



INTERNATIONAL
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COMPENSATION
FUNDS

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BUDGET FOR 2016 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

1992 FUND

Note by the Director

Summary:	The draft budget (excluding External Auditor's fees and cost of relocation of the IOPC Funds' offices) for running the joint Secretariat for 2016 totals £4 407 360 (2015 – £4 306 640). An assessment is made of the likely compensation payments and other incident-related expenses. In the Director's view, the resulting need for 2015 contributions payable by 1 March 2016 is £4.4 million to the General Fund and a deferred levy of £6 million in respect of the <i>Alfa I</i> and <i>Nesa R3</i> incidents.
Action to be taken:	<p><u>1992 Fund Assembly</u></p> <ul style="list-style-type: none"> (a) Decide whether to renew the authorisation given to the Director to create additional posts in the General Service category as required (paragraph 4.1); (b) Decide whether to renew the authorisation given to the Director to create a Professional post at the P3 level subject to need and budget availability (paragraph 4.2); (c) Adopt the draft budget for 2016 for the administrative expenses of the 1992 Fund – £4 704 860 (made up of joint secretariat expenses of £4 407 360 plus the External audit fee of £47 500 plus relocation costs of £250 000) (Annex I); (d) Decide on the management fee payable by Supplementary Fund to the 1992 Fund of £34 000 (section 6); (e) Approve the Director's estimate of the expenses to be incurred in 2016 in respect of the preparation for the entry into force of the HNS Convention - £35 000 (paragraph 8.3.4); (f) Decide whether to maintain the working capital of the 1992 Fund at £22 million (paragraph 8.4.4); (g) Decide on the Director's proposal to levy £4.4 million, payable by 1 March 2016 (section 10); and (h) Decide on the Director's proposal for a deferred levy £6 million subject to the 1992 Fund's Executive Committee decision to make payment of compensation in respect of the <i>Alfa I</i> incident and the need to pay further compensation with respect to the <i>Nesa R3</i> incident.

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).
- 1.4 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 [IOPC/OCT15/9/2/1](#)).
- 1.6 As for the individual incidents covered in this document, reference is made to the information contained in the Director's comments and Notes to the 2014 Financial Statements (document [IOPC/OCT15/5/6/1](#), Annex I and Annex V).
- 1.7 It should be noted that in this document any estimate of amounts to be paid by the 1992 Fund in compensation has been made solely for the purpose of the assessment of the balance on the General Fund as at 31 December 2016. This does not take into account the position of the 1992 Fund in respect of the admissibility of claims arising from the incidents.

2 Adoption of International Public Sector Accounting Standards

- 2.1 Despite the adoption of the International Public Sector Accounting Standards (IPSAS) from 1 January 2010, the Fund's budgets will continue to be prepared on a cash basis.
- 2.2 The adoption of IPSAS has 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 of new assets as required. Reconciliation between the fixed assets cost presented in the Financial Statements and the budget for the year is provided in the Financial Statements for that year.

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The SDR (Special Drawing Rights) which is the unit of account used in the Conventions 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.

- 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. These costs include liabilities such as accrued annual leave and repatriation costs for existing staff. This liability is required to be fully provided for in the Financial Statements and, though fairly modest (around 10% of the budget) it will have the direct impact of reducing the General Fund. A provision has therefore been made for this liability when making an estimate of the balance of the General Fund as at 31 December 2016 and is shown in the table in paragraph 9.1.

3 Joint Secretariat

- 3.1 The 1992 Fund Assembly and the Supplementary Fund Assembly agreed that the 1992 Fund Secretariat should also administer the Supplementary Fund (documents [92FUND/A/ES.9/28](#) and [SUPPFUND/A.1/39](#), paragraphs 11.2 and 11.3).
- 3.2 As set out in section 5 below the Director proposes that, in accordance with the approach taken by the governing bodies, the Supplementary Fund should pay management fees to the 1992 Fund for the period 1 January-31 December 2016 in respect of the costs of running the joint Secretariat.

4 Additional posts

- 4.1 At its October 2001 session the 1992 Fund Assembly authorised 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.6/28](#), paragraph 17.5). Since this authority was provided to the Director by the Assembly in October 2001 four posts have been created, one in 2004, one in 2008 and two in 2011. The Director considers that the authority to create additional posts in the General Service category has proved to be valuable and gives him certain flexibility in the management of the Secretariat. The 1992 Fund Assembly may wish to consider whether to renew the corresponding authority for 2016 (ie up to £211 000 based on the draft 2016 budget) in the event that the Secretariat is faced with difficulties in administering new incidents.
- 4.2 At its October 2010 session, the 1992 Fund Administrative Council gave the Director the authority to create one additional unspecified post in the Professional category at P3 level in the 2011 budget. This has been renewed each year by the 1992 Fund Assembly. This authority has not been utilised. The Director, however, considers that having this flexibility will assist in the management of the Secretariat. As in the 2015 budget the Director has not included the post within the 2016 budget (Chapter I – Personnel) but instead proposes that the Assembly renew the authority for the Director to create a Professional post at the P3 level (£85 000) subject to need and budget availability.

5 1992 Fund budget for administrative expenditure in 2016

- 5.1 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 2016.
- 5.2 The presentation of the joint Secretariat budget follows the requirements of Financial Regulations 5.2 and 5.3. Comparative figures of the joint Secretariat's administrative expenses for 2014 (actual expenditure and budget appropriations) and for 2015 (budget appropriations) are also given.
- 5.3 The Director submits for consideration by the 1992 Fund Assembly an administrative budget for the 1992 Fund which covers the expenses for 2016 of running the joint Secretariat (Chapter I-VI) and expenditures under Chapter VII and Chapter VIII to be borne by the 1992 Fund only. The draft administrative budget for the 1992 Fund is at Annex I.
- 5.4 The draft joint Secretariat budget (Chapters I-VI) totals £4 407 360 (2015 – £4 306 640). This budget figure is 2.3% (£100 720) higher than the corresponding 2015 budget appropriation and is broken down as follows:

	Increase/(Decrease) on total 2015 Budget	
	£	%
Chapter I – Personnel costs	168 800	3.9%
Chapter II – General services	(38 580)	(0.9%)
Chapter III – Meetings	(20 000)	(0.5%)
Chapter IV – Travel	-	-
Chapter V – Other expenditure	(9 500)	(0.2%)
Chapter VI – Unforeseen expenditure	-	-
	100 720	2.3%

5.5 A summary of the budget for running the joint Secretariat is given below:

Chapter	Proposed 2016 Appropriation £	2015 Appropriation £	% Increase/(decrease) Appropriation on 2015
I Personnel	2 942 160	2 773 360	6.1%
II General services	777 200	815 780	(4.7%)
III Meetings	110 000	130 000	(15.4%)
IV Travel	100 000	100 000	0.0%
V Other expenditure	418 000	427 500	(2.2%)
VI Unforeseen expenditure	60 000	60 000	0.0%
Total Expenditure Chapters I-VI	4 407 360	4 306 640	2.3%

- 5.6 The External Audit fee for auditing the 1992 Fund's 2015 Financial Statements payable in 2016 is estimated at £47 500 and is set out under Chapter VII in the draft administrative budget for the 1992 Fund.
- 5.7 Since the April 2015 session of the Administrative Council there has been a significant development in the search for alternative premises for the IOPC Funds' offices. The Secretary General of the International Maritime Organisation (IMO), following consultation with the United Kingdom government has informed the Director that following rationalisation of space within the IMO building there will be space for the IOPC Funds to be relocated back to the IMO building.
- 5.8 The lease for the current premises of the IOPC Funds expires on 24 March 2018 with a mutual break subject to a minimum notice of six months, effective from 24 June 2016. It was decided by the 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, at its May 2014 session (document [IOPC/MAY14/10/1](#), paragraph 6.1.14) to accept the Director's proposal to fund the relocation through appropriations in the 2014, 2015 and 2016 budgets. The proposed appropriation for the cost of the relocation of the IOPC Funds' offices of £250 000 for 2016 is set out under Chapter VIII in the draft administrative budget for the 1992 Fund.
- 5.9 The Director notified the Administrative Council at its April 2015 session that he intends to avail himself of the break clause in the new lease, which would therefore necessitate the landlord being notified by the end of 2015 of the Director's intention to vacate the premises in June 2016.
- 5.10 Notes on the individual appropriations for the joint Secretariat budget are set out in Annex II. A summary of the key changes to the 2016 joint Secretariat budget in comparison to 2015 by Chapter is set out in paragraphs 5.11 - 5.15.

5.11 Chapter I – Personnel (67% of the 2016 proposed budget)

Increase/(decrease) on 2015 budget appropriation: 6.1% increase

5.11.1 The Chapter consists of:

Expense Head	2016 Appropriation £	2015 Appropriation £
Salaries	2 110 495	2 062 790
Separation and recruitment	80 000	40 000
Staff benefits, allowances and training	731 665	650 570
Conscious rewarding scheme	20 000	20 000
Total	2 942 160	2 773 360

5.11.2 As set out in document IOPC/OCT15/7/1 the Secretariat has 34 established posts of which 27 posts are presently filled. Of the seven vacancies there are four in the Professional category and three posts in General Service category. Only one post in the Professional category is included in the budget for 2016. The 1992 Fund's salaries, allowances and grants follow the United Nations common system as applied by the International Maritime Organization (IMO). An increase of 2%, as in the 2015 budget, has been included for 2016 to staff salary to account for any changes to the UN common system.

5.12 Chapter II – General services (17.6% of the 2016 proposed budget)

Increase/(decrease) on 2015 budget appropriation: (4.7%) decrease

5.12.1 This Chapter consists of:

Expense Head	2016 Appropriation £	2015 Appropriation £
Rent of office accommodation	337 800	346 800
IT (hardware, software, maintenance and connectivity)	222 600	223 480
Furniture and other office equipment	10 800	13 000
Office stationery and supplies	12 500	12 500
Communications (postage, telephone, courier)	35 000	35 000
Other supplies and services	28 500	35 000
Representation (hospitality)	20 000	20 000
Public information	110 000	130 000
Total	777 200	815 780

5.12.2 As set out in Annex II (page 5) of this document the accommodation (rent, service charges etc.) costs under this chapter do not reflect these costs payable to IMO for 2016 when the IOPC Funds' office shall relocate to the IMO building. The costs payable to the IMO for rent and 'other accommodation costs' have yet to be agreed with IMO.

5.13 Chapter III – Meetings (2.5% of the 2016 proposed budget)

Increase/(decrease) on 2015 budget appropriation: (15.4%) decrease

In line with the decision of the 1992 Fund Assembly, in June 2009 (document [92FUND/AC.5/A/ES.14/9](#), paragraphs 4.4-4.5) only two meetings of the governing bodies a year have been held since 2012. The 2016 appropriation, therefore, has been prepared on the basis of two meeting sessions over ten days with an appropriation of £110 000 (2015 – £130 000).

5.14 Chapter IV – Travel: conferences and mission (2.3% of the 2016 proposed budget)

Increase/(decrease) on 2015 budget appropriation: no change

Efforts are continuously being made to reduce travel costs for conferences and for mission travel. The budget appropriation has been retained at the 2015 level of £100 000. Travel costs in relation to incidents are charged to the cost of the incident.

5.15 Chapter V – Other expenditure (9.5% of the 2016 proposed budget)

Increase/(decrease) on 2015 budget appropriation: (2.2%) decrease

5.15.1 This Chapter consists of:

Expense Head	2016 Appropriation £	2015 Appropriation £
Consultants and other fees	150 000	150 000
Investment Advisory Body (IAB)	73 000	72 500
Audit Body	195 000	205 000
Total	418 000	427 500

5.16 Chapter VI – Unforeseen expenditure (1.4% of the 2016 proposed budget)

Increase/(decrease) on 2015 budget appropriation: no change

This covers costs not anticipated at the time of preparation of the budget. The appropriation has been retained at the same level as in previous years at £60 000.

6 Sharing of joint Secretariat administrative costs

6.1 The table below summarises the management fees approved by the governing bodies to be paid to the 1992 Fund by the Supplementary Fund for administering the joint Secretariat since the financial year 2006.

Management fees paid by the Supplementary Fund		
Financial Year	Number of working days	Management Fee £
2006	5	70 000
2007	5	70 000
2008	3.5	50 000
2009	3.5	50 000
2010	3.5	52 500
2011	3.5	56 000
2012	3.5	59 500
2013	2.0	33 000
2014	2.0	32 000
2015	2.0	33 000
2016 (proposal)	2.0	34 000

6.2 The Director proposes that the management fees for 2016 be calculated on an estimate of two working days for the Supplementary Fund which the staff as a whole during 2016 would devote to tasks relating to the Fund. The work during 2016 relating to the Supplementary Fund (provided it is not involved in any incident), will be limited to administrative tasks, eg in connection with the

Supplementary Fund Assembly. Should a major incident occur which does involve the Supplementary Fund, the governing bodies may wish to reassess the apportionment.

- 6.3 On the basis set out above, the Director has calculated the total costs per working day for the entire Secretariat, based on the joint Secretariat budget for 2016 totalling £4 407 360 (2015 – £4 306 640) and 261 working days during the year. The daily costs of running the joint Secretariat would then be some £16 886 (2015 – £16 501). Using a daily cost of £17 000, the Supplementary Fund should pay a management fee of £34 000 (2 x £17 000).
- 6.4 The Director therefore proposes that the Supplementary Fund should pay to the 1992 Fund management fees for 2016 of £34 000 compared to £33 000 for 2015.

7 **Estimated 1992 Fund General Fund balance as at 31 December 2015**

7.1 Estimated balance

The balance on the General Fund at 31 December 2015 is estimated at £23 048 596 as shown in the table below:

	£	£
Balance b/f at 1 January 2015		
Working Capital	22 000 000	
Surplus/(deficit)	<u>2 153 721</u>	
	24 153 721	
Add back – Provision for employee benefits	458 498	
Add back– Depreciation which exceeds the cost of fixed assets purchased (Notes 7 and 8 to 2014 Financial statements document IOPC/OCT15/5/6/1)	30 318	
Less – Balance of 2014 appropriation for ‘Relocation cost’	(214 141)	24 428 396
<i>Plus</i>		
2014 General Fund contributions receivable in 2015	3 647 800	
Previous years’ General Fund contributions receivable in 2015	86 300	
Interest to be earned in 2015 (estimate)	200 000	
Management fee payable by Supplementary Fund for 2015	33 000	
		3 967 100
		28 395 496
<i>Less</i>		
Estimated 2015 administrative expenditure of joint Secretariat	4 034 400	
External Auditor’s fees for 2015 (paragraph 7.3.3)	47 500	
Relocation cost 2015	50 000	
Minor claims expenditure in 2015 (Annex III)	1 215 000	
		5 346 900
Estimated balance as at 31 December 2015		23 048 596

7.2 Income

Contributions

- 7.2.1 The 1992 Fund Administrative Council decided at its session in October 2014 that there should be a levy of 2014 contributions of £3.8 million for receipt by 1 March 2015.

Interest to be earned in 2015

- 7.2.2 Interest received for the period 1 January-30 June 2015 amounts to some £105 000. Based on the current interest rates applicable to the 1992 Fund investments, interest income for 2015 is estimated at £200 000 based on an average capital of £20 million.

Management fee payable to the 1992 Fund in 2015

- 7.2.3 The management fee payable to the 1992 Fund for 2015 was set by the governing bodies at £33 000 for the Supplementary Fund (see document [IOPC/OCT14/11/1](#), paragraph 9.2.25).

7.3 Expenditure*Administrative costs*

- 7.3.1 The administrative budget of the joint Secretariat (Chapter 1-VI) for 2015 was set at £4 306 640. Based on information as at 1 August 2015, the total expenditure for 2015 for the joint Secretariat is estimated to be some £4 034 400 which is 6.3% lower than the 2015 budget appropriation, as set out in the table below:

Chapter	2015 Appropriation £	Expenditure to 30 June 2015 £	Projected total 2015 expenditure £	% of 2015 Appropriation
I Personnel	2 773 360	1 280 175	2 644 000	95.3%
II General services	815 780	387 943	748 400	91.7%
III Meetings	130 000	42 370	110 000	84.6%
IV Travel	100 000	26 346	75 000	75.0%
V Other Expenditure	427 500	142 021	397 000	92.9%
VI Unforeseen expenditure	60 000	0	60 000	100%
Total Expenditure Chapters I-VI	4 306 640	1 878 855	4 034 400	93.7%

- 7.3.2 The entire budget appropriation under Chapter VI - Unforeseen expenditure is expected to be utilised in 2015 for the electronic archiving of the *Erika* incident files. The *Erika* Major Claims Fund (MCF) was closed in 2014 and the surplus after reimbursement to contributors to the MCF was transferred to the General Fund.
- 7.3.3 Expenditures borne by the 1992 Fund only are under Chapter VII (External Audit fee) and Chapter VIII (Relocation costs).
- 7.3.4 The External audit fee is £47 500 (Chapter VII) for the audit of the 2014 Financial Statements payable in 2015.
- 7.3.5 As set out in paragraph 5.8, the 1992 Fund Administrative Council decided to accept the Director's proposal to finance the relocation through appropriations in the 2014, 2015 and 2016 budgets. The appropriation in 2015 (Chapter VIII) for the cost of relocation is £250 000. It is estimated that £50 000 of this appropriation will be expended in 2015 leaving a balance of £200 000.
- 7.3.6 The total administration expenditure for the 1992 Fund for the 2015 financial year is estimated at £4 131 900 (Chapter I–VI: £4 034 400 plus Chapter VII: £47 500 plus Chapter VIII: £50 000).

Minor claims expenditure 2015

- 7.3.7 As can be seen from Annex III, it is expected that claims and claims-related expenses will be incurred during 2015 in respect of ten incidents involving the 1992 Fund. The total claims and claims-related expenses payable from the General Fund during 2015 are estimated at £1 215 000. The expenses mainly relate to payment of compensation of £1 million with respect to the *Nesa R3* incident not included in the assessment of contributions receivable in 2015.

8 Income and expenditure estimates for 2016**8.1 Income***Interest to be earned in 2016*

- 8.1.1 Interest income during 2016 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 at an average interest rate of 1.0%.

Management fee payable to the 1992 Fund

- 8.1.2 The Director has proposed that the management fees payable to the 1992 Fund for 2016 be set at £34 000 (2015 – £33 000) for the Supplementary Fund (section 5). If a different apportionment of costs between the two Organisations were to be decided, the draft budget would have to be revised accordingly.

8.2 Expenditure

- 8.2.1 The estimated joint Secretariat administrative expenditure for 2016 totals £4 407 360 (2015 – £4 306 640), as detailed in section 5. A provision for accrued annual leave and repatriation grant of £500 000 has been made. As set out in paragraph 5.6 the External Audit fee for auditing the 2015 Financial Statements has been estimated by the External Auditor at £47 500. In addition as set out in paragraph 5.8 the Director proposes an appropriation of £250 000 in relation to costs for the relocation of the IOPC Funds' offices.

Minor claims expenditure 2016

- 8.2.2 The incidents in respect of which payments may have to be made from the General Fund during 2016 are listed in Annex IV.
- 8.2.3 It is estimated that the payments by the 1992 Fund from the General Fund in 2016 relating to ten incidents will total £6 245 000. This is net of any reimbursement receivable from the shipowner/P&I Club under the Small Tanker Oil Pollution Indemnification Agreement 2006 (STOPIA 2006) with respect to the *Solar 1* incident.
- 8.2.4 Since claims received with respect to the *Nesa R3* incident are in the process of being assessed it is not possible at this stage to determine the total amount of the established claims. The budget has been prepared on the basis that the balance payable from the General Fund of some £2.1 million would be required to pay compensation.
- 8.2.5 Payment of compensation with respect to the *Alfa I* incident is subject to a decision by the Executive Committee to authorise the Director to make such payments. The budget has been prepared on the basis that if the Director was authorised to make payment of compensation in respect of this incident, the balance payable from the General Fund of some £3.8 million would be required to pay compensation.
- 8.2.6 The 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 2016. 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 2016, have to be made earlier.

8.3 Loans to the Hazardous and Noxious Substances (HNS) Fund

8.3.1 At its sixth 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 Convention entered into force. It was noted that these costs would be paid from the General Fund.

8.3.2 Since 2001 loans have been provided to the HNS Fund from the General Fund to continue to study issues on the administrative preparations for the setting up of the HNS Fund and a summary of appropriations, loans and interest per financial year is set out below:

Year	Appropriation £	Loan £	Interest £
2002	150 000	26 182	611
2003	50 000	9 488	1 230
2004	50 000	14 920	1 754
2005	50 000	25 130	3 083
2006	50 000	27 808	4 331
2007	30 000	6 577	6 165
2008	30 000	36 342	6 542
2009	30 000	733	1 312
2010	80 000	8 214	1 123
2011	150 000	41 119	1 263
2012	150 000	22 494	1 570
2013	150 000	22 692	1 690
2014	50 000	18 866	1 861
2015 (expenses and interest to 30 June 2015)	25 000	5 577	975
Total	1 045 000	266 142	33 510

8.3.3 Of the total appropriations over the years of £1 045 000 an amount of £299 652 (including interest) had been used as at 30 June 2015. Under the budgetary principles applied by the 1992 Fund, any 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 2002-2015 relating to the preparations for setting up the HNS Fund can therefore not be used to cover payments during 2016.

8.3.4 An appropriation of £35 000 has been included in the 2016 budget to cover the costs for the preparations and other administrative tasks in respect of the HNS Fund (document IOPC/OCT15/8/3).

8.3.5 All costs incurred by the 1992 Fund for the setting up of the HNS Fund will be reimbursed by the HNS Fund with interest.

8.4 Working capital

8.4.1 The working capital is needed to cover claims 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.

8.4.2 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.

- 8.4.3 At its ninth session in October 2004, the 1992 Fund Assembly set the working capital at £22 million (document [92FUND/A.9/31](#), paragraph 26.3).
- 8.4.4 In the light of continuing discussion with the International P&I Group in respect of interim/provisional payment, the Director is of the view that the level of 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 2016 budget accordingly.
- 8.4.5 The Director, on conclusion of his discussions with the International P&I Group, shall at a future session of the Assembly propose an appropriate level of working capital.

9 Estimated 1992 Fund General Fund balance as at 31 December 2016

- 9.1 The estimates for the General Fund for 2016 are set out in the table below:

		£	£
ESTIMATED INCOME			
Balance at 31 December 2015 (paragraph 7.1)			
Surplus/(deficit)		23 048 596	
Less – Estimated balance of 2015 appropriation for ‘Relocation cost’		(200 000)	22 848 596
<i>Plus</i>	Interest to be earned in 2016	200 000	
	Management fee payable by Supplementary Fund for 2016	34 000	
	Total estimated income 2016		234 000
<i>LESS</i>	ESTIMATED EXPENDITURE		
	Joint Secretariat administrative expenditure 2016 (Annex I)	4 407 360	
<i>Plus</i>	Provision for accrued Annual Leave and Repatriation Grant as at 31 December 2016	500 000	
<i>Plus</i>	External Audit fee for 1992 Fund (paragraph 5.6)	47 500	
<i>Plus</i>	Costs for relocation of IOPC Funds office (paragraph 5.8)	250 000	
	Minor claims expenditure 2016 (Annex IV)	6 245 000	
	Loans to HNS Fund (paragraph 8.3.4)	35 000	
<i>Plus</i>	Working capital (paragraph 8.4.4)	22 000 000	
	Total estimated expenditure 2016		33 484 860
	ESTIMATED EXPENDITURE OVER INCOME		(10 402 264)

- 9.2 The balance as at 31 December 2015 is estimated at £22 848 596 which is above the working capital by £848 596. When assessing the need for levying contributions for payment in the following year (ie 2016) 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.
- 9.3 As shown from the estimates in the table above, contributions of £10 402 264 would be needed to balance the 2016 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.

10 Director’s proposal on assessment of 2015 contributions to the General Fund

- 10.1 In the light of the estimates set out in paragraph 9.1 of the amount needed to balance the 2016 budget of the General Fund, the Director proposes that there should be a levy of 2015 contributions to the General Fund of £10.4 million.

10.2 Timing of levy

- 10.2.1 Internal Regulation 3.6 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.
- 10.2.2 At its first 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).
- 10.2.3 The Director proposes that £4.4 million be levied for payment by 1 March 2016 and the remaining amount of £6 million or part thereof, be deferred and invoiced later in the year if it should prove necessary. The deferred levy will be subject to the 1992 Fund Executive Committee authorising the Director to make compensation payment in relation to the *Alfa I* and the need to pay further compensation with respect to the *Nesa R3* incident.

11 Action to be taken

1992 Fund Assembly:

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

- (a) decide whether to renew the authorisation given to the Director to create additional posts in the General Service category as required (paragraph 4.1);
- (b) decide whether to renew the authorisation given to the Director to create a Professional post at the P3 level subject to need and budget availability (paragraph 4.2);
- (c) adopt the draft budget for 2016 for the administrative expenses of the 1992 Fund (Annex I);
- (d) decide on the apportionment between the two Organisations of the costs for the administration of the joint Secretariat (section 6);
- (e) approve the Director's estimate of the expenses to be incurred in 2016 in respect of the preparation for the entry into force of the HNS Convention (paragraph 8.3.4);
- (f) decide whether to maintain the working capital of the 1992 Fund at £22 million (paragraph 8.4.4);
- (g) decide on the Director's proposal to levy £4.4 million, payable by 1 March 2016 (section 10); and
- (h) decide on the Director's proposal for a deferred levy £6 million subject to the 1992 Fund's Executive Committee decision to make payment of compensation in respect of the *Alfa I* incident and the need to pay further compensation with respect to the *Nesa R3* incident.

* * *

ANNEX I
Draft 2016 Administrative Budget for 1992 Fund

STATEMENT OF EXPENDITURE		Actual 2014 expenditure for 1992 Fund	2014 budget appropriations for 1992 Fund	2015 budget appropriations for 1992 Fund	2016 budget appropriations for 1992 Fund
		£	£	£	£
SECRETARIAT					
I	Personnel				
(a)	Salaries	1 851 847	2 061 920	2 062 790	2 110 495
(b)	Separation and recruitment	44 010	40 000	40 000	80 000
(c)	Staff benefits, allowances and training	567 312	645 775	650 570	731 665
(d)	Conscious rewarding scheme ^{<1>}	-	-	20 000	20 000
	Sub-total	2 463 169	2 747 695	2 773 360	2 942 160
II	General services				
(a)	Rent of office accommodation (including service charges and rates)	327 466	332 800	346 800	337 800
(b)	IT (hardware, software, maintenance and connectivity)	248 598	221 615	223 480	222 600
(c)	Furniture and other office equipment	7 926	13 000	13 000	10 800
(d)	Office stationery and supplies	8 605	15 000	12 500	12 500
(e)	Communications (courier, telephone, postage)	27 456	45 000	35 000	35 000
(f)	Other supplies and services	26 949	35 000	35 000	28 500
(g)	Representation (hospitality)	21 408	20 000	20 000	20 000
(h)	Public information	119 787	110 000	130 000	110 000
	Sub-total	788 195	792 415	815 780	777 200
III	Meetings				
	Sessions of the 1992, Supplementary and 1971 Funds' ^{<2>} governing bodies and intersessional Working Groups	136 843	130 000	130 000	110 000
IV	Travel				
	Conferences, seminars and missions	40 213	100 000	100 000	100 000
V	Other expenditure (previously Miscellaneous expenditure)				
(a)	Consultants' and other fees	171 383	100 000	150 000	150 000
(b)	Audit Body	148 351	165 000	205 000	195 000
(c)	Investment Advisory Body	70 565	70 850	72 500	73 000
	Sub-total	390 299	335 850	427 500	418 000
VI	Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff and cost of equipment)	-	60 000	60 000	60 000
Total joint Secretariat expenditure I-VI (excluding External Audit fees)		3 818 719	4 165 960	4 306 640	4 407 360
VII	External Audit fees 1992 Fund only	48 500	48 500	47 500	47 500
VIII	Relocation costs 1992 Fund only	35,859	250,000	250,000	250 000
Total Expenditure I-VIII		3 903 078	4 464 460	4 604 140	4 704 860

^{<1>} Expenditure and budget for 'Conscious rewarding scheme' in 2014 was included under 'Salaries'

^{<2>} The 1971 Fund was wound up on 31 December 2014.

* * *

ANNEX II

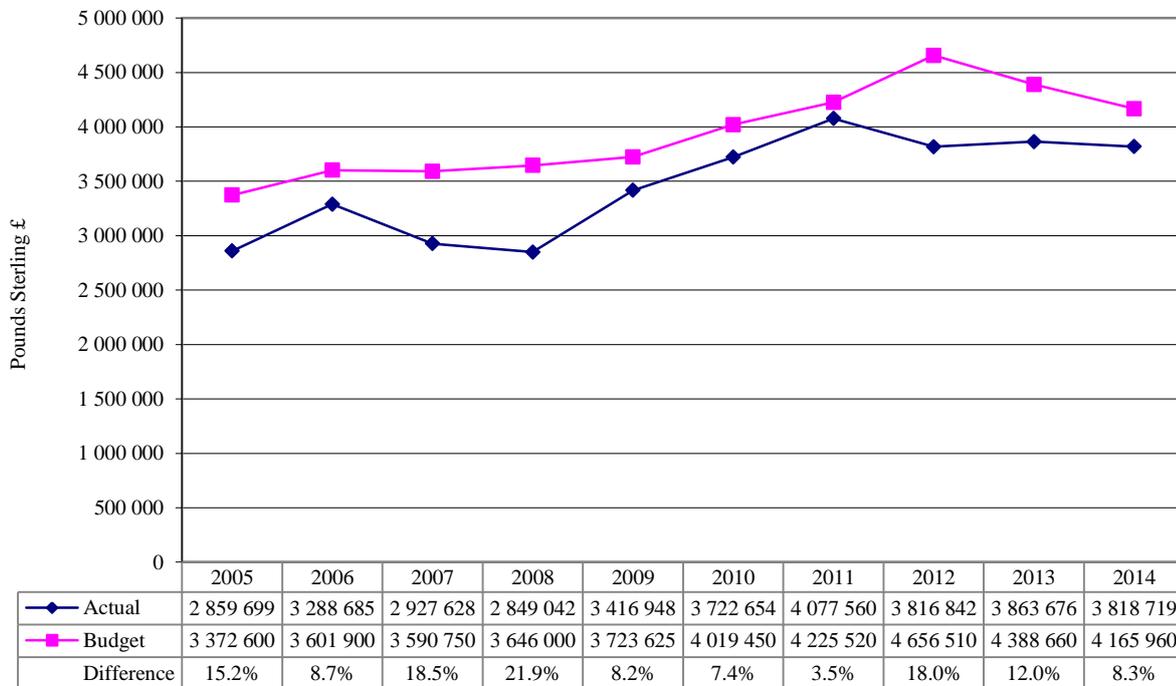
NOTES ON THE INDIVIDUAL APPROPRIATIONS BY CHAPTER

Introduction

When assessing the need for levying contributions for payment in the following year any estimated surplus or deficit brought forward in the General Fund is taken into account, thereby decreasing or increasing the amount that needs to be levied, ie any deficit/surplus is taken into account each year to determine the following year's requirements.

As set out in the graph below it can be seen that over the years there has always been an under spend on the approved budget of the joint Secretariat ranging from 21.9% of the budget to 3.5% of the budget.

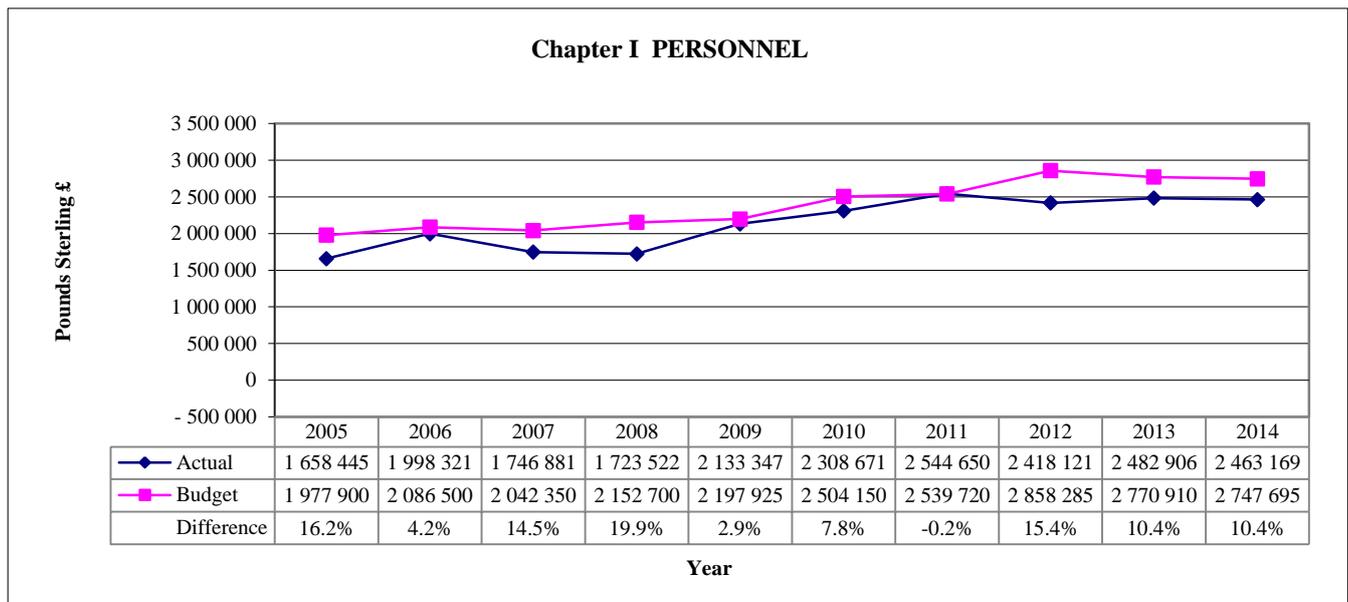
**ACTUAL EXPENDITURE vs BUDGET APPROPRIATIONS FOR THE FINANCIAL YEARS
2005 - 2014**



Year

Certain assumptions have been made, as set out in this Annex, in arriving at the budget appropriations which may or may not materialise. The joint Secretariat budget is broken down into six Chapters and separate budget headings for expenses only attributable to the 1992 Fund have also been included, namely an appropriation for the 'External Audit fee' (Chapter VII) and since the 2014 budget an appropriation for 'Relocation costs' (Chapter VIII).

1 Personnel (Chapter I)



2016 Appropriation £	2015 Appropriation £	% Increase/(Decrease) on 2015 Appropriation
2 942 160	2 773 360	6.1%

Overview

- 1.1 The major part (67%) of the joint Secretariat draft budget for 2016 relates to Personnel costs and there is an increase of 6.1% under this Chapter compared to the 2015 budget. As set out in the graph above it can be seen that over the years there has been an under spend (except in 2011) on the approved budget ranging from 19.9% of the budget to 2.9% of the budget.
- 1.2 Staff Regulation 17 of the 1992 Fund provides that the emoluments of members of staff of the 1992 Fund should follow the United Nations (UN) common system as applied by the International Maritime Organization (IMO). The calculation of the appropriation for salaries is based, therefore, on the UN salary system as applied by IMO, including all grants, allowances, overtime and other benefits. The factors affecting changes in the costs are either inflation led or arise from the recommendations of the International Civil Service Commission (ICSC), approved as necessary by the UN General Assembly for application throughout the UN common system. The relevant salary scales and pensionable remuneration are reproduced as Annexes to document IOPC/OCT15/7/1. The Provident Fund contributions are calculated in accordance with 1992 Fund Staff Rule VIII.5.
- 1.3 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.
- (a) Salaries
- 1.4 There is an increase of 2.3% in the 2016 appropriation (£2 110 495) compared to 2015 (£2 062 790).

- 1.5 In order to cover any increase in salaries which may be decided within the UN common system, it has also been considered appropriate to include in the draft budget a provision of 2% as in the 2015 budget 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 stands at 34, of which 18 are in the Professional category and 16 are in the General Service category (see document IOPC/OCT15/7/1). As at 21 August 2015 seven established posts are vacant, four in the Professional category and three in the General Service category.
- 1.7 The four vacant posts in the Professional category are that of External Relations Officer (P3), Claims Manager (P3) and two posts of in-house Translators (French and Spanish). The 2016 draft budget only includes the vacant post of Claims Manager at the P3 level. The post of the External Relations Officer became vacant in July 2014. The Director does not envisage filling this post in the foreseeable future therefore it is not included in the 2016 budget. With respect to the two in-house Translator posts it is the intention to continue to use freelance translators as this is more efficient and cost effective. Since the 2005 budget the costs of the two posts of in-house translators have not been included in the budget because the Director believes there is no need to fill them in the foreseeable future.
- 1.8 There are three vacant posts in the General Service category. They are the posts of Administrative Assistant (G4) in the Finance and Administration Department, Claims Assistant (G4) and Administrative Assistant (G4) in the Director's office. The Director does not envisage filling these posts in the foreseeable future therefore they are not included in the 2016 budget.
- 1.9 Under the authority given to the Director by the Assembly in October 2003 to create positions in the General Service category, four posts have been created between 2004 and 2011. No posts have been created in 2015.
- 1.10 The salaries budget in 2011 and 2012 included an appropriation for one unspecified P3 post. Since 2013 the Director has not included an appropriation for an unspecified P3 post in the budget nor has he done so in the 2016 budget. As set out in paragraph 4.16 of the main document the authority to create a post in the Professional category provides the Director with the flexibility to manage the Secretariat. The establishment of a new post would only be made subject to a business need and budget availability. To date no posts have been established under this authority.
- 1.11 At its third 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). Since the October 2014 sessions of the governing bodies, following a Secretariat wide job review/classification exercise undertaken by a United Nations classifier, nine posts have been regraded - four posts in the Professional category and five posts in the General Service category (see document IOPC/OCT15/7/1).
- 1.12 In October 2011, the Assembly noted that the Director had introduced a Conscious Rewarding Scheme to reward staff members for outstanding performance in their current role. In 2015 based on the Performance Management Reviews for 2014 four awards were made, one in the Professional category and three in the General Service category for a total of £7 500 (see document IOPC/OCT15/7/1). The scheme was extended in 2014 to also include Manager's Award in recognition of staff contribution in the form of non-cash vouchers. Vouchers totalling £2 712 were awarded in 2014. The total budget for any one year is limited to 1% of the total annual budget for salaries in the year the Conscious Reward is awarded. The Director intends to continue with the scheme. The 1% limit based on the draft salaries budget for 2016 is some £20 000 and since 2015 has been included as a separate item under 'Personnel' Chapter in Annex I.

1.13 It may be necessary to make continued use of temporary assistance. With a small Secretariat, 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. The budget appropriation in the draft 2016 budget has been retained at the 2015 budget level of £20 000 to cover long leave periods.

(b) Separation and recruitment

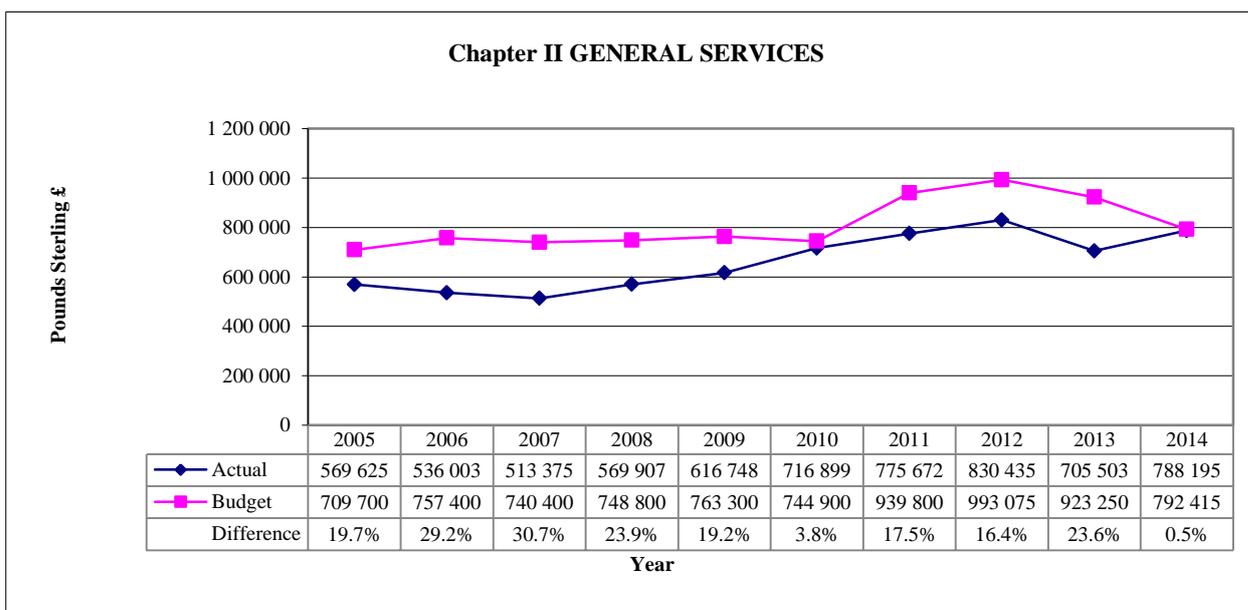
1.14 The budget appropriation covers expenses which would be incurred in the event that recruitment is to be made to posts that may fall vacant or to the existing vacant posts. Since the present Director's contract expires on 31 October 2016 an appropriation for the separation costs in respect of the present Director and recruitment of a new Director has been included in the 2016 Budget in accordance with the Staff Rules. A budget appropriation of £80 000 has been made for these expenditures. The Director has informed the Chairman of the 1992 Fund Assembly of his willingness to serve a second term of five years.

(c) Staff benefits, allowance and training

1.15 There is an increase of 12.5% in the 2016 appropriation (£731 665) compared to 2015 (£650 570) under this heading.

1.16 This appropriation covers mainly the 1992 Fund's contributions to the Provident Fund, education grants, home leave, insurance (accident, life and medical) and staff training.

2 General services (Chapter II)



2016 Appropriation £	2015 Appropriation £	% Increase/(Decrease) on 2015 Appropriation
777 200	815 780	(4.7%)

Overview

2.1 The appropriations under (a) to (h) 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. As set out in the graph above it can be seen that over the years there has always been underspend on the approved budget ranging from 30.7% to 0.5% of the budget.

(a) Office accommodation

- 2.2 There is a decrease of 2.6% in the 2016 appropriation (£337 800) compared to 2015 (£346 800) under this heading.
- 2.3 The appropriation 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.
- 2.4 Since the April 2015 session of the Administrative Council acting on behalf of the Assembly, there has been a significant development in the search for alternative premises for the IOPC Funds' offices. The Secretary General of the International Maritime Organisation (IMO), following consultation with the United Kingdom government has informed the Director that following rationalisation of space within the IMO building there will be space for the IOPC Funds to be relocated to the IMO building.
- 2.5 The Director notified the Administrative Council at its April 2015 session (document [IOPC/APR15/6/4](#)) that he intends to avail himself of the break clause in the new lease, which would therefore necessitate the landlord being notified by the end of 2015 of the Director's intention to vacate the premises in June 2016.
- 2.6 Discussions are continuing with the IMO with respect to the availability of space in the IMO building for the IOPC Funds and the resulting costs. Document [IOPC/OCT15/7/4](#) provides further information on the 'Relocation of the IOPC Funds offices'. For the purposes of this budget the rent and service charges have been retained at the level required to continue at Portland House. The UK Government will continue to refund 80% (£381 200 pa) of the rent for the 23rd floor and for the storage space, resulting in 20% (£95 300 pa) being payable by the 1992 Fund.
- 2.7 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.
- 2.8 The lease for the current premises of the IOPC Funds expires on 24 March 2018 with mutual break clause subject to a minimum notice of six months effective from 24 June 2016. The lease has been entered into on the following terms:
- a single 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);
 - 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; and
 - one free motorcycle parking space will be provided in the basement of Portland House, subject to availability.
- 2.9 Local taxes ('rates') are also payable for the premises. Like diplomatic missions and other intergovernmental organisations, the 1992 Fund pays only a minor portion of the rates. An appropriation of £18 000 (2015 – £19 000) has been included for rates.
- 2.10 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 for 2016 at £110 000 (2015 – £114 000).
- 2.11 Following the completion of the refurbishment of the IMO building in 2008 office space of some 1 065 square feet (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 2022. 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 UN 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 £39 000 (2015 – £39 000) has been included to cover the rent along with the costs of the general services provided by IMO.

2.12 Other costs relating to the accommodation in Portland House consist of the following:

Expense Head	2016 Appropriation £	2015 Appropriation £
Outside storage space rent	20 000	20 000
General maintenance	12 500	13 500
Cleaning of the premises	19 000	21 000
Electricity	15 000	16 000
Office contents insurance	5 000	5 000
Total	71 500	70 000

2.13 The move to the IMO building should provide an opportunity to make savings under the budget appropriation of ‘office accommodation’ but the actual amount can only be determined after discussions and negotiations with IMO are concluded.

2.14 The Director shall report to the Assembly at its next session of the developments and office accommodation costs of relocating to the IMO building.

(b) IT (hardware, software, maintenance and connectivity)

2.15 There is a decrease of 0.4% in the 2016 appropriation (£222 600) compared to 2015 (£223 480) under this heading, broken down as follows:

Expense Head	2016 Appropriation £	2015 Appropriation £
Purchase of hardware	10 000	41 000
Purchase of software	33 500	26 530
Maintenance (hardware, software and infrastructure)	70 000	64 200
Software development	65 000	55 000
Connectivity	39 100	31 750
IT related consumables	5 000	5 000
Total	222 600	223 480

2.16 Software development covers work on the proposed online reporting system (ORS) in 2016 and work on other bespoke systems. Maintenance (of software) is as a result of the IOPC Funds using bespoke software such as the finance and contribution system (FUNDMAN), web based Claims Handling System (CHS) and payroll which require periodic updates/modifications.

(c) Furniture and other office equipment

2.17 This appropriation has been decreased to £10 800 (2015 – £13 000). The budget head covers 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

2.18 This appropriation has been maintained at £12 500 (2015 – £12 500) based on expenditure levels.

(e) Communications

2.19 The appropriation has been maintained at £35 000 (2015 – £35 000). It covers the cost of courier, postage and telephone.

(f) Other supplies and services

2.20 This item covers supplies and services not included under items (a) to (e) and miscellaneous expenditure such as bank charges, books for the library, periodicals and newspapers. The appropriation has been reduced to £28 500 (2015 – £35 000).

(g) Representation (hospitality)

2.21 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. This appropriation has been retained at £20 000 (2015 – £20 000).

(h) Public information

2.22 The appropriation is to cover costs for the following:

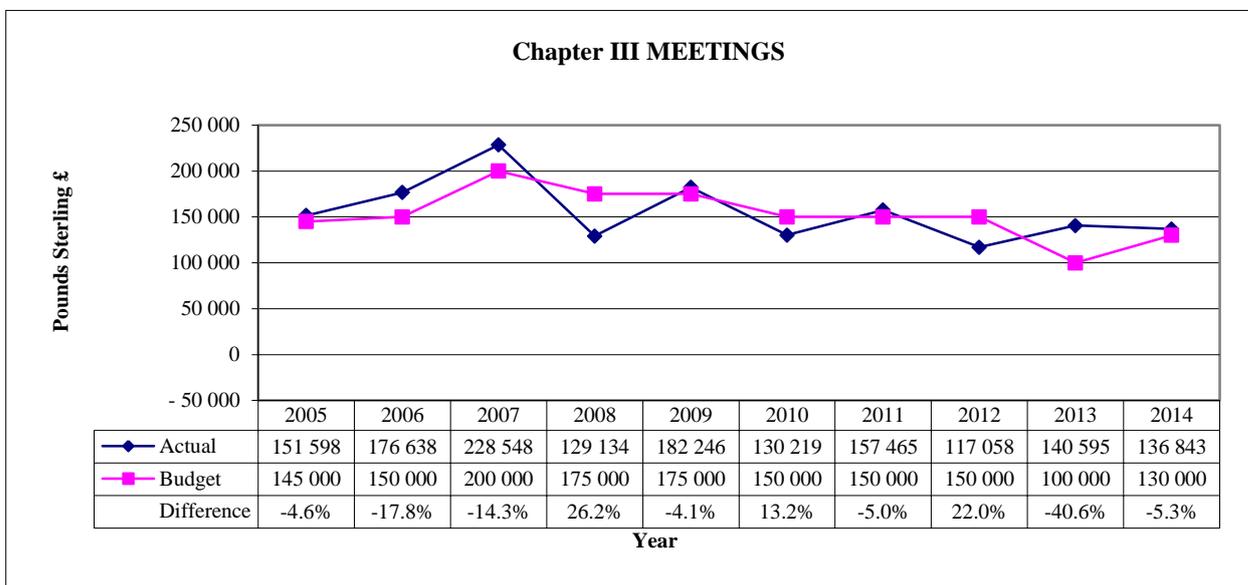
(i) the cost of printing, publication and bulk mailings of the joint Annual Report of the IOPC Funds in the three official languages and of other publications and documents (other than those prepared for the sessions of the Funds’ governing bodies);

(ii) the cost of the ongoing development of the Organisations’ website, as well as expenditure in relation to other public relations projects (eg series of regional lunch meetings); and

(iii) cost of updating the IOPC Funds exhibition stand.

2.23 The total appropriation under this heading has been decreased to £110 000 (2015 – £130 000). The appropriation includes the cost of participation in Spillcon 2016 to be held in Australia in 2016.

3 Meetings (Chapter III)

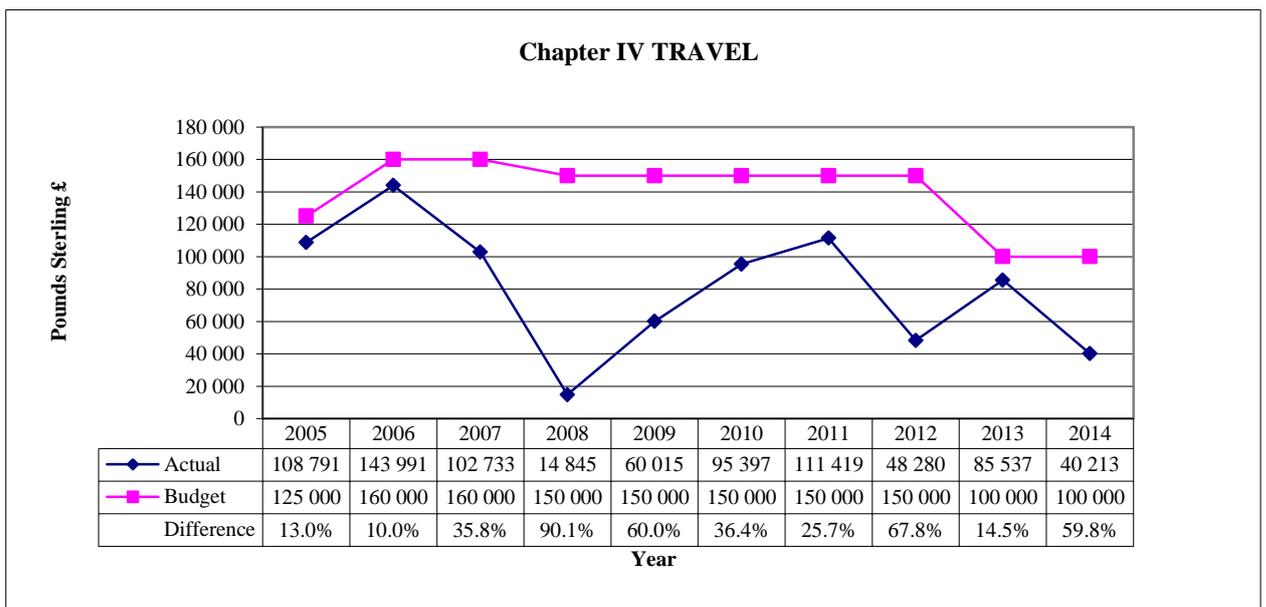


2016 Appropriation £	2015 Appropriation £	% Increase/(Decrease) on 2015 Appropriation
110 000	130 000	(15.4%)

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. As set out in the graph above it can be seen that over the years that there has been both underspend and overspend on the approved budget ranging from an under spend of 26.2% of the budget to overspend of 40.6% of the budget.

- 3.2 At its meeting in June 2009, the 1992 Fund Administrative Council considered reducing the number of meetings. 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 Since 2012 it was decided to have only two meetings. The 2016 appropriation, therefore, has been prepared on the basis of two meeting sessions over ten days with an appropriation of £110 000 (2015 – £130 000) scheduled as follows:
- (i) sessions of the governing bodies including the Executive Committee of the 1992 Fund in spring 2016; and
 - (ii) regular sessions of the governing bodies of the 1992 Fund and Supplementary Fund in October 2016: five days.

4 **Travel (Chapter IV)**

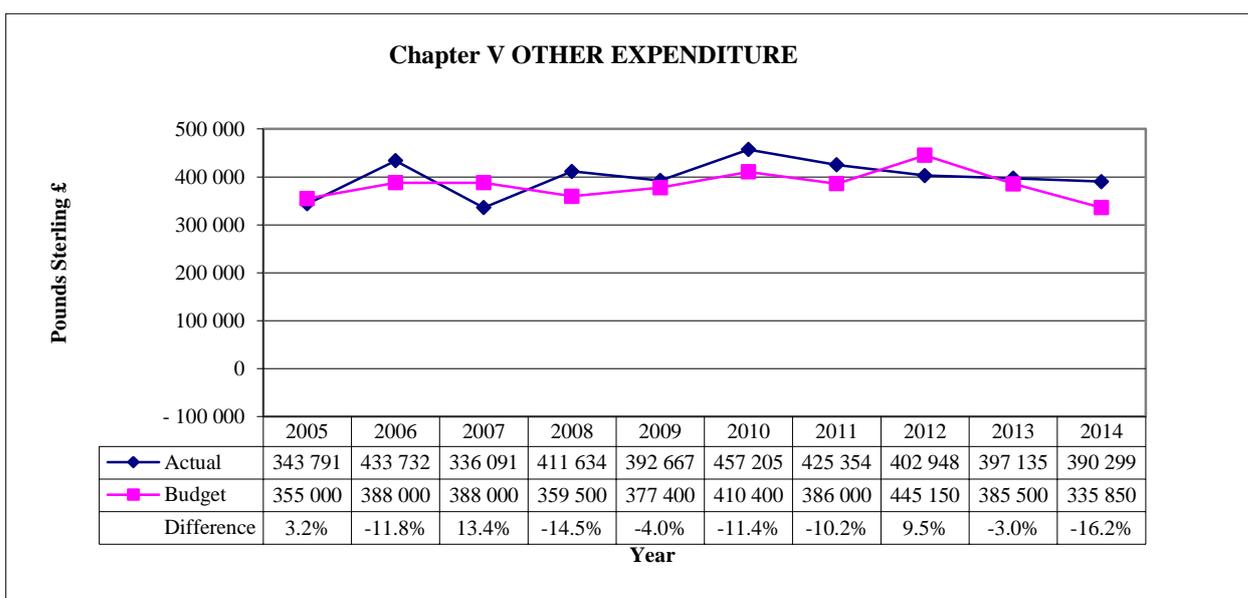


2016 Appropriation £	2015 Appropriation £	% Increase/(Decrease) on 2015 Appropriation
100 000	100 000	0.0%

- 4.1 This appropriation covers the costs of travel on missions and for attendance at conferences and seminars which it is in the interest of the IOPC Funds to participate in. As set out in the graph above it can be seen that over the years that there has been underspend on the approved budget ranging from 90.1% to 10.0% of the budget.
- 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.
- 4.3 There is a continued strong demand from Member States, as well as States which are interested in becoming Member States, for participation by the IOPC Funds in seminars and conferences and for Funds staff to conduct training courses. The IOPC Funds continue to make efforts to obtain funding to cover the cost of travel from organisers of conferences and seminars and to secure more competitive travel booking fares. The appropriation has been maintained at £100 000 (2015 – £100 000).
- 4.4 Requests from Member States on implementation of the Conventions are becoming more prevalent. It is the Director's view that over the coming years more focus will be needed in this area of work. There may be a necessity, in collaboration with IMO and other related parties, to engage with Member

States in a proactive manner to develop a programme to deliver sustainable results in this area of work.

5 Other expenditure (Chapter V)



2016 Appropriation £	2015 Appropriation £	% Increase/(Decrease) on 2015 Appropriation
418 000	427 500	(2.2%)

Overview

- 5.1 This appropriation covers the costs of consultants, the costs of the joint Audit Body and the costs of the joint Investment Advisory Body. As set out in the graph above it can be seen that over the years that there has been both underspend and overspend on the approved budget ranging from underspend of 13.4% of the budget to overspend of 16.2% of the budget. The table below provides a breakdown of the budget appropriations for 2016 and 2015 by expense category.

Expenses	2016 Appropriation £	2015 Appropriation £	% Increase(Decrease) on 2015 Appropriation
Consultants' and other fees	150 000	150 000	0.0%
Audit Body	195 000	205 000	(4.9%)
Investment Advisory Body	73 000	72 500	0.7%
Total	418 000	427 500	(2.2%)

(a) Consultants' and other fees

- 5.2 It will be necessary to engage consultants/lawyers 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 eg study on 'clean up guidelines'.
- 5.3 The 2016 budget appropriation for Consultants' fees has been maintained at £150 000 (2015 - £150 000) to include an appropriation for legal fees including lawyers' fees in relation to pursuing contributors to recover contributions.

5.4 The table below provides a summary of the use of the Consultants' fees budget for the period 2010-2014.

Expenses	2010	2011	2012	2013	2014
	£				
Software upgrade/development	27 308	7 889	-	-	-
Legal/administrative costs	9 900	49 632	52 790	45 091	60 814
Decisions database	56 187	-	-	-	-
Human Resources matters	12 578	13 252	7 788	4 697	513
Non-incident related studies	56 873	60 151	80 883	134 691	110 056
	162 846	130 924	141 461	184 479	171 383

5.5 Increased efforts to pursue contributors in arrears in the Russian Federation which commenced in 2011 have resulted in additional lawyers' fees in recent years.

5.6 Fees for consultants engaged in connection with individual incidents are charged against the respective incidents.

(b) Audit Body

5.7 As decided by the respective governing bodies, the 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 meetings a year.

5.8 An appropriation of £195 000 is included in the draft 2016 budget (2015 – £205 000) to cover the costs resulting from the operation of this Body, ie the travel and subsistence costs of the members, the fee for the 'external expert' and an honorarium for the members nominated by Member States.

5.9 Following the election in October 2014 the joint Audit Body consists of six members and the 'external expert'.

5.10 At their October 2009 sessions, the 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, set the level of annual honoraria/fees for the members of the Audit Body. It was also decided that all the honoraria/fees should be indexed annually using the United Kingdom Retail Price Index at the time of the preparation of the relevant budget (document [IOPC/OCT09/11/1](#), paragraphs 6.2.8 and 6.2.9).

5.11 The Retail Price Index is no longer classified as a 'national statistic' by the Office for National Statistics in the United Kingdom. Future budgets i.e from 2017 will use the United Kingdom Consumer Price Index (CPI) for indexing.

5.12 The June 2015 UK Retail Price Index of 1.0% has been used for preparing budget appropriations resulting in the following honoraria/fees totalling £64 410:

Chairman	£7 285
Members	£4 860 each (£24 300 for five members)
External expert	£32 825

5.13 Travel costs, including daily subsistence allowance to attend meetings for the members, plus a small additional appropriation for any increase in fees from October 2016, have been estimated at £130 590.

(c) Investment Advisory Body

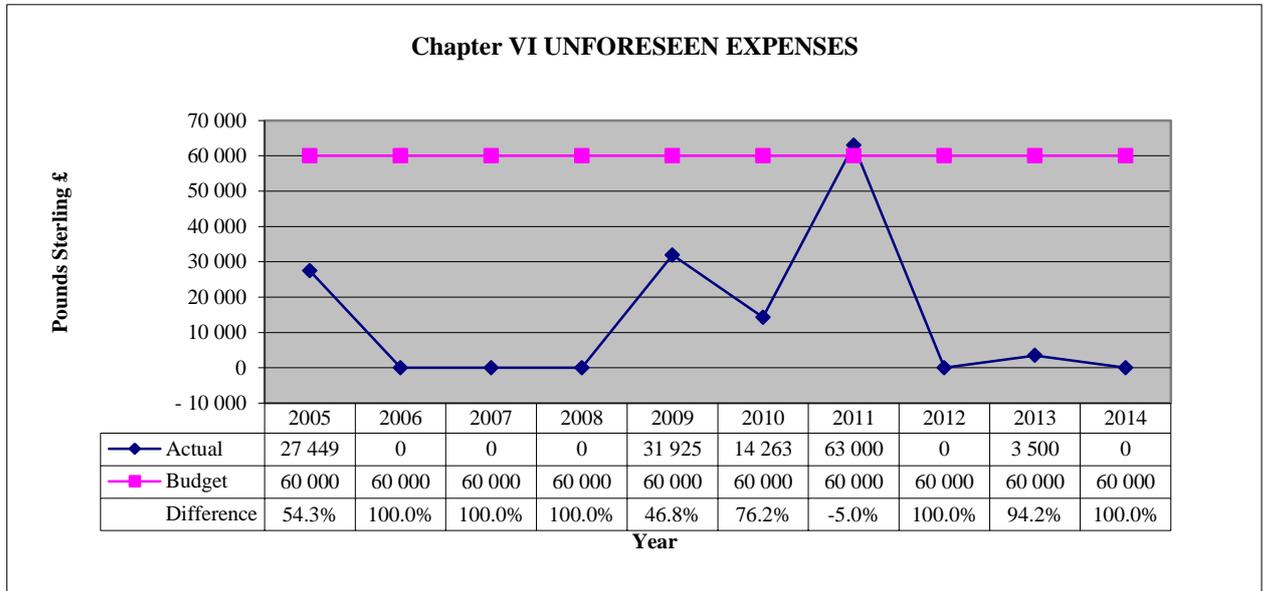
5.14 As decided by the respective governing bodies, the Funds have a joint Investment Advisory Body (IAB), composed of three external experts with specific knowledge in financial matters.

5.15 At their October 2009 sessions, the 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, decided to increase the remuneration for the members of the IAB to £20 000. It

also decided that the fee should be indexed annually using the United Kingdom Retail Price Index at the time of the preparation of the relevant budget (document [IOPC/OCT09/11/1](#), paragraphs 6.2.8 and 6.2.9). The June 2015 UK Retail Price Index of 1.0% has been used for preparing the appropriations. Set out in paragraph 5.11 above, CPI will be used for indexing in future budgets.

- 5.16 The new remuneration of the three members will therefore be £24 270 per member (2015 – £24 030). An appropriation of £73 000 has been included in the draft budget to cover any increase in fees in October 2016.

6 Unforeseen expenditure (Chapter VI)



2016 Appropriation £	2015 Appropriation £	% Increase/Decrease) on 2015 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. As set out in the graph above it can be seen that over the years that there has mainly been an under spend on the approved budget ranging from an under spend of 100% to an over spend of 5% of the budget. This appropriation has been maintained at £60 000, representing some 1.4% of the draft budget.

7 Costs relating only to the 1992 Fund

7.1 External audit fee (Chapter VII)

7.1.1 External audit fees are paid by the respective Fund and are not included as part of the management fee paid by the Supplementary Fund to the 1992 Fund. Chapter VII represents the audit fee payable by the 1992 Fund.

7.1.2 The United Kingdom National Audit Office has provisionally advised that the fee for auditing the accounts of the 2015 financial period of the 1992 Fund which is payable in 2016 will be £47 500 (2015 - £47 500).

7.2 Relocation costs (Chapter VIII)

7.2.1 As advised at the May 2014 session of the Administrative Council the Director proposes to finance the relocation costs through budget appropriations approved of £250 000 in each of the years 2014, 2015 and 2016.

- 7.2.2 It is not possible to give a clear estimate of the costs that will arise from a relocation of the IOPC Funds' Secretariat to the IMO building in June 2016.
- 7.2.3 An appropriation of £250 000 has been included in the 2016 budget. The Director envisages that the overall costs of relocation may not be as high as he had indicated in the 2014 and 2015 budget but believes that it is prudent to have the budget appropriation to cover all eventualities.

* * *

ANNEX III

Estimated General Fund claims expenditure in 2015

(Figures in Pounds sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Expenditure up to 31/12/14		Receipt under STOPIA 2006 Agreement** up to 31/12/2014	Balance payable from General Fund at 31/12/2014	2015 Expenditure				Receipts/receivables under STOPIA 2006 Agreement 01/01/15 to 31/12/15	Estimated total General Fund Expenditure in 2015	Estimated total General Fund Expenditure up to 31/12/15	Estimated balance payable from General Fund at 31/12/15
			Compensation paid up to 31/12/2014	Claims-related expenses paid up to 31/12/2014			Compensation		Claims-related expenses					
							Paid 01/01/15-30/06/15	Estimate 01/07/15-31/12/15	Paid 01/01/15-30/06/15	Estimate 01/07/15-31/12/15				
<i>Solar 1*</i>	11/08/06	3 134 944	(6 491 623)	(211 333)	6 522 136	2 954 124	-	-	(6)	(5 000)	-	(5 000)	(186 000)	2 950 000
<i>Volgoneft 139</i>	11/11/07	3 059 508	(1 527 250)	(1 124 152)	-	408 106	-	-	(5 626)	(50 000)	-	(55 000)	(2 706 000)	354 000
Incident in Argentina	26/12/07	3 152 360	-	(238 827)	-	2 913 533	-	-	(44)	(5 000)	-	(5 000)	(244 000)	2 909 000
<i>Redfern</i>	24/03/09	4 091 560	-	(65 482)	-	4 026 078	-	-	-	(5 000)	-	(5 000)	(71 000)	4 022 000
<i>JS Amazing</i>	06/06/09	3 857 988	-	(78 484)	-	3 779 504	-	-	-	(5 000)	-	(5 000)	(84 000)	3 775 000
<i>Haekup Pacific</i>	20/04/10	3 993 132	-	(6,979)	-	3 986 153	-	-	-	(5 000)	-	(5 000)	(12 000)	3 982 000
<i>MT Pavit</i>	31/07/11	3 930 432	-	(6,164)	-	3 924 268	-	-	(8 065)	(42 000)	-	(50 000)	(57 000)	3 875 000
<i>Alfa I</i>	05/03/12	3 900 576	-	(121 862)	-	3 778 714	-	-	(9 133)	(40 000)	-	(50 000)	(172 000)	3 729 000
<i>Nesa R3</i>	19/06/13	3 906 172	(761,271)	(33,692)	-	3 111 209	-	(1 000 000)	(4 774)	(25 000)	-	(1 030 000)	(1 825 000)	2 082 000
<i>Shoko Maru</i>	29/05/14	3 684 972	-	(16,502)	-	3 668 470	-	-	-	(5 000)	-	(5 000)	(22 000)	3 664 000
												(1 215 000)		

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

**Receipts under STOPIA 2006 includes bank charges related to the compensation payments

Figures in brackets show outflow.

* * *

ANNEX IV

Estimated General Fund claims expenditure in 2016

(Figures in Pounds sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Estimated balance payable from General Fund at 31/12/2015	2016 Estimated Expenditure		Receivable under STOPIA 2006 Agreement	Estimated total General Fund Expenditure in 2016	Estimated total General Fund Expenditure up to 31/12/16	Estimated balance payable from General Fund at 31/12/2016
				Compensation	Claims-related expenses				
<i>Solar 1*</i>	11/08/06	3 134 944	2 950 000	-	(5 000)	-	(5 000)	(191 000)	2 945 000
<i>Volgoneft 139</i>	11/11/07	3 059 508	354 000	(304,000)	(50 000)	-	(354 000)	(3060 000)	-
Incident in Argentina	26/12/07	3 152 360	2 909 000	-	(5 000)	-	(5 000)	(249 000)	2 904 000
<i>Redferm</i>	24/03/09	4 091 560	4 022 000	-	(5 000)	-	(5 000)	(76 000)	4 017 000
<i>JS Amazing</i>	06/06/09	3 857 988	3 775 000	-	(5 000)	-	(5 000)	(89 000)	3 770 000
<i>Haekup Pacific</i>	20/04/10	3 993 132	3 982 000	-	(5 000)	-	(5 000)	(17 000)	3 977 000
<i>MT Pavit</i>	31/07/11	3 930 432	3 875 000	-	(50 000)	-	(50 000)	(107 000)	3 825 000
<i>Alfa I</i>	05/03/12	3 900 576	3 729 000	(3,679,000)	(50 000)	-	(3,729,000)	(3,901,000)	-
<i>Nesa R3</i>	19/06/13	3 906 172	2 082 000	(2,057,000)	(25 000)	-	(2,082,000)	(3,907,000)	-
<i>Shoko Maru</i>	29/05/14	3 684 972	3 664 000	-	(5 000)	-	(5 000)	(27 000)	3 659 000
							(6 245 000)		

* *Solar 1* - Under STOPIA 2006 compensation payments up to 20 million SDR will be reimbursed by the P&I Club
 Figures in brackets show outflow.