is at Annex II.
- 3.1.4 The presentation of the budget follows the requirements of Financial Regulations 5.2 and 5.3.
- 3.1.5 Comparative figures of the joint Secretariat's administrative expenses for 2003 (actual expenditure and budget appropriations) and for 2004 (budget appropriations) are also given.
- 3.1.6 It should be mentioned that in addition to the management fee payable by the 1971 Fund to the 1992 Fund there will be certain expenditures which only relate to the 1971 Fund and should be paid by that Fund only. In this regard reference is made to document 71FUND/A.15/18.

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 2005.
- 3.1.8 The estimates of the draft 2005 administrative budget for the two Organisations (excluding costs relating to the winding up of the 1971 Fund) amount to £3 372 600. This figure is £80 350 (2.4%) higher than the 2004 budget appropriation of £3 292 250. The majority of the increase is under Chapter IV (Travel) (cf paragraph 3.1.41) and under Chapter V (Miscellaneous expenditure) as a result of an increase in the appropriation for Consultants' fees (cf paragraph 3.1.45). There is a decrease under Chapter I (Personnel) as a result of the Director's intention not to fill two vacant posts in 2005 (cf paragraph 3.1.15).

- 3.1.9 On the assumption that the Director's proposal for the apportionment of the joint administrative costs between the 1992 Fund and the 1971 Fund outlined in paragraph 3.1.2 above is approved by the governing bodies, the estimates of the draft 2005 administrative budget for the 1992 Fund and 1971 Fund (excluding costs relating to the winding up of the 1971 Fund) amount to £3 035 100 and £337 500 respectively, compared with a net cost in the 2004 budget of £2 952 250 and £340 000 respectively.
- 3.1.10 It should be noted that 66.3% (£2 237 100) of the total appropriation in the draft joint 2005 budget (excluding the 1971 Fund management fee) of £3 372 600 covers personnel and office accommodation costs.

Notes on the individual appropriations

I Personnel

2005 Appropriation £	2004 Appropriation £	% Increase/(decrease) on 2004 Appropriation
1 977 900	2 007 800	(1.5%)

- 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.9/16). The Provident Fund contributions are calculated in accordance with 1992 Fund Staff Rule VIII.5.
- 3.1.12 At their October 2003 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.8/30, paragraph 26.5 and 71FUND/AC.12/22, paragraph 21.5). One such post in the General Service category was created by the Director in 2004 (cf paragraph 3.1.15 below).
- 3.1.13 The Secretariat has 31 established posts, including that created by the Director referred to in paragraph 3.1.12 above. Three posts are vacant in the professional category, namely those of Claims Manager, French Translator and Spanish Translator.
- 3.1.14 The costs of the vacant post of Claims Manager has been included in the draft budget for 2005, although the Director does not intend to recruit to this post unless there is a significant increase in the workload of the Claims Department.
- 3.1.15 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 is 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 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 2005 budget. Instead, based on the authority referred to in paragraph 3.1.12 above, the Director in 2004 created one new post in the General Service category, that of a second Translation Administrator (French) in the External Relations and Conference Department, to assist with the extra work in respect of coordinating and proof reading the translation work. An extra Translation Administrator has for

some time been employed on a temporary basis, and this has been proved cost effective. The cost of this post is included in the draft 2005 budget.

- 3.1.16 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). No promotions have been made by the Director since the governing bodies' October 2003 sessions.
- 3.1.17 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).
- 3.1.18 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 2003 and 2004 budgets, an amount of £40 000 has been included for this purpose in the appropriation for salaries in the draft 2005 budget.
- 3.1.19 The present Director's contract expires on 31 December 2004. Although he has indicated that he is available for an extension of his contract (cf documents 92FUND/A.9/14 and 71FUND/AC.15/11), provision has been made for the recruitment expenses in accordance with Staff Rules IV.3, VII.6 and VII.9 for a new Director should the current Director's contract not be renewed. An appropriation for the separation costs was included in the 2004 Budget (document 92FUND/A.8/22, paragraph 3.1.19). 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.
- 3.1.20 An appropriation of £566 000 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.
- 3.1.21 Training in the specialised fields relevant to the work of the Organisations is expensive. Training of the members of the Management Team is envisaged to develop further the Team's role in managing the joint Secretariat, especially in performance management. A provision of £100 000 has been included for staff training as in the 2004 budget.
- 3.1.22 The Director considers that the authority given to him referred to in paragraph 3.1.12 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 2005.

II General services

2005 Appropriation £	2004 Appropriation £	% Increase/(decrease) on 2004 Appropriation
709 700	681 200	4.2%

- 3.1.23 The appropriations under (a) to (h) amounting to £709 700 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

- 3.1.24 The appropriation of £259 200 under this heading has been calculated on the space occupied in Portland House and the space retained in the IMO building.
- 3.1.25 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 totals £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 is 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 early 2005 and any rent increase will be effective from 1 June 2005. If the outcome of the rent review were to result in a major increase the Director will submit a proposal for a Supplementary Budget to the October 2005 sessions of the governing bodies.
- 3.1.26 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 £70 000.
- 3.1.27 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 £8 000 has been included for rates.
- 3.1.28 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. A sum of £31 500 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. It should be noted that in 2004 the Director had agreed to IMO's request for IMO to use some of the IOPC Funds' office space in the IMO building for a special project for a period up to mid 2004.
- 3.1.29 Other costs relating to the premises total £59 500, consisting mainly of £15 000 for general maintenance and office insurance, £20 000 in respect of the daily cleaning of the premises and £15 000 for electricity.

(b) Office machines

- 3.1.30 This item covers purchases, rental, maintenance and repairs of office machines (IT hardware and software) and includes the rental cost of photocopying/printing machinery. This appropriation has been maintained at £90 000 to cover the costs necessary to ensure that the Organisations' IT systems are adequately protected and accessible.

(c) Furniture and other office equipment

3.1.31 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

3.1.32 This appropriation has been increased from £20 000 to £22 000.

(e) Communications

3.1.33 The appropriation has been increased from £65 000 to £70 000 and covers the cost of courier, postage, telephone and e-mail / internet connections.

(f) Other supplies and services

3.1.34 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 increased to £51 000, mainly due to increased bank charges.

(g) Representation (hospitality)

3.1.35 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 £18 000 to £20 000.

(h) Public information

3.1.36 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.

3.1.37 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.

3.1.38 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

2005 Appropriation	2004 Appropriation	% Increase/(decrease) on
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£	£	2004 Appropriation
145 000	145 000	0.0%

3.1.39 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. The arrangements for holding meetings during 2005 will remain the same as in previous years.

3.1.40 The total appropriation for 2005 has been maintained at £145 000, on the basis of the following meeting schedule of 18 days:

- (i) ordinary sessions of the governing bodies of the 1992 and 1971 Funds in October 2005: five days;
- (ii) further sessions of the Executive Committee of the 1992 Fund, the Administrative Council of the 1971 Fund and intersessional Working Groups: twelve days
- (iii) sessions of the 1992 Fund Assembly and the 1971 Fund Administrative Council in conjunction with the first session of the Supplementary Fund Assembly, should the latter be held in 2005: one day.

IV Travel

2005 Appropriation £	2004 Appropriation £	% Increase/(decrease) on 2004 Appropriation
125 000	100 000	25.0%

3.1.41 This appropriation covers the costs for missions and for attendance at conferences and seminars in which it is in the interest of the 1992 Fund or 1971 Fund to participate. Since there is an increasing demand from Member States for participation by the Funds in seminars and conferences, this appropriation has been increased to £125 000 for 2005.

3.1.42 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 1992 and 1971 Funds such cost sharing may no longer be possible to the same extent.

V Miscellaneous expenditure

2005 Appropriation £	2004 Appropriation £	% Increase/(decrease) on 2004 Appropriation
355 000	298 250	19.0%

(a) External audit

3.1.43 The fee for auditing the accounts of the 1992 Fund and 1971 Fund for the 2004 financial period which is payable in 2005 has been provisionally advised by the United Kingdom National Audit Office as £55 000, with £42 500 being in respect of the 1992 Fund and £12 500 in respect of the 1971 Fund. The External Auditor has informed the Director that 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 amount of £12 500 in respect of the 1971 Fund will be paid directly by that Fund.

(b) Consultants' fees

- 3.1.44 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. In this regard the Director intends to explore various methods to improve the claims handling process. Increased efforts to pursue contributors in arrears will result in additional lawyers fees.
- 3.1.45 The appropriation in the draft budget for consultants' fees has been increased from £125 000 to £180 000.
- 3.1.46 Fees for consultants engaged in connection with individual incidents are charged against the respective incidents.

(c) Audit Body

- 3.1.47 At their October 2001 sessions the IOPC Funds governing bodies decided to create a joint Audit Body for the two Funds to assist the External Auditor in his task (documents 92FUND/A.6/28, paragraph 12.5 and 71FUND/AC.6/A.24/22, paragraph 11.6). The Body has decided to meet three times a year. Its members will also attend the autumn sessions of the governing bodies. An appropriation of £90 000 is included in the draft 2005 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 Bodies

- 3.1.48 As decided by the respective Assemblies, both the 1992 Fund and the 1971 Fund have an Investment Advisory Body, composed of three external experts with specific knowledge in financial matters. The governing bodies appoint the persons to serve on the Investment Advisory Bodies at their October sessions.
- 3.1.49 The appropriation for the remuneration of the three members of the Bodies has been maintained at £10 000 per member, ie a total of £30 000.

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

2005 Appropriation £	2004 Appropriation £	% Increase/(decrease) on 2004 Appropriation
60 000	60 000	0.0%

- 3.1.50 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 the 2004 level, i.e. £60 000.

VII Expenditure relating only to the 1971 Fund

- 3.1.51 As indicated in paragraph 3.1.2 above it is proposed that the 1971 Fund pay a management fee to the 1992 Fund to contribute to the costs of running the joint Secretariat. It has also been proposed that this fee be set at £325 000 for 2005.
- 3.1.52 An appropriation of £250 000 has been retained in the draft budget to cover fees of lawyers and other experts and travel pertaining to the winding up of the 1971 Fund.
- 3.1.53 As mentioned in paragraph 3.1.43 the External Auditor has provisionally indicated an audit fee of £12 500 for the audit of the 1971 Fund's Financial Statements for 2004 which will be payable in 2005.

3.2 Minor claims expenditure 2005

- 3.2.1 The known incidents in respect of which payments may have to be made from the General Fund during 2005 are listed in Annex III.
- 3.2.2 It is estimated that the payments by the 1992 Fund from the General Fund in 2005 relating to specific incidents will total £5 635 000. This estimate does not include any provision for the payment of claims 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 2005. 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 2006, 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 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 increased from £20 million to £25 million (document 92FUND/A.9/23). 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 amount of annual contributions needed for the General Fund in 2005 is estimated as shown in the following table.

		£	£
	ESTIMATED INCOME		
	Surplus as at 31 December 2004	24 355 528	
Plus	Interest to be earned in 2005	1 000 000	
Plus	Transfer from <i>Nakhodka</i> Major Claims Fund to be closed in 2005 (cf paragraph 4.1.3)	100 000	
	Total estimated income 2005		25 455 528
LESS	ESTIMATED EXPENDITURE		
	Joint administrative expenditure 2005 less 1971 Fund administrative expenses (the latter includes management fee payable to 1992 Fund) (Annex II)	3 035 100	
Plus	Minor claims expenditure 2005 (Annex III)	5 635 000	
Plus	Loans to HNS Fund (cf paragraph 4.1.5)	50 000	
Plus	Loans to Supplementary Fund (cf paragraphs 4.1.7)	30 000	
Plus	Working capital	25 000 000	
	Total estimated expenditure 2005		33 750 100
	AMOUNT REQUIRED TO BALANCE 2005 BUDGET		8 294 572

- 4.1.2 As shown from the estimates in the table above, contributions of £8 294 572 would be needed to balance the 2005 budget of the General Fund.
- 4.1.3 In section 4 of document 92FUND/A.9/25, the Director has proposed that, in addition to the reimbursement decided by the Assembly at its October 2003 session, a further reimbursement of £600 000 of the balance on the *Nakhodka* Major Claims Fund should be made on 1 March 2005 to contributors of that Major Claims Fund and that the remaining surplus, estimated at some £100 000, should be transferred to the General Fund on that date.
- 4.1.4 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 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), and a further appropriation of £50 000 was included in the administrative budget for 2004 for this purpose. Of the total appropriation of £200 000 only £40 408 had been used as at 30 June 2004. It is anticipated that a further amount of £20 000 would be required for the remainder of 2004.
- 4.1.5 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 2003 and 2004 relating to the preparations for setting up the HNS Fund can therefore not be used to cover costs of such payments during 2005. For this reason it is necessary to include in the 2005 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.
- 4.1.6 At its 6th extraordinary session in April /May 2002, the Assembly decided to make available to IMO funds to finance a Diplomatic Conference for the adoption of a Protocol establishing a Supplementary Compensation Fund. The amount paid to IMO would be reimbursed, with interest, to the 1992 Fund by the Supplementary Fund when the Protocol establishing that Fund entered into

force (cf document 92FUND/A/ES.6/10, paragraph 6.11). The Protocol establishing the Supplementary Fund was adopted at a Diplomatic Conference held in May 2003. The Diplomatic Conference requested the Assembly of the 1992 Fund to instruct the Director to carry out certain tasks necessary for the setting up of the Supplementary Fund, as set out in document 92FUND/A.8/4/1. At its 8th session in October 2003 the Assembly decided to include in the 2004 budget an appropriation of £75 000 to cover costs for these tasks.

- 4.1.7 As at 30 June 2004 an amount of £42 700 (including interest of £723) had been incurred in respect of the preparations for the setting up of the Supplementary Fund. The Supplementary Fund Protocol is expected to come into force towards the end of 2004 or early 2005. It is envisaged that the first Assembly of the Supplementary Fund will be held in early 2005. The Director has included in the 2005 budget an amount of £30 000 to cover the costs of holding the first Supplementary Fund Assembly and related costs. All costs incurred by the 1992 Fund in respect of the preparations for the setting up of the Supplementary Fund will be reimbursed by that Fund with interest.

4.2 Director's proposal

The Assembly may wish to decide to fix the levy of contributions to the General Fund at £8.3 million.

4.3 Timing of levy

- 4.3.1 Internal Regulation 3.7 provides that unless the Assembly decides otherwise, payment of annual contributions shall be due on 1 March of the year following that in which the Assembly decides on the levy of annual contributions.
- 4.3.2 At its 1st session, the Assembly decided to introduce a deferred invoicing system. Under this system the Assembly fixes the total amount to be levied in contributions for a given calendar year, but may decide that only a specific lower amount should be invoiced for payment by 1 March in the following year, the remaining amount, or a part thereof, to be invoiced later in the year if it should prove to be necessary (document 92FUND/A.1/34, paragraph 16).
- 4.3.3 The Director proposes that the entire proposed levy to the General Fund should be due for payment by 1 March 2005.

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 2005 for the administrative expenses of the 1992 Fund (section 3.1 and Annex II);
- (c) to decide in respect of the assessment of 2004 contributions to the General Fund (paragraph 4.2);
- (d) to decide on the date of payment of 2004 contributions to the General Fund (paragraph 4.3.3);

- (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 £130 000 based on the draft 2005 budget) (paragraph 3.1.22); 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 and the Supplementary Fund Protocol (paragraphs 4.1.5 and 4.1.7).

* * *

ANNEX I

General Fund claims expenditure in 2004

(Figures in Pounds Sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Expenditure up to 31/12/03		Balance payable from General Fund at 31/12/2003	2004 Expenditure				Estimated Total General Fund Expenditure in 2004	Estimated Total General Fund Expenditure up to 31/12/04	Estimated Balance payable from General Fund at 31/12/2004
			Compensation paid up to 31/12/03	Other Costs paid up to 31/12/03		Compensation		Other Costs				
						Paid 1/1/04-30/6/04	Estimate 1/7/04-31/12/04	Paid 1/1/04-30/6/04	Estimate 1/7/04-31/12/04			
Incident in Germany	20/06/96	3 752 700	0	(55 885)	3 696 815	0	0	(16 465)	(20 000)	(37 000)	(93 000)	3 660 000
Dolly	05/11/99	3 383 800	0	(3 605)	3 380 195	0	0	(81)	(30 000)	(30 000)	(34 000)	3 351 000
Al Jaziah 1	24/01/00	3 307 800	(566 166)	(66 379)	2 675 255	0	0	(8 537)	(21 000)	(30 000)	(663 000)	2 646 000
Slops	15/06/00	3 535 920	0	(121 866)	3 414 054	0	0	(6 431)	(34 000)	(40 000)	(162 000)	3 375 000
Incident in Sweden	23/09/00	3 553 840	0	0	3 553 840	0	0	(4 068)	(9 000)	(13 000)	(13 000)	3 541 000
Zeinab	14/04/01	3 525 200	(496 022)	(30 898)	2 998 280	0	0	(5 280)	(15 000)	(21 000)	(548 000)	2 978 000
Incident in Bahrain	15/03/03	3 469 600	0	(812)	3 468 788	0	(600 000)	(406)	(14 000)	(615 000)	(616 000)	2 854 000
Buyang	22/04/03	3 488 320	0	0	3 488 320	0	0	0	(30 000)	(30 000)	(30 000)	3 459 000
Hana	13/05/03	3 496 960	0	0	3 496 960	0	0	0	(30 000)	(30 000)	(30 000)	3 467 000
Victoriya	30/08/03	3 486 760	0	0	3 486 760	0	0	0	(40 000)	(40 000)	(40 000)	3 447 000
Kyung Won	12/09/03	3 488 440	0	(2 573)	3 485 867	(1 368 210)	0	(87 199)	(50 000)	(1 506 000)	(1 509 000)	1 980 000
Duck Yang	12/09/03	3 488 440	0	(2 559)	3 485 881	0	0	(5 234)	(30 000)	(36 000)	(39 000)	3 450 000
Jeong Yang	23/12/03	3 341 380	0	0	3 341 380	0	0	(6 232)	(14 000)	(21 000)	(21 000)	3 321 000
										(2 449 000)		

ANNEX II

DRAFT 2005 ADMINISTRATIVE BUDGET FOR 1992 FUND AND 1971 FUND

STATEMENT OF EXPENDITURE		Actual 2003 expenditure for 1992 and 1971 Funds		2003 budget appropriations for 1992 and 1971 Funds		2004 budget appropriations for 1992 Fund 1971 Fund		2005 budget appropriations for 1992 Fund 1971 Fund	
		£		£		£		£	
	SECRETARIAT								
I	Personnel								
(a)	Salaries	1 105 414		1 275 816		1 341 000		1 306 900	
(b)	Separation and recruitment	40 623		35 000		115 000		105 000	
(c)	Staff benefits, allowances and training	400 877		523 341		551 800		566 000	
	Sub-total		1 546 914		1 834 157	2 007 800		1 977 900	
II	General Services								
(a)	Rent of office accommodation (including service charges and rates)	236 049		249 700		249 700		259 200	
(b)	Office machines, including maintenance	46 870		71 500		90 000		90 000	
(c)	Furniture and other office equipment	8 366		17 500		17 500		17 500	
(d)	Office stationery and supplies	16 001		20 000		20 000		22 000	
(e)	Communications (courier, telephone, postage, e-mail/internet)	52 890		65 000		65 000		70 000	
(f)	Other supplies and services	28 565		41 000		41 000		51 000	
(g)	Representation (hospitality)	22 858		22 500		18 000		20 000	
(h)	Public Information	126 354		180 000		180 000		180 000	
	Sub-total		537 953		667 200	681 200		709 700	
III	Meetings								
	Sessions of the 1992 and 1971 Fund Governing Bodies and Intersessional Working Groups		111 913		126 500	145 000		145 000	
IV	Travel								
	Conferences, seminars and missions		58 056		70 000	100 000		125 000	
V	Miscellaneous expenditure								
(a)	External audit fees for Financial Statements-1992 and 1971 Funds	50 000		50 000		53 250		55 000	
(b)	Consultants' fees	118 924		125 000		125 000		180 000	
(c)	Audit Body	72 015		50 000		90 000		90 000	
(d)	Investment Advisory Bodies	30 000		30 000		30 000		30 000	
	Sub-total		270 939		255 000	298 250		355 000	
VI	Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff and cost of equipment)		18 020		60 000	60 000		60 000	
Total Expenditure I-VI			2 543 795		3 012 857	3 292 250		3 372 600	
VII Expenditure relating only to 71Fund									
(a)	Management fee payable to 1992 Fund (cf documents 92FUND/A.9/22 and 71FUND/AC.15/15)					- 325 000	325 000	(325 000)	325 000
(b)	Costs for Winding up of the 1971 Fund		0	250 000			250 000		250 000
(c)	External audit fees for Financial Statements-1971 Fund only		0	0		- 15 000	15 000	(12 500)	12 500
2004 Budget for 1992 Fund and 1971 Funds respectively						2 952 250	590 000		
2005 Budget for 1992 Fund and 1971 Funds respectively								3 035 100	587 500

ANNEX III

General Fund claims expenditure in 2005

(Figures in Pounds Sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Estimated Balance Payable from General Fund at 31/12/2004	2005 Estimated 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	Miscellaneous			
<i>Incident in Germany</i>	20/06/96	3 752 700	3 660 000	(940 000)	(30 000)	(970 000)	(1 063 000)	2 690 000
<i>Dolly</i>	05/11/99	3 383 800	3 351 000	(1 800 000)	(40 000)	(1 840 000)	(1 874 000)	1 511 000
<i>Al Jaziah I</i>	24/01/00	3 307 800	2 646 000	0	(25 000)	(25 000)	(688 000)	2 621 000
<i>Slops</i>	15/06/00	3 535 920	3 375 000	(1 600 000)	(30 000)	(1 630 000)	(1 792 000)	1 745 000
<i>Incident in Sweden</i>	23/09/00	3 553 840	3 541 000	(400 000)	(10 000)	(410 000)	(423 000)	3 131 000
<i>Victoriya</i>	30/08/03	3 486 760	3 447 000	0	(40 000)	(40 000)	(80 000)	3 407 000
<i>Kyung Won</i>	12/09/03	3 488 440	1 980 000	(700 000)	0	(700 000)	(2 209 000)	1 280 000
<i>Jeong Yang</i>	23/12/03	3 341 380	3 321 000	0	(20 000)	(20 000)	(41 000)	3 301 000
						(5 635 000)		