 <p>INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS</p>	Agenda item: 9	IOPC/OCT09/9/2/1	
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	1992 Fund Assembly	92A14	•
	1992 Fund Executive Committee	92EC46	
	Supplementary Fund Assembly	SA5	
1971 Fund Administrative Council	71AC24		

BUDGET FOR 2010 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

1992 FUND

Note by the Director

Summary:	As indicated in document IOPC/OCT09/9/2, the draft 1992 Fund administrative budget for 2010 is presented, with the Director's comments thereon. The draft budget (excluding External Auditor's fees) for the joint Secretariat for 2010 totals £3 934 050. An assessment is made of the likely compensation payments and other incident-related expenses. The resulting need for 2010 Contributions to the General Fund is examined.
Action to be taken:	<u>1992 Fund Assembly:</u> Adopt the 1992 Fund administrative budget for 2010 (Annex I).

1 Introduction

- 1.1 Article 18.5 of the 1992 Fund Convention requires the Assembly of the 1992 Fund to adopt the annual budget of the Organisation.
- 1.2 Article 12 of the 1992 Fund Convention provides that the 1992 Fund Assembly shall determine the amount of contributions to be levied, if any. For this purpose the 1992 Fund Assembly shall make an estimate in the form of a budget of the 1992 Fund's expenditure and income for each calendar year, taking into account the 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^{<1>} 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>} The SDR which is the unit of account used in the Conventions referred to in paragraph 1.3 is valued on the basis of a basket of key international currencies and serves as the unit of account of the International Monetary Fund (IMF) and a number of other intergovernmental organisations.

- 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 (cf document IOPC/OCT09/9/3/1).
- 1.6 As for the individual incidents, reference is made to the information contained in the 2008 Financial Statements (document IOPC/OCT09/5/5/1, Annex V, Schedule II) and to the various documents relating to incidents submitted to the 46th 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 Introduction of International Public Sector Accounting Standards

The Fund's budgets will continue to be prepared on a cash basis. The adoption of the International Public Sector Accounting Standards (IPSAS) from 1 January 2010 will have some impact on the estimated General Fund balance for the purposes of levying contributions; namely for the following items:

- Fixed assets, which have a useful life of more than one year, will be shown on the balance sheet when they are purchased and only a portion (a charge for depreciation) of the purchase price of the assets will be reported in the expenditure statement, effectively spreading the cost of the assets over their useful life. As the budget will be a cash budget it will continue to show cyclical increases to show assets that are to be purchased as a result of replacing fully depreciated assets or the purchase new assets as required. A reconciliation between the fixed assets cost presented in the Financial Statements and the budget for the year will be provided in the Financial Statements for that year.
- Liabilities such as accrued annual leave and repatriation costs for existing staff are currently shown as a Note in the Financial Statement. To ensure compliance with IPSAS all costs of employing staff during the course of the year need to be accounted for, whether these costs are borne in the year or later. This liability is required to be fully provided for in the Financial Statements and though fairly modest (less than 10% of budget) it will have a direct impact of reducing the General Fund balance as at the end of the first year of adoption of IPSAS. A provision has therefore been made for this liability when making an estimate of the balance of the General Fund as at 31 December 2010 and is shown in the table on page 8.

3 Joint Secretariat

- 3.1 In June 1996 the 1971 Fund Assembly and the 1992 Fund Assembly decided that the 1971 Fund and the 1992 Fund should have a joint Secretariat. Since 16 May 1998 the 1992 Fund Secretariat has been responsible for the administration of these two Funds (documents 92FUND/A.2/29, paragraph 13.1 and 71FUND/A.19/30, paragraph 11).
- 3.2 At their March 2005 sessions, the 1992 Fund Assembly, the 1971 Fund Administrative Council and the Supplementary Fund Assembly agreed that the three Funds should have a joint Secretariat and that the 1992 Fund Secretariat should administer, in addition to the 1971 Fund, also the Supplementary Fund (documents 92FUND/A/ES.9/28, paragraph 7.3, 71FUND/AC.16/15, paragraph 4.4 and SUPPFUND/A.1/39, paragraphs 11.2 and 11.3).
- 3.3 As set out in document IOPC/OCT09/9/1, 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 2010 in respect of the costs of running the joint Secretariat.

4 Budget for administrative expenditure in 2010

- 4.1 Financial Regulation 3 of the Organisation provides that the financial period of the 1992 Fund shall be the calendar year. The draft budget proposed by the Director therefore covers the period 1 January – 31 December 2010.
- 4.2 The presentation of the budget follows the requirements of Financial Regulations 5.2 and 5.3. Comparative figures of the joint Secretariat's administrative expenses for 2008 (actual expenditure and budget appropriations) and for 2009 (budget appropriations) are also given.
- 4.3 The draft administrative budget for the three Organisations totals £3 934 050. This amount does not include the External Auditor's fees which are paid directly by each Fund. This budget figure is 7.5% higher than the corresponding 2009 budget appropriations of £3 661 225. The administrative budget, including the total cost of the external audit for all three Organisations (£62 400), is £3 996 450, compared to £3 723 625 in the 2009 budget.
- 4.4 It should be noted that some 71% (£2 824 950) of the total appropriations in the draft administrative budget (including External Auditor's fees) of £3 996 450 relate to personnel and office accommodation costs.
- 4.5 A summary of the administrative budget for the joint Secretariat is given below:

CHAPTER	Proposed 2010 Appropriation £	2009 Appropriation £	% Increase/(decrease) Appropriation on 2009.
I Personnel	2 504 150	2 197 925	13.9%
II General services	744 900	763 300	(2.4)%
III Meetings	150 000	175 000	(14.3)%
IV Travel	150 000	150 000	0.0%
V Miscellaneous expenditure (excluding External Audit fees)	325 000	315 000	2.6%
VI Unforeseen expenditure	60 000	60 000	0.0%
Total Expenditure Chapters I-VI	3 934 050	3 661 225	7.5%

- 4.6 The Director submits for consideration by the 1992 Fund Assembly an administrative budget covering the expenses for 2010 of the joint Secretariat. The draft budget is at Annex I.
- 4.7 Notes on the individual appropriations are set out in Annex II. A summary of the key changes to the 2010 budget in comparison to 2009 by Chapter is set out below.

Chapter I - Personnel

Increase: 13.9%

- Increase to professional staff salary adjustment as a result of the housing survey for London and depreciation of Pound sterling against the US Dollar as applied by IMO.
- Increase to organisation's contribution to staff Provident Fund due to strength of US Dollar.
- Increase to home leave – provision for eight staff members compared to only one in 2009.

Chapter II – General Service

Decrease: 2.4%

- Reduction in Public information appropriation as 2009 appropriation included participation at Interspill 2009.

Chapter III – Meetings

Decrease: 14.3%

- Meetings to be held at IMO Headquarters.

Chapter V – Miscellaneous Expenditure

Increase: 2.6%

- Increase to Audit Body costs as additional days will be required in 2010 in relation to appointment of External Auditor.

- 4.8 Information on the developments in the joint Secretariat's administrative budget and actual expenses during the nine-year period 2000 – 2008 is given in Annex V.
- 4.9 At its October 2008 session the 1992 Fund Assembly renewed its 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 (document 92FUND/A.13/25, paragraph 22.13). Since this authority was provided to the Director by the Assembly in October 2003 two posts have been created namely in 2004 and 2008.
- 4.10 The Director considers that the authority given to him referred to in paragraph 4.9 above to create additional posts in the General Service category is valuable and gives him certain flexibility in the management of the Secretariat. The 1992 Fund Assembly may wish to consider whether to grant the Director the corresponding authority for 2010.

5 Estimated balance as at 31 December 2009**5.1 Estimated balance**

The balance on the General Fund at 31 December 2009 is estimated at £27 250 425 as shown in the table below:

	£	£
Balance b/f at 1 January 2009		
Working Capital	22 000 000	
Surplus / (deficit)	(1 378 962)	20 621 038
<i>Plus</i>		
2008 General Fund contributions receivable in 2009	9 595 502	
Previous years' General Fund contributions receivable in 2009	22 248	
Interest to be earned in 2009 (estimate)	600 000	
Settlement re <i>Shosei Maru</i> incident (JPY 74 million)	470 000	
Management fee payable by 1971 Fund	210 000	
Management fee payable by Supplementary Fund	50 000	
		10 947 750
<i>Less</i>		
Estimated 2009 administrative expenditure including External Auditor's fees	3 519 363	
Minor claims expenditure in 2009 (Annex III)	799 000	
		4 318 363
Estimated balance as at 31 December 2009		27 250 425

5.2 Income*Contributions*

- 5.2.1 The 1992 Fund Assembly decided at its 13th session in October 2008 to levy contributions of £10million for receipt by 1 March 2009.

Interest to be earned in 2009

- 5.2.2 Interest earned for the period 1 January – 30 June 2009 amounts to some £460 000. Based on the current interest rates applicable to the 1992 Fund investments, interest income for 2009 is estimated at £600 000 based on an average capital of £23 million.
- 5.2.3 Regarding the *Shosei Maru* incident the Fund participated in the limitation proceedings of the *Trust Busan*, which had collided with the *Shosei Maru*, in order to recover the sums the Fund had paid in compensation for this incident. As a result of negotiations the Fund will receive the sum of Japanese Yen 74 553 897 (£470 00) from the bareboat charterers of the *Trust Busan*.

Management fee payable to the 1992 Fund in 2009

- 5.2.4 The management fee payable to the 1992 Fund for 2009 was set by the governing bodies at £210 000 for the 1971 Fund and at £50 000 for the Supplementary Fund (document 92FUND/A.13/25, paragraph 21.3).

5.3 Expenditure*Administrative costs*

- 5.3.1 The administrative costs of the joint Secretariat, excluding the External Audit fees, was set in the budget at £3 661 225 for 2009. Based on information to date the total expenditure for 2009 is estimated to be some £3 470 863, which is 5.2% lower than the 2009 budget appropriation, and is made up as set out in the table below :

CHAPTER	2009 Appropriation £	Expenditure to 30 June 2009 £	Projected total 2009 expenditure £	%
I Personnel	2 197 925	1 084 459	2 180 827	99.2%
II General services	763 300	356 775	710 036	93.0%
III Meetings	175 000	46 263	135 000	77.1%
IV Travel	150 000	23 791	100 000	66.7%
V Miscellaneous expenditure (excluding External Audit fees)	315 000	179 868	345 000	110.0%
VI Unforeseen expenditure	60 000	0	0	0%
Total Expenditure Chapters I-VI	3 661 225	1 691 156	3 470 863	94.8%

- 5.3.2 Including the External Audit fee of £48 500 in respect of the 1992 Fund's Financial Statements for 2008, payable in 2009, the total expenditure for the 1992 Fund for the 2009 financial year is estimated at £3 519 363.

Minor claims expenditure 2009

- 5.3.3 As can be seen from Annex III, compensation from the General Fund will be paid during 2009 in respect of one incident (the *Solar 1* incident). It is expected that fees will be incurred during 2009 in respect of six incidents involving the 1992 Fund. The total claims and claims-related expenses during 2009 are estimated at £799 000 net of the reimbursements received from the shipowner/P&I Club under the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006 and joint costs with respect to the *Solar 1* incident.
- 5.3.4 The *Solar 1* incident, which occurred on 12 August 2006 in the Philippines, falls under STOPIA 2006. The effect of STOPIA 2006 is that the maximum amount of compensation payable by owners of all ships of 29 548 tonnage or less 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 (1992 CLC) 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 also set out in Annex III.
- 5.3.5 Pending a decision of the Executive Committee authorising the Director to make compensation payments in respect to the *Volgoneft 139* incident, an estimate for claims related expenses alone has been included in the costs for 2009.

6 Estimates for 2010**6.1 Income***Interest to be earned in 2010*

- 6.1.1 Interest income during 2010 from the 1992 Fund's investment of the assets of the General Fund is estimated at £200 000. This estimated yield is based on an average principal of approximately £20 million.

Management fee payable to the 1992 Fund

- 6.1.2 The Director has proposed that the management fees payable to the 1992 Fund for 2010 be set at £225 000 (2009-£210 000) for the 1971 Fund and at £52 500 (2009-£50 000) for the Supplementary Fund (cf document IOPC/OCT09/9/1). The proposed management fees for 2010 have been set based on the number of estimated working days which the staff as a whole during 2010 would devote to tasks relating to the 1971 Fund and the Supplementary Fund. The estimated days are, as in previous years, 15 working days for the 1971 Fund and 3.5 working days 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.

6.2 Expenditure

- 6.2.1 The administrative expenditure (excluding External Audit fees) for 2010 totals £3 934 050, as detailed in Section 4. A provision for accrued annual leave and repatriation grant of £300 000 has been made as detailed in paragraph 2 and the External Audit fee for the 1992 Fund has been advised by the External Auditor at £48 500, the same as in 2009.

Minor claims expenditure 2010

- 6.2.2 The known incidents in respect of which payments may have to be made from the General Fund during 2010 are listed in Annex IV.

- 6.2.3 It is estimated that the payments by the 1992 Fund from the General Fund in 2010 relating to five incidents will total £2 501 000. This is net of the reimbursement receivable from the shipowner/P&I Club under STOPIA 2006 with respect to the *Solar 1* incident (cf paragraph 5.3.4 above).
- 6.2.4 At its 14th extraordinary session, held in June 2009, the 1992 Fund Assembly decided that funding of the *Volgoneft 139* incident would be reviewed at the next session of the Assembly in October 2009 since the Executive Committee had not yet authorised compensation payments in respect of this incident. Claims-related expenses (eg costs related to legal and technical fees) are momentarily being paid from the General Fund. If the Executive Committee were to decide to authorise the Director to make payments of compensation, it is expected that the total amount payable from the General Fund in respect of the *Volgoneft 139* incident of £3 059 508 would be reached in 2010.
- 6.2.5 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 2010. 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 2010, actually have to be made earlier.
- 6.3 Loans to the HNS Fund
- 6.3.1 At its 6th session held in October 2001, the 1992 Fund Assembly instructed the Director to develop a system in the form of a website or CD-ROM to assist States and potential contributors in the identification and reporting of contributing cargo under the HNS Convention. The Assembly granted an extra appropriation of £150 000 for this purpose, provided that the costs, including interest, would be reimbursed to the 1992 Fund by the HNS Fund when the HNS Fund Convention entered into force. It was noted that these costs would be paid from the General Fund (document 92FUND/A.6/28, paragraphs 28.5 and 28.6).
- 6.3.2 At its 1st session in May 2003 the Administrative Council, acting on behalf of the 7th extraordinary session of the 1992 Fund Assembly, 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 each for 2007-2009. Of the total appropriation of £390 000 some £170 000 (including interest) had been used as at 30 June 2009. 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 – 2009 relating to the preparations for setting up the HNS Fund can therefore not be used to cover payments during 2010.
- 6.3.3 At its June 2009 session the Administrative Council, acting on behalf of the 1992 Fund Assembly considered whether to update both the HNS website software and the database of substances within the HNS Convention Contributing Cargo Calculator (HNS CCCC) to reflect the draft Protocol. All delegations that spoke considered that the HNS CCCC was a very useful tool which would be essential to States when preparing for the entry into force of the HNS Convention and supported the update. The majority of delegations, however, stated that it would be better to wait for the outcome of the Diplomatic Conference to be held in April 2010 before commencing this work. The Council instructed the Secretariat to commence the work immediately after the adoption of the draft Protocol, with the aim of having the updated HNS CCCC available as soon as possible thereafter. An appropriation of £80 000 has been included in the 2010 budget to cover the costs for these preparations and other administrative tasks in respect of the HNS Fund.
- 6.3.4 All costs incurred by the 1992 Fund for the setting up of the HNS Fund will be reimbursed by the HNS Fund with interest.

6.4 Working capital

- 6.4.1 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.
- 6.4.2 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.
- 6.4.3 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.
- 6.4.4 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 2010 budget accordingly.

6.5 Estimated balance

- 6.5.1 The estimates for the General Fund for 2010 are set out in the table below:

		£	£
	ESTIMATED INCOME		
	Balance at 31 December 2009 (paragraph 5.1)		27 250 425
	Surplus/(deficit)		
<i>Plus</i>	Interest to be earned in 2010	200 000	
	Management fee payable by 1971 Fund for 2010	225 000	
	Management fee payable by Supplementary Fund for 2010	52 500	
	Total estimated income 2010		477 500
<i>LESS</i>	ESTIMATED EXPENDITURE		
	Joint administrative expenditure 2010 (excluding external audit fee for all three Organisations) (Annex I)	3 934 050	
<i>Plus</i>	Provision for accrued Annual Leave and Repatriation Grant (ALRG) as at 31 December 2010	300 000	
<i>Plus</i>	External Audit fee for 1992 Fund	48 500	
<i>Plus</i>	Minor claims expenditure 2010 (Annex IV)	2 501 000	
<i>Plus</i>	Loans to HNS Fund (cf paragraph 6.3.3)	80 000	
<i>Plus</i>	Working capital (cf paragraph 6.4.4)	22 000 000	
	Total estimated expenditure 2010		28 863 550
	ESTIMATED EXPENDITURE OVER INCOME		(1 135 625)

- 6.5.2 The balance as at 31 December 2009 is estimated at £27 250 425 which exceeds the working capital by £5 250 425. When assessing the need for levying contributions for payment in the following year (2010) 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.
- 6.5.3 As shown from the estimates in the table above, contributions of £1 135 625 would be needed to balance the 2010 budget of the General Fund on the assumption that the 1992 Fund Assembly decides to maintain the working capital at £22 million as set out above.

7 Director's proposal on assessment of 2009 contributions to the General Fund

In the light of the estimates set out in paragraph 6.5.3 and the relatively small amount needed to balance the 2010 budget of the General Fund the Director proposes that there should be no levy of 2009 contributions to the General Fund.

8 Action to be taken

1992 Fund Assembly:

The 1992 Fund 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 2010 for the administrative expenses of the 1992 Fund (Section 4 and Annex I);
- (c) to consider the Director's proposal that the working capital of the 1992 Fund be maintained at £22 million (paragraph 6.4.4);
- (d) to consider the Director's proposal that there should be no levy of 2009 contributions to the General Fund (paragraph 7);
- (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 £174 000 based on the draft 2010 budget) (paragraph 4.10); and
- (f) to note the Director's estimate of the expenses to be incurred in respect of the preparation for the entry into force of the HNS Convention (paragraph 6.3.3).

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ANNEX I

DRAFT 2010 ADMINISTRATIVE BUDGET FOR 1992 FUND

STATEMENT OF EXPENDITURE		Actual 2008 expenditure for 1992 Fund		2008 budget appropriations for 1992 Fund		2009 budget appropriations for 1992 Fund		2010 budget appropriations for 1992 Fund	
		£		£		£		£	
SECRETARIAT									
I	Personnel								
(a)	Salaries	1 223 456		1 485 034		1 548 995		1 742 200	
(b)	Separation and recruitment	39 944		35 000		35 000		35 000	
(c)	Staff benefits, allowances and training	460 122		632 666		613 930		726 950	
	Sub-total		1 723 522		2 152 700		2 197 925		2 504 150
II	General Services								
(a)	Rent of office accommodation (including service charges and rates)	291 954		316 300		319 300		320 800	
(b)	Office machines (IT hardware/software) / maintenance	76 214		80 000		71 500		72 300	
(c)	Furniture and other office equipment	10 378		15 000		25 000		25 000	
(d)	Office stationery and supplies	11 324		22 000		22 000		22 000	
(e)	Communications (courier, telephone, postage, e-mail/internet)	61 380		73 000		68 000		69 800	
(f)	Other supplies and services	27 871		37 500		32 500		35 000	
(g)	Representation (hospitality)	22 669		25 000		25 000		25 000	
(h)	Public Information	68 117		180 000		200 000		175 000	
	Sub-total		569 907		748 800		763 300		744 900
III	Meetings								
	Sessions of the 1992, Supplementary and 1971 Fund governing bodies and Intersessional Working Groups		129 134		175 000		175 000		150 000
IV	Travel								
	Conferences, seminars and missions		14 845		150 000		150 000		150 000
V	Miscellaneous expenditure								
(a)	External audit fees for IOPC Funds	60 500		62 000		62 400		62 400	
(b)	Consultants' fees	192 040		150 000		150 000		150 000	
(c)	Audit Body	121 594		110 000		120 000		130 000	
(d)	Investment Advisory Bodies	37 500		37 500		45 000		45 000	
	Sub-total		411 634		359 500		377 400		387 400
VI	Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff and cost of equipment)		-		60 000		60 000		60 000
Total Expenditure I-VI			2 849 042		3 646 000		3 723 625		3 996 450
Total Expenditure I-VI excluding External Audit fees for IOPC Funds							3 661 225		3 934 050
VII	Due from 71Fund								
	Management fee payable to 1992 Fund by 1971 Fund		210 000		210 000		(210 000)		(225 000)
VIII	Due from Supplementary Fund								
	Management fee payable to 1992 Fund by Supplementary Fund		50 000		50 000		(50 000)		(52 500)
1992 Fund Budget Appropriation excluding External audit fee for IOPC Funds							3 401 225		3 656 550
1992 Fund Budget Appropriation including External audit fee for 1992 Fund only							3 449 725		3 705 050

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ANNEX II

NOTES ON THE INDIVIDUAL APPROPRIATIONS BY CHAPTER

1 Personnel (Chapter I)

2010 Appropriation £	2009 Appropriation £	% Increase /(Decrease) on 2009 Appropriation
2 504 150	2 197 925	13.9%

Overview

- 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 other benefits. The relevant salary scales and the relevant schedules of post adjustments are reproduced as Annexes to document IOPC/OCT09/7/1. The Provident Fund contributions are calculated in accordance with 1992 Fund Staff Rule VIII.5.
- 1.2 The basic emoluments of Professional staff include the net base salary and post adjustment. The base salary is established in US Dollars on a global scale for application to all Professional staff in the common system, regardless of place of duty station; and the post adjustment is variable according to duty station and is designed to maintain equality of purchasing power of a given salary at all duty stations by offsetting differences in the cost-of-living, taking account of changes in the rate of exchange between the US Dollar and local currencies. In this context the International Civil Service Commission (ICSC), following its annual review, revised the cost-of-living index applicable to London effective from March 2009. As part of its review it considered among others, expenditure factors based on the ICSC's 2008 housing survey for London and the sharp depreciation of Pounds sterling against the US Dollar.
- 1.3 The year on year budget increase under this Chapter of 13.9% is due mainly to the increase to the post adjustment component of the salary payable to Professional staff members, and to the increase of the organisation's contribution to the staff Provident Fund due to the appreciation of the US Dollar against Pounds sterling, both not budgeted for in 2009. The pensionable remuneration for Professional staff members is established in US Dollars. In addition the home leave appropriation for 2010 covers travel costs for eight staff members compared to only one in 2009.
- (a) Salaries
- 1.4 There is a 12.5% increase to the 2010 appropriation (£1 742 200) compared to 2009 (£1 548 995) mainly as result of the increase within the UN common system as set out above.
- 1.5 In order to cover any increase in salaries which may be decided within the United Nations common system, it has been also considered appropriate to include in the draft budget a provision of 2% 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).
- 1.6 The number of established posts within the Secretariat is 33 of which 18 are in the Professional category and 15 are in the General Service category (cf document IOPC/OCT09/7/1).
- 1.7 At the date of the document six posts are vacant (four in the Professional category and two in the General Service category). Only three posts that of Claims Manager (Professional category), Claims Assistant and Translation Administrator (French) (both in General Service category) have been included in the 2010 budget. Appointment to the post of Claims Manager would only be made should

there be an increase in workload and the need to fill the post at some stage cannot be ruled out. The two posts in the General Service category are currently filled by temporary staff. The remaining three posts (in the Professional category) are that of Deputy Director and two posts of in-house translators (French and Spanish).

- 1.8 The Director does not intend to fill the post of Deputy Director in the foreseeable future and therefore the cost of this post has not been included in the 2010 budget.
- 1.9 At its 5th session held in October 2000 the 1992 Fund 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 in-house translator has been vacant since May 2003. Translations into French and Spanish are carried out exclusively by freelance translators. Since the 2005 budget the costs of the two posts of in-house translators have not been included in the budget.
- 1.10 At its October 2008 session the 1992 Fund Assembly noted that the Director had proposed to remove the two in-house translation posts from the structure of the Secretariat on the basis of discussions at its 12th session, held in October 2007 (cf document 92FUNDA.12/28, paragraph 14.13). However, although some delegations supported this proposal, the majority of delegations who took the floor requested that the two posts be retained within the structure of the Secretariat as this would more easily facilitate a future appointment to these posts if so required. The Assembly decided to retain the two in-house translation posts (French and Spanish) within the structure of the Secretariat. The Director does not intend to fill the vacant posts of in-house translators but will continue to use freelance translators as this is, for the time being efficient and cost effective (cf document IOPC/OCT09/7/1/1). The costs of the two posts of in-house translators have therefore not been included in the 2010 budget.
- 1.11 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). The Director has not made any change to individual posts since the Assembly's session in October 2008.
- 1.12 It may be necessary to make continued use of temporary assistance. Such assistance is needed not only when there is an additional workload, but also to cover leave periods (including maternity leave) and to fill any vacancies temporarily until new incumbents are appointed. As in 2009, an amount of £40 000 has been included for this purpose in the appropriation for salaries in the draft 2010 budget.

(b) Separation and recruitment

- 1.13 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 2010. The budget appropriation for this expenditure has been maintained as in 2009 at £35 000.

(c) Staff benefits, allowance and training

- 1.14 An appropriation of £726 950 (increase of 18.4% on 2009 total of £613 930) 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, insurance (accident, medical and national) and staff training. As set out in paragraph 1.3, the increase is mainly due the depreciation of Pounds sterling against the US Dollar resulting in an increase to the Organisation's contribution to the Provident Fund by 28.3% (£344 200 in 2010 compared to the budget appropriation of £268 180 in 2009). In addition home leave travel costs for eight staff members are included in the budget compared to only one staff member in 2009. The provision for staff training has been maintained at £80 000 as in 2009.

2 General services (Chapter II)

2010 Appropriation £	2009 Appropriation £	% Increase / (Decrease) on 2009 Appropriation
744 900	763 300	(2.4%)

- 2.1 The appropriations under (a) to (h) below amounting to £744 900 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 £320 800 under this heading has been calculated on the space occupied in Portland House, the space retained in the IMO building and rental of outside storage space.
- 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. Under the lease agreement, a rent review was undertaken in June 2005 and 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 24 June 2005 for the 23rd floor.
- 2.5 The rent prior to the rent review was £445 000 per annum (exclusive of VAT) and £6 000 per annum for the storage space in the basement. 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. The total rent will therefore be £476 500 per annum (exclusive of VAT) with a rent review fixed at 24 June 2010;
 - 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;
 - One free motorcycle parking space will be provided in the basement of Portland House, subject to availability.
- 2.7 The United Kingdom Government refunds 80% of the rent for the 23rd floor and for the storage space. The United Kingdom Government will refund 80% of £476 500 pa resulting in 20% or £95 300 pa being payable by the 1992 Fund.
- 2.8 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.

- 2.9 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 £110 000. This includes an additional service charge payable in respect of the surrounding Cardinal Place estate, which Portland House forms part of.
- 2.10 Following the completion of the refurbishment of the IMO building in 2008 office space of some 1 065 (reduced from 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 (£8 765). An appropriation of £31 000 has been included compared to £30 000 in 2009 to cover the rent along with the costs of the general services provided by IMO.
- 2.11 Other costs relating to the accommodation in Portland House consisting of £10 000 for rental of outside storage space, £15 000 for general maintenance, £18 000 for the daily cleaning of the premises, £20 000 for electricity and £7 500 for office contents insurance.
- (b) Office machines
- 2.12 The draft 2010 budget has been prepared on the basis that 'Office machines' covers only IT Costs and totals £72 300 (£71 500 for 2009) broken down as follows: hardware (£31 000), software (£10 000); maintenance (hardware and software) £28 800; and IT related consumables of £2 500.
- (c) Furniture and other office equipment
- 2.13 This appropriation has been maintained at £25 000 to also cover the rental cost of photocopying/printing machine. The appropriation further includes costs for office equipment (other than IT equipment), office equipment maintenance, repairs and replacement of furniture.
- (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 £69 800 from £68 000 in 2009, and covers the cost of courier, postage, telephone and e-mail/internet connections. The appropriation includes costs associated with introducing VOIP (voice over internet protocol) on a staged basis.
- (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 increased to £35 000 compared to £32 500 in 2009 due to the risen cost of these items.
- (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 and Public Relations projects.
- 2.20 The total appropriation under this heading has been reduced to £175 000 compared to £200 000 in 2009. The appropriation in 2009 included costs associated with participating at Interspill 2009. The appropriation is to cover costs for the following:
- (i) The cost of printing, publication and bulk mailings including the cost of the Annual Report in the three official languages.
 - (ii) 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)

2010 Appropriation £	2009 Appropriation £	% Increase / (Decrease) on 2009 Appropriation
150 000	175 000	(14.3)%

- 3.1 The meetings of the governing bodies of the IOPC Funds, as well as those of any intersessional Working Groups, are normally held in the IMO conference rooms. The budget for 2010 has been prepared on the basis that the sessions of the governing bodies in 2010 will be held in the conference rooms of the IMO.
- 3.2 At its meeting June 2009, the 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, considered reducing the number of meeting sessions. It was agreed that it would be preferable to book three meetings a year as usual and cancel one if it were not needed.
- 3.3 The 2010 appropriation of £150 000 (£175 000 in 2009) has been prepared on the basis of three meetings over 15 days scheduled as follows:
- (i) ordinary sessions of the governing bodies of the 1992 Fund, 1971 Fund and Supplementary Fund in October 2010: five days;
 - (ii) further sessions of the governing bodies (including the Executive Committee of the 1992 Fund) and intersessional Working Groups, if needed,: ten days.

4 Travel (Chapter IV)

2010 Appropriation £	2009 Appropriation £	% Increase / (Decrease) on 2009 Appropriation
150 000	150 000	(0.0)%

- 4.1 This appropriation covers the costs of travel on 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 a continued strong demand from Member States, as well as States which are interested to become Member States, for participation by the IOPC Funds in seminars and conferences and for Fund staff conducting training courses. The appropriation has been maintained at £150 000. Though the estimated expenditure for 2009 may be below that of the budget appropriation of £150 000, the two large incidents in late 2007 had prevented Secretariat from participating at conferences or organising claims handling workshops at a level which would otherwise have been the case. The Director is of the view that the level of participation at such events is likely to increase in 2010. 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)

2010 Appropriation £	2009 Appropriation £	% Increase /(Decrease) on 2009 Appropriation
387 400	377 400	2.6%

(a) External audit

5.1 The United Kingdom National Audit Office has provisionally advised that the fee for auditing the accounts of the 1992 Fund, 1971 Fund and Supplementary Fund for the 2009 financial period which is payable in 2010 will be maintained at 2009 levels as follows, £48 500 in respect of the 1992 Fund, £10 300 in respect of the 1971 Fund and £3 600 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 £10 300 and £3 600 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. In 2009 consultant fees have been earmarked for further development work on the bespoke web-based claims management system (WCMS), for the development of a new Personnel Database and further work on the Record of Decisions database.

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 may result in additional lawyers' fees.

(c) Audit Body

5.5 As decided by the governing bodies, the three Funds have a joint Audit Body consisting of six members and a member not related to the Organisations ('external expert') with expertise and experience in financial matters. The Audit Body holds three regular sessions a year.

5.6 An appropriation of £130 000 is included in the draft 2010 budget to cover the costs resulting from the operation of this Body ie the travel and subsistence costs of the members, the fee for the 'outsider/expert' member and a 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). An appropriation of £30 000 for the remuneration of the 'external expert' member has been included in the draft budget as approved by the 1992 Fund Assembly at its October 2008 session.

5.7 Following a discussion, the Assembly at October 2008 session decided to instruct the Director to analyse the roles and responsibilities of the members of the joint Investment Advisory Body (IAB) and those of the Audit Body and to present to its next session in October 2009 a document setting out a systematic approach to the fees paid to the IAB members and all members of the Audit Body, including a comparison with market conditions and an exploration of the possibility of index-linking the fees, thereby making automatic annual adjustments (cf document IOPC/OCT09/6/2).

5.8 It should be noted that any increase to the remuneration payable to members of the joint Audit Body that the Governing Bodies may approve at its October 2009 session as a result of the study mentioned in paragraph 5.7 above would result in the appropriation being increased accordingly.

(d) Investment Advisory Body

5.9 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.

5.10 The remuneration of the three members of the Body was fixed at the October 2008 session at £15 000 per member. An appropriation of £45 000 has been included in the draft budget for 2010 to cover the fees for the three members. It should be noted that any increase to the remuneration payable to the members of the joint Investment Advisory Body that the Governing Bodies may approve at its October 2009 session as a result of the study mentioned in paragraph 5.7 above would result in the appropriation being increased accordingly.

6 Unforeseen expenditure (Chapter VI)

2010 Appropriation £	2009 Appropriation £	% Increase / Decrease) on 2009 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 1.5% of the draft budget.

* * *

ANNEX III

General Fund claims expenditure in 2009

(Figures in Pounds Sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Expenditure up to 31/12/08		Receipt under STOPIA 2006 Agreement upto 31/12/08	Balance Payable from General Fund at 31/12/2008	2009 Expenditure				Receipts /receivables under STOPIA 2006 Agreement 1/1/09 to 31/12/2009	Estimated Total General Fund Expenditure in 2009	Estimated Total General Fund Expenditure up to 31/12/09	Estimated Balance payable from General Fund at 31/12/2009
			Compensation paid up to 31/12/08	Claims-related expenses paid up to 31/12/08			Compensation		Claims-related expenses					
							Paid 1/1/09-30/6/09	Estimate 1/7/09-31/12/09	Paid 1/1/09-30/6/09	Estimate 1/7/09-31/12/09				
<i>Al Jaziah 1</i>	24/01/00	3 307 800	(566 166)	(117 809)	-	2 623 825	0	0	(934)	(24 000)	-	(25 000)	(709 000)	2 599 000
<i>N°7 Kwang Min</i>	24/11/05	3 307 260	(1 164 982)	(214 580)	-	1 927 698	0	(67 700)	(10 305)	(10 000)	-	(89 000)	(1 469 000)	1 839 000
<i>Solar 1 *</i>	11/08/06	3 134 944	(6 083 317)	(112 953)	6 108 913	3 047 587	(119 131)	(200 000)	(18 300)	(15 000)	323 273	(30 000)	(118 000)	3 018 000
<i>Shosei Maru</i>	28/11/06	3 096 480	(754 823)	(64 650)	-	2 277 007	0	0	0	(50 000)	-	(50 000)	(870 000)	2 228 000
<i>Volgoneft 139</i>	11/11/07	3 059 508	0	(202 561)	-	2 856 947	0	0	(38 297)	(462 000)	-	(501 000)	(704 000)	2 356 000
Incident in Argentina	26/12/07	3 152 360	0	(426)	-	3 151 934	0	0	(53 340)	(50 000)	-	(104 000)	(105 000)	3 048 000
												(799 000)		

* *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 2010

(Figures in Pounds Sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Estimated Balance Payable from General Fund at 31/12/2009	2010 Estimated Expenditure		Receivable under STOPIA 2006 Agreement	Estimated Total General Fund Expenditure in 2010	Estimated Total General Fund Expenditure up to 31/12/10	Estimated Balance payable from General Fund at 31/12/2010
				Compensation	Claims-related expenses				
<i>Al Jaziah 1</i>	24/01/00	3 307 800	2 599 000	0	(20 000)	-	(20 000)	(729 000)	2 579 000
<i>Solar 1*</i>	11/08/06	3 134 944	3 018 000	(400 000)	(25 000)	400 000	(25 000)	(143 000)	2 993 000
<i>Volgoneft 139**</i>	11/11/07	3 059 508	2 356 000	(2 256 000)	(100 000)	-	(2 356 000)	(3 060 000)	0
Incident in Argentina	26/12/07	3 151 934	3 048 000	0	(100 000)	-	(100 000)	(205 000)	2 948 000
							(2 501 000)		

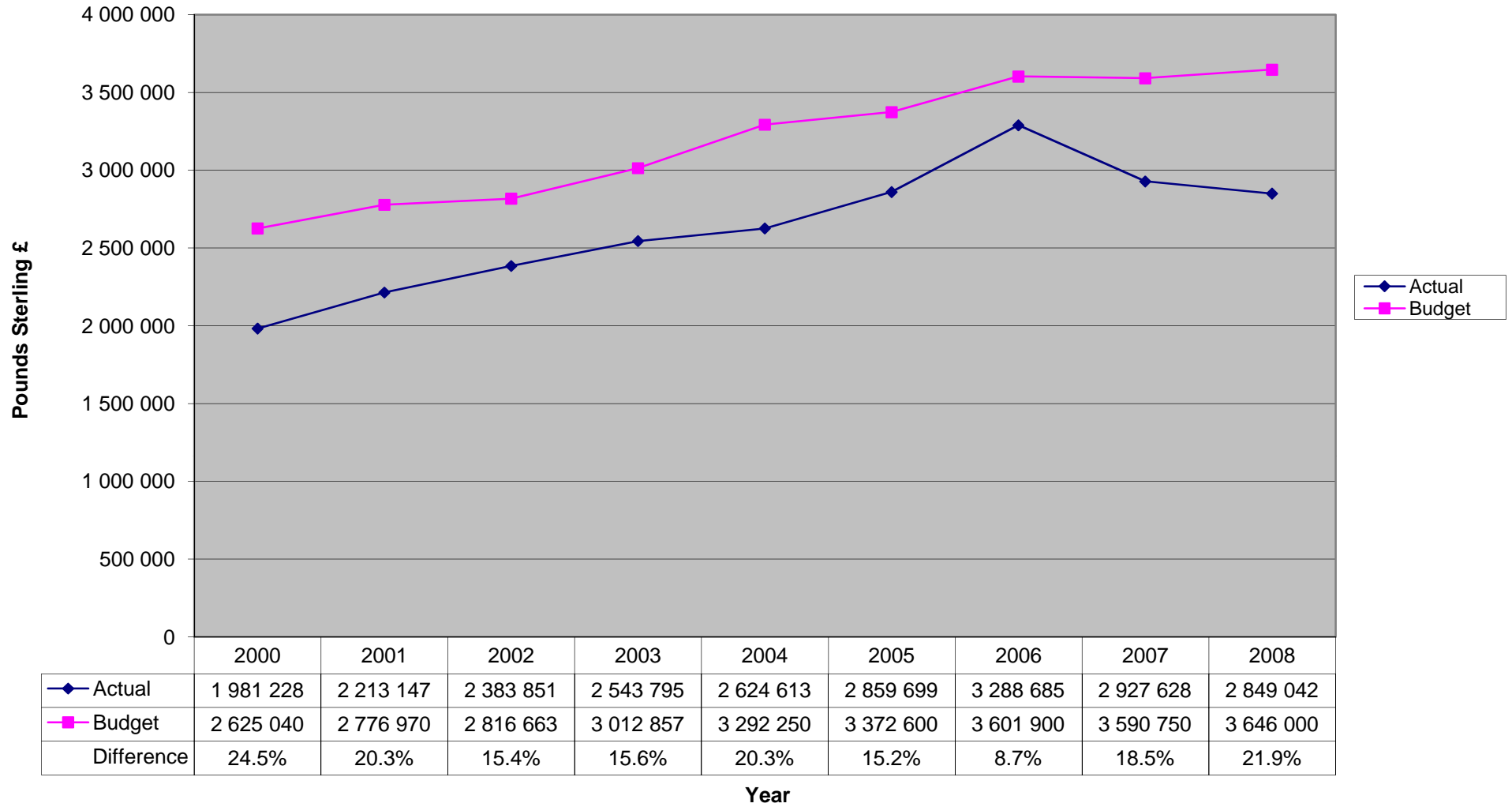
* *Solar 1* - Under STOPIA 2006 compensation payments up to 20 million SDR will be reimbursed by the P&I Club

** Subject to a decision of the Executive Committee authorising the Director to make payments (paragraph 6.2.4).

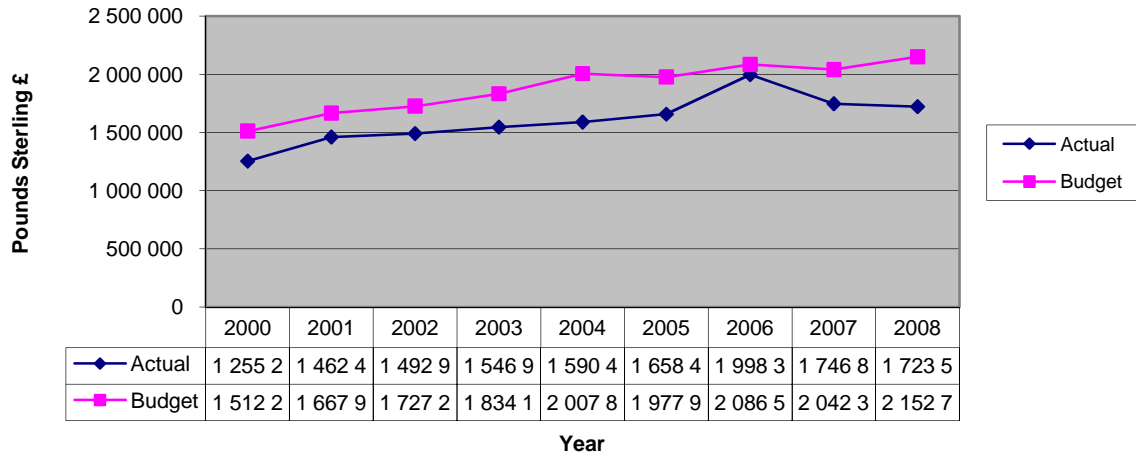
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ANNEX V

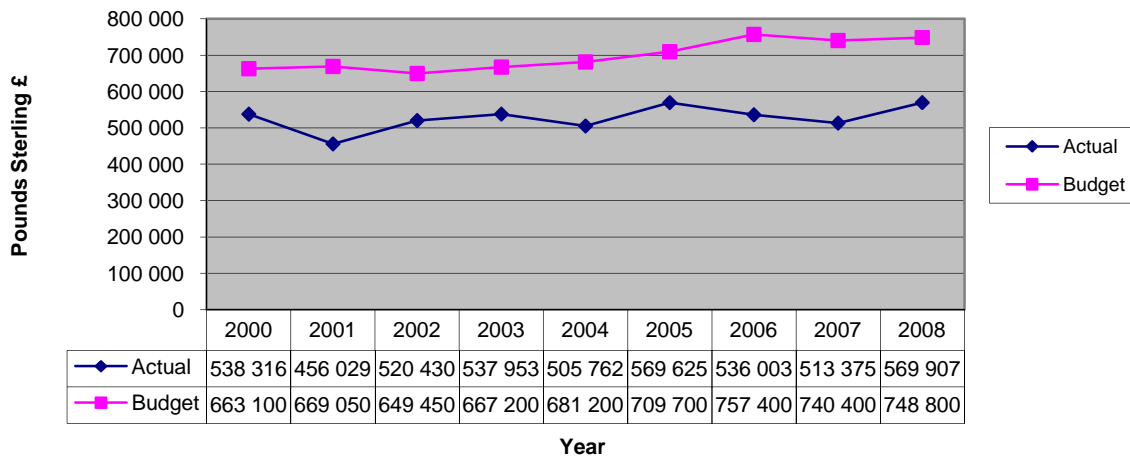
ACTUAL EXPENDITURE vs BUDGET APPROPRIATIONS FOR THE FINANCIAL YEARS 2000 - 2008



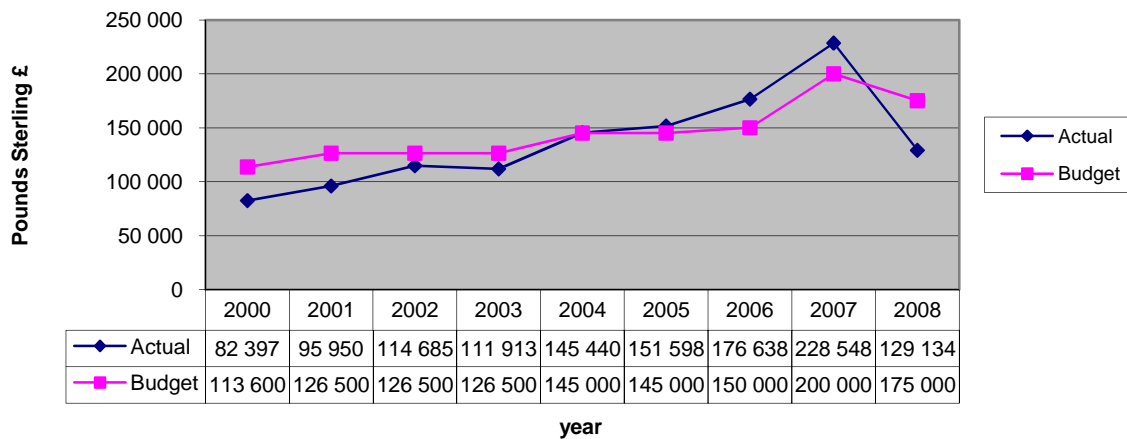
Chapter I PERSONNEL



Chapter II GENERAL SERVICES



Chapter III MEETINGS



ANNEX V

