



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
FUNDS

<b>Agenda item: 9</b>	IOPC/OCT13/9/1/1	
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1992 Fund Assembly	<b>92A18</b>	•
1992 Fund Executive Committee	<b>92EC59</b>	
Supplementary Fund Assembly	<b>SA9</b>	
1971 Fund Administrative Council	<b>71AC31</b>	

## BUDGET FOR 2014 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

### 1992 FUND

#### Note by the Director

<b>Summary:</b>	As indicated in document IOPC/OCT13/9/1, the draft 1992 Fund administrative budget for 2014 is presented, with the Director's comments thereon. The draft budget (excluding External Auditor's fees and cost of relocation of the IOPC Funds' offices) for running the joint Secretariat for 2014 totals £4 165 960 (2013 – £4 339 660). An assessment is made of the likely compensation payments and other incident-related expenses. The resulting need for 2013 contributions to the General Fund is examined.
<b>Action to be taken:</b>	<p><u>1992 Fund Assembly</u></p> <ul style="list-style-type: none"> <li>(a) Decide whether to renew the authorisation given to the Director to create additional posts in the General Service category as required (paragraph 4.16);</li> <li>(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 4.17);</li> <li>(c) Adopt the draft budget for 2014 for the administrative expenses of the 1992 Fund (section 4 and Annex I);</li> <li>(d) Decide on the apportionment between the three Organisations of the costs for the administration of the joint Secretariat (section 5);</li> <li>(e) Approve the Director's estimate of the expenses to be incurred in 2014 in respect of the preparation for the entry into force of the HNS Convention (paragraph 7.3.4);</li> <li>(f) Decide whether to maintain the working capital of the 1992 Fund at £22 million (paragraph 7.4.3); and</li> <li>(g) Decide on the Director's proposal to levy £4 million, payable by 1 March 2014 (section 9) and £10 million to be deferred and subject to the 1992 Fund Executive Committee's decision to make payment of compensation in respect of the <i>Redfferm</i>, <i>JS Amazing</i>, and <i>Alfa I</i> incidents.</li> </ul>

## **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<sup><1></sup> 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/OCT13/9/2/1).
- 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 2012 Financial Statements (document IOPC/OCT13/5/6/1, 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 2014. 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 new standards (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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<sup><1></sup> 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 (less than 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 2014 and is shown in the table in paragraph 8.1.1.

### 3 **Joint Secretariat**

- 3.1 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).
- 3.2 As set out in section 5 below 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 2014 in respect of the costs of running the joint Secretariat.

### 4 **1992 Fund budget for administrative expenditure in 2014**

- 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 2014.
- 4.2 The lease for the current premises of the IOPC Funds expires on 24 March 2015 and will not be renewed as the landlord has alternative plans for the building (see document IOPC/OCT13/7/3). The Director has not included an appropriation for costs relating to the relocation of the IOPC Funds' offices as part of the draft joint Secretariat budget. In the Director's view the cost of relocation is not a regular recurring administrative expense and in addition is to be borne only by the 1992 Fund.
- 4.3 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 2012 (actual expenditure and budget appropriations) and for 2013 (budget appropriations) are also given.
- 4.4 Excluding the External Auditor's fees and costs associated with the relocation of the IOPC Funds' offices, the draft joint Secretariat budget (Chapters I-VI) totals £4 165 960 (2013 – £4 339 660). This budget figure is 4% (£173 700) lower than the corresponding 2013 budget appropriation and is broken down as follows:

	<b>Increase/(Decrease) on total 2013 Budget</b>	
	£	%
Chapter I – Personnel costs	(23 215)	(0.5)
Chapter II – General services	(130 835)	(3.0)
Chapter III – Meetings	30 000	0.7
Chapter IV – Travel	-	-
Chapter V – Other expenditure	(49 650)	(1.2)
Chapter VI – Unforeseen expenditure	-	-
	<b>(173 700)</b>	<b>(4.0%)</b>

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

Chapter	Proposed 2014 Appropriation £	2013 Appropriation £	% Increase/(decrease) Appropriation on 2013
<b>I</b> Personnel	2 747 695	2 770 910	(0.8)%
<b>II</b> General services	792 415	923 250	(14.2)%
<b>III</b> Meetings	130 000	100 000	30.0%
<b>IV</b> Travel	100 000	100 000	0.0%
<b>V</b> Other expenditure	335 850	385 500	(12.9)%
<b>VI</b> Unforeseen expenditure	60 000	60 000	0.0%
<b>Total Expenditure Chapters I-VI</b>	<b>4 165 960</b>	<b>4 339 660</b>	<b>(4.0)%</b>

4.6 The External Audit fee for auditing the 1992 Fund's 2013 Financial Statements payable in 2014 is estimated at £48 500 and is set out under Chapter VII in the draft Administrative Budget for the 1992 Fund.

4.7 The proposed appropriation for the cost of the relocation of the IOPC Funds' offices of £250 000 is set out under Chapter VIII in the draft Administrative Budget for the 1992 Fund (document IOPC/OCT13/7/3).

4.8 The Director submits for consideration by the 1992 Fund Assembly an administrative budget for the 1992 Fund which covers the expenses for 2014 of running the joint Secretariat 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.

4.9 Notes on the individual appropriations for the joint Secretariat running costs are set out in Annex II. A summary of the key changes to the 2014 joint Secretariat running cost budget in comparison to 2013 by Chapter is set out in paragraphs 4.10-4.15.

4.10 Chapter I – Personnel (66% of the 2014 proposed budget)

*Increase/(decrease) on 2013 budget appropriation: (0.8)% decrease*

4.10.1 The Chapter consists of:

Expense Head	2014 Appropriation £	2013 Appropriation £
Salaries	2 061 920	2 060 260
Separation and recruitment	40 000	40 000
Staff benefits, allowances and training	645 775	670 650

4.10.2 As set out in document IOPC/OCT13/7/1 (Secretariat Matters) the Secretariat has 34 established posts of which 28 posts are presently filled. Of the six vacancies there are three in the Professional Category of which two posts are not included in the budget, and three posts in General Service category of which one post has not been budgeted for. The 1992 Fund's salaries, allowances and grants follow the United Nations common system as applied by the International Maritime Organization (IMO). As in previous years to account for any changes to the common system a 3% increase to staff salary has been included for 2014.

4.11 Chapter II – General services (19.0% of the 2014 proposed budget)

*Increase/(decrease) on 2013 budget appropriation: (14.2)% decrease*

## 4.11.1 This Chapter consists of:

<b>Expense Head</b>	<b>2014 Appropriation £</b>	<b>2013 Appropriation £</b>
Accommodation	332 800	340 800
IT (hardware, software, maintenance and connectivity)	221 615	278 450
Furniture and other office equipment	13 000	19 000
Stationery	15 000	20 000
Communications (postage, telephone, courier)	45 000	45 000
Other supplies and services	35 000	35 000
Hospitality	20 000	25 000
Public information	110 000	160 000

4.11.2 IT (hardware, software, maintenance and connectivity) – decrease of (20.4%) due to reduction in the need to purchase hardware as costs of upgrading servers was undertaken in 2013.

4.11.3 Public information – decrease of (31.25)% due to reduction in anticipated work on the Funds' website as the IOPC Funds' new website was launched in late 2012.

4.12 Chapter III – Meetings (3.1% of the 2014 proposed budget)

*Increase/(decrease) on 2013 budget appropriation: 30.0% increase*

Two meetings of the governing bodies were held in 2012 and 2013 in line with the decision of the 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, in June 2009 (document [92FUND/AC.5/A/ES.14/9](#), paragraphs 4.4-4.5) to try to hold two rather than three meetings a year. The 2014 budget has been prepared on the basis of two meetings a year. The increases in costs are a result of increase to new fee structures governing interpreters and translators.

4.13 Chapter IV – Travel: conferences and mission (2.4% of the 2014 proposed budget)

*Increase/(decrease) on 2013 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 2013 level. Travel costs in relation to incidents are charged to the cost of the incident.

4.14 Chapter V – Other expenditure (8.1% of the 2014 proposed budget)

*Increase/(decrease) on 2013 budget appropriation: (12.9)% decrease*

## 4.14.1 This Chapter consists of:

<b>Expense Head</b>	<b>2014 Appropriation £</b>	<b>2013 Appropriation £</b>
Consultants and other fees	100 000	150 000
Investment Advisory Body (IAB)	70 850	68 500
Audit Body	165 000	167 000

4.14.2 There is a 33.3% reduction to the 'Consultants and other fees' appropriation. Purchase of information relating to oil import data from Lloyds Intelligence was approved by the Assembly for three years ie only for budget years 2011-2013 (see document IOPC/OCT13/6/1).

4.15 Chapter VI – Unforeseen expenditure (1.4% of the 2014 proposed budget)

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.

4.16 At its October 2012 session the 1992 Fund Administrative Council, acting on behalf of 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 [IOPC/OCT12/11/1](#), paragraph 9.2.10). Since this authority was provided to the Director by the Assembly in October 2003 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 2014 (ie up to £206 000 based on the draft 2014 budget) in the event that the Secretariat is faced with difficulties in administering new incidents.

4.17 At its October 2010 session, the 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, also gave the Director the authority to create one additional unspecified post in the Professional category at P3 level. This was renewed by the 1992 Fund Assembly, at its session in October 2011 and the 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, at its session October 2012. This authority has not been utilised. The Director, however, considers that having this flexibility will assist in the management of the Secretariat. The Director has not included the post within the 2013 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 (£83 000) subject to need and budget availability.

## 5 Sharing of joint Secretariat administrative costs

5.1 The table below summarises the management fees approved by the governing bodies to be paid to the 1992 Fund by the Supplementary Fund and 1971 Fund for administering the joint Secretariat since the financial year 2006.

<b>Management fees</b>				
	<b>Supplementary Fund</b>		<b>1971 Fund</b>	
<b>Financial Year</b>	<b>Number of working days</b>	<b>Management Fee</b>	<b>Number of working days</b>	<b>Management Fee</b>
2006	5	70 000	20	275 000
2007	5	70 000	20	275 000
2008	3.5	50 000	15	210 000
2009	3.5	50 000	15	210 000
2010	3.5	52 500	15	225 000
2011	3.5	56 000	15	240 000
2012	3.5	59 500	15	255 000
2013	2.0	33 000	15	247 000

5.2 The Director proposes that the management fees for 2014 be calculated on an estimate of two working days for the Supplementary Fund and 15 working days for the 1971 Fund which the staff as a whole during 2014 would devote to tasks relating to the respective Funds. As regards the Supplementary Fund (provided it is not involved in any incident), the work during 2014 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. The work to be carried out for the 1971 Fund in 2014 is expected to be at a similar level to 2013, focusing on the settlement of old incidents and on matters dealing with the winding up of the 1971 Fund.

- 5.3 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 2014 totalling £4 165 960 (2013 – £4 339 660) and 261 working days during the year. The daily costs of running the joint Secretariat would then be some £15 962 (2013 – £16 627). Using a daily cost of £16 000, the Supplementary Fund should pay a management fee of £32 000 (2 x £16 000) and the 1971 Fund a fee of £240 000 (15 x £16 000).
- 5.4 The Director therefore proposes that the Supplementary Fund and 1971 Fund should pay to the 1992 Fund management fees for 2014 of £32 000 and £240 000, respectively, compared to £33 000 and £247 500, respectively, for 2013.

## 6 Estimated 1992 Fund General Fund balance as at 31 December 2013

### 6.1 Estimated balance

The balance on the General Fund at 31 December 2013 is estimated at £24 157 228 as shown in the table below:

	£	£
Balance b/f at 1 January 2013		
Working Capital	22 000 000	
Surplus/(deficit)	<u>2 833 030</u>	
	24 833 030	
Add back – Provision for employee benefits	497 003	
Less – Difference between cost of fixed assets and depreciation (Notes 8 and 9 to 2012 Financial Statements (document IOPC/OCT13/5/6/1))	(33 688)	25 296 345
<i>Plus</i>		
2012 General Fund contributions receivable in 2013	4 733 198	
Previous years' General Fund contributions receivable in 2013	4 696	
Interest to be earned in 2013 (estimate)	100 000	
Management fee payable by 1971 Fund	247 500	
Management fee payable by Supplementary Fund	33 000	
		5 118 394
		30 414 739
<i>Less</i>		
Estimated 2013 administrative expenditure of joint Secretariat	3 887 011	
External Auditor's fees for 2013 (paragraph 6.3.2)	48 500	
Minor claims expenditure in 2013 (Annex III)	2 322 000	
		6 257 511
Estimated balance as at 31 December 2013		24 157 228

### 6.2 Income

#### *Contributions*

- 6.2.1 The 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, decided at its session in October 2012 that there should be a levy of 2012 contributions of £5 million for receipt by 1 March 2013.

*Interest to be earned in 2013*

- 6.2.2 Interest received for the period 1 January-30 June 2013 amounts to some £60 000. Based on the current interest rates applicable to the 1992 Fund investments, interest income for 2013 is estimated at £100 000 based on an average capital of £25 million.

*Management fee payable to the 1992 Fund in 2013*

- 6.2.3 The management fee payable to the 1992 Fund for 2013 was set by the governing bodies at £247 500 for the 1971 Fund and at £33 000 for the Supplementary Fund (see document [IOPC/OCT12/11/1](#), paragraph 9.1.4).

6.3 Expenditure*Administrative costs*

- 6.3.1 The administrative costs of the joint Secretariat were set in the 2013 budget at £4 339 660. Based on information as at 19 August 2013, the total expenditure for 2013 is estimated to be some £3 887 011 which is 10.4% lower than the 2013 budget appropriation, as set out in the table below:

Chapter	2013 Appropriation £	Expenditure to 30 June 2013 £	Projected total 2013 expenditure £	% of 2013 Appropriation
<b>I</b> Personnel	2 770 910	1 220 815	2 520 600	91.0%
<b>II</b> General services	923 250	382 701	802 911	87.0%
<b>III</b> Meetings	100 000	39 369	120 000	120.0%
<b>IV</b> Travel	100 000	42 190	80 000	80.0%
<b>V</b> Other Expenditure	385 500	118 862	363 500	94.3%
<b>VI</b> Unforeseen expenditure	60 000	0	0	0%
<b>Total Expenditure Chapters I-VI</b>	<b>4 339 660</b>	<b>1 803 937</b>	<b>3 887 011</b>	<b>89.6%</b>

- 6.3.2 Including the External Audit fee of £48 500 for the 2012 Financial Statements, payable in 2013, the total administration expenditure for the 1992 Fund for the 2013 financial year is estimated at £3 935 511 (£3 887 011 plus £48 500).

*Minor claims expenditure 2013*

- 6.3.3 As can be seen from Annex III, it is expected that claims and claims-related expenses will be incurred during 2013 in respect of eight incidents involving the 1992 Fund. The total claims and claims-related expenses during 2013 are estimated at £2 322 000.
- 6.3.4 Following the decision of the 1992 Fund Executive Committee at its session in April 2013 authorising the Director to make compensation payments in respect of the *Volgoneft 139* incident, it is estimated that the balance payable in compensation payments and claims-related expenses from the General Fund amounting to £2 106 910 will be paid in 2013. The total amount payable from the General Fund for this incident is £3 059 508.

## 7 Income and Expenditure estimates for 2014

### 7.1 Income

#### *Interest to be earned in 2014*

- 7.1.1 Interest income during 2014 from the 1992 Fund's investment of the assets of the General Fund is estimated at £100 000. This estimated yield is based on an average principal of approximately £24 million at an average interest rate of 0.40%.

#### *Management fee payable to the 1992 Fund*

- 7.1.2 The Director has proposed that the management fees payable to the 1992 Fund for 2014 be set at £240 000 (2013 – £247 500) for the 1971 Fund and at £32 000 (2013 – £33 000) for the Supplementary Fund (section 5). If a different apportionment of costs between the three Organisations were to be decided, the draft budget would have to be revised accordingly.

### 7.2 Expenditure

- 7.2.1 The estimated joint Secretariat administrative expenditure for 2014 totals £4 165 960 (2013 – £4 339 660), as detailed in section 4. A provision for accrued annual leave and repatriation grant of £500 000 has been made. As set out in paragraph 4.6 the External Audit fee for auditing the 2013 Financial Statements has been estimated by the External Auditor at £48 500. In addition as set out in paragraph 4.7 the Director proposes an appropriation of £250 000 in relation to costs for the relocation of the IOPC Funds' offices.

#### *Minor claims expenditure 2014*

- 7.2.2 The incidents in respect of which payments may have to be made from the General Fund during 2014 are listed in Annex IV.
- 7.2.3 It is estimated that the payments by the 1992 Fund from the General Fund in 2014 relating to seven incidents will total £11 757 000. This is net of any reimbursement receivable from the shipowner/P&I Club under the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) 2006 with respect to the *Solar I* incident.
- 7.2.4 If the 1992 Fund Executive Committee were to decide to authorise the Director to make payments of compensation in relation to the incidents in Nigeria (*Redfferm* and *JS Amazing*) and the *Alfa I* incident in Greece, it is anticipated that the total amounts payable for these three incidents would reach the limits payable from the General Fund in 2014. The Pounds sterling amounts payable from the General Fund of 4 million SDR for each of the three incidents, calculated at the exchange rate at the date of incident, are as follows:

<b>Incident</b>	<b>£ equivalent of 4 million SDR</b>
<i>Redfferm</i>	£4 091 560
<i>JS Amazing</i>	£3 857 988
<i>Alfa I</i>	£3 900 576

- 7.2.5 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 2014. 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 2014, have to be made earlier.

### 7.3 Loans to the Hazardous and Noxious Substances (HNS) Fund

- 7.3.1 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 (document [92FUND/A.6/28](#), paragraphs 28.5 and 28.6).
- 7.3.2 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:

<b>Year</b>	<b>Appropriation</b>	<b>Loan</b>	<b>Interest</b>
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 (expenses and interest to 30 June 2013)	150 000	4 734	820
<b>Total</b>	<b>970 000</b>	<b>223 741</b>	<b>29 804</b>

- 7.3.3 Of the total appropriations over the years of £970 000 an amount of £253 545 (including interest) had been used as at 30 June 2013. 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 2002-2013 relating to the preparations for setting up the HNS Fund can therefore not be used to cover payments during 2014.
- 7.3.4 An appropriation of £50 000 has been included in the 2014 budget to cover the costs for the preparations and other administrative tasks in respect of the HNS Fund (document IOPC/OCT13/8/4).
- 7.3.5 All costs incurred by the 1992 Fund for the setting up of the HNS Fund will be reimbursed by the HNS Fund with interest.

### 7.4 Working capital

- 7.4.1 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.
- 7.4.2 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.

- 7.4.3 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). 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 2014 budget accordingly.

## 8 **Estimated 1992 Fund General Fund balance as at 31 December 2014**

- 8.1 The estimates for the General Fund for 2014 are set out in the table below:

		£	£
	<b>ESTIMATED INCOME</b>		
	Balance at 31 December 2013 (paragraph 6.1) Surplus/(deficit)		24 157 228
<i>Plus</i>	Interest to be earned in 2014	100 000	
	Management fee payable by 1971 Fund for 2014	240 000	
	Management fee payable by Supplementary Fund for 2014	32 000	
	Total estimated income 2014		372 000
<i>LESS</i>	<b>ESTIMATED EXPENDITURE</b>		
	Joint Secretariat administrative expenditure 2014 (Annex I)	4 165 960	
<i>Plus</i>	Provision for accrued Annual Leave and Repatriation Grant as at 31 December 2014	500 000	
<i>Plus</i>	External Audit fee for 1992 Fund (paragraph 4.6)	48 500	
<i>Plus</i>	Costs for relocation of IOPC Funds office (paragraph 4.7)	250 000	
	Minor claims expenditure 2014 (Annex IV)	11 757 000	
	Loans to HNS Fund (paragraph 7.3.4)	50 000	
<i>Plus</i>	Working capital (paragraph 7.4.3)	22 000 000	
	Total estimated expenditure 2014		38 771 460
	<b>ESTIMATED EXPENDITURE OVER INCOME</b>		(14 242 232)

- 8.2 The balance as at 31 December 2013 is estimated at £24 157 228 which exceeds the working capital by £2 157 228. When assessing the need for levying contributions for payment in the following year (ie 2014) 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.
- 8.3 As shown from the estimates in the table above, contributions of £14 242 232 would be needed to balance the 2014 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.

## 9 **Director's proposal on assessment of 2013 contributions to the General Fund**

- 9.1 In the light of the estimates set out in paragraph 8.1.2 of the amount needed to balance the 2014 budget of the General Fund, the Director proposes that there should be a levy of 2013 contributions to the General Fund of £14 million.

### 9.2 Timing of levy

- 9.2.1 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.

- 9.2.2 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).
- 9.2.3 The Director proposes that £4 million be levied for payment by 1 March 2014 and the remaining amount of £10 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 *Redfferm*, *JS Amazing* and *Alfa I* incidents.

## 10 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 decide whether to renew the authorisation given to the Director to create additional posts in the General Service category as required (paragraph 4.16);
- (b) to 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 4.17);
- (c) to adopt the draft budget for 2014 for the administrative expenses of the 1992 Fund (section 4 and Annex I);
- (d) to decide on the apportionment between the three Organisations of the costs for the administration of the joint Secretariat (section 5);
- (e) to approve the Director's estimate of the expenses to be incurred in 2014 in respect of the preparation for the entry into force of the HNS Convention (paragraph 7.3.4);
- (f) to decide whether to maintain the working capital of the 1992 Fund at £22 million (paragraph 7.4.3); and
- (g) to decide on the Director's proposal to levy £4 million, payable by 1 March 2014 (section 9) and £10 million to be deferred and subject to the 1992 Fund Executive Committee's decision to make payment of compensation in respect of the *Redfferm*, *JS Amazing* and *Alfa I* incidents.

\* \* \*

**ANNEX I**  
**Draft 2014 Administrative Budget for 1992 Fund**

STATEMENT OF EXPENDITURE		Actual 2012 expenditure for 1992 Fund		2012 budget appropriations for 1992 Fund		2013 budget appropriations for 1992 Fund		2014 budget appropriations for 1992 Fund	
		£		£		£		£	
<b>SECRETARIAT</b>									
<b>I</b>	<b>Personnel</b>								
(a)	Salaries	1 851 975		2 061 860		2 060 260		2 061 920	
(b)	Separation and recruitment	28 297		75 000		40 000		40 000	
(c)	Staff benefits, allowances and training	537 849		721 425		670 650		645 775	
<b>Sub-total</b>			<b>2 418 121</b>		<b>2 858 285</b>		<b>2 770 910</b>		<b>2 747 695</b>
<b>II</b>	<b>General services</b>								
(a)	Rent of office accommodation (including service charges and rates)	314 080		347 000		340 800		332 800	
(b)	IT (hardware, software, maintenance and connectivity)	240 505		318 075		278 450		221 615	
(c)	Furniture and other office equipment	10 581		26 000		19 000		13 000	
(d)	Office stationery and supplies	15 435		22 000		20 000		15 000	
(e)	Communications (courier, telephone, postage)	37 124		45 000		45 000		45 000	
(f)	Other supplies and services	27 178		35 000		35 000		35 000	
(g)	Representation (hospitality)	13 939		25 000		25 000		20 000	
(h)	Public information	171 593		175 000		160 000		110 000	
<b>Sub-total</b>			<b>830 435</b>		<b>993 075</b>		<b>923 250</b>		<b>792 415</b>
<b>III</b>	<b>Meetings</b>								
	Sessions of the 1992, Supplementary and 1971 Funds' governing bodies and intersessional Working Groups		117 058		150 000		100 000		130 000
<b>IV</b>	<b>Travel</b>								
	Conferences, seminars and missions		48 280		150 000		100 000		100 000
<b>V</b>	<b>Other expenditure (previously Miscellaneous expenditure)</b>								
(a)	Consultants' fees	141 461		150 000		150 000		100 000	
(b)	Audit Body	146 527		180 000		167 000		165 000	
(c)	Investment Advisory Body	66 460		66 150		68 500		70 850	
<b>Sub-total</b>			<b>354 448</b>		<b>396 150</b>		<b>385 500</b>		<b>335 850</b>
<b>VI</b>	Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff and cost of equipment)		-		60 000		60 000		60 000
<b>Total joint Secretariat expenditure I-VI (excluding External Audit fees)</b>			<b>3 768 342</b>		<b>4 607 510</b>		<b>4 339 660</b>		<b>4 165 960</b>
<b>VII</b>	<b>External Audit fees 1992 Fund only</b>		48 500		49 000		49 000		48 500
<b>VIII</b>	<b>Relocation costs 1992 Fund only</b>		-		-		-		250 000
<b>Total Expenditure I-VIII</b>			<b>3 816 842</b>		<b>4 656 510</b>		<b>4 388 660</b>		<b>4 464 460</b>

\* \* \*

## ANNEX II

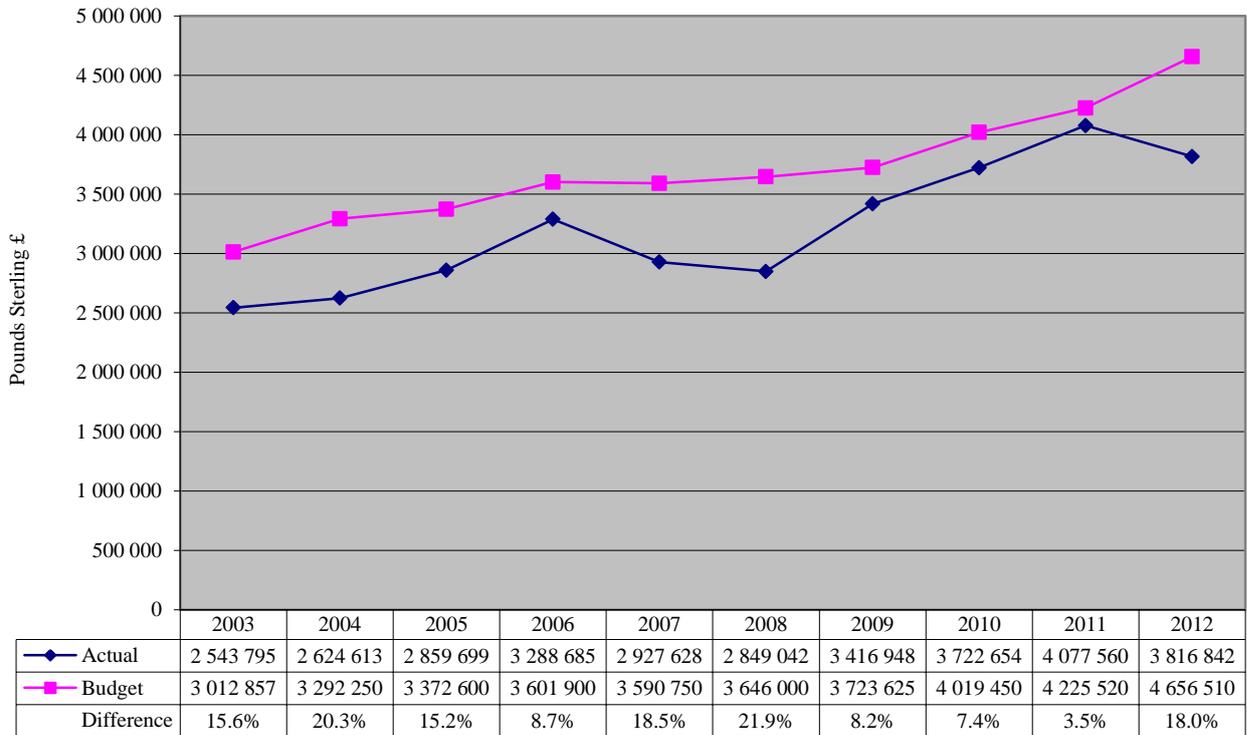
### NOTES ON THE INDIVIDUAL APPROPRIATIONS BY CHAPTER

#### Introduction

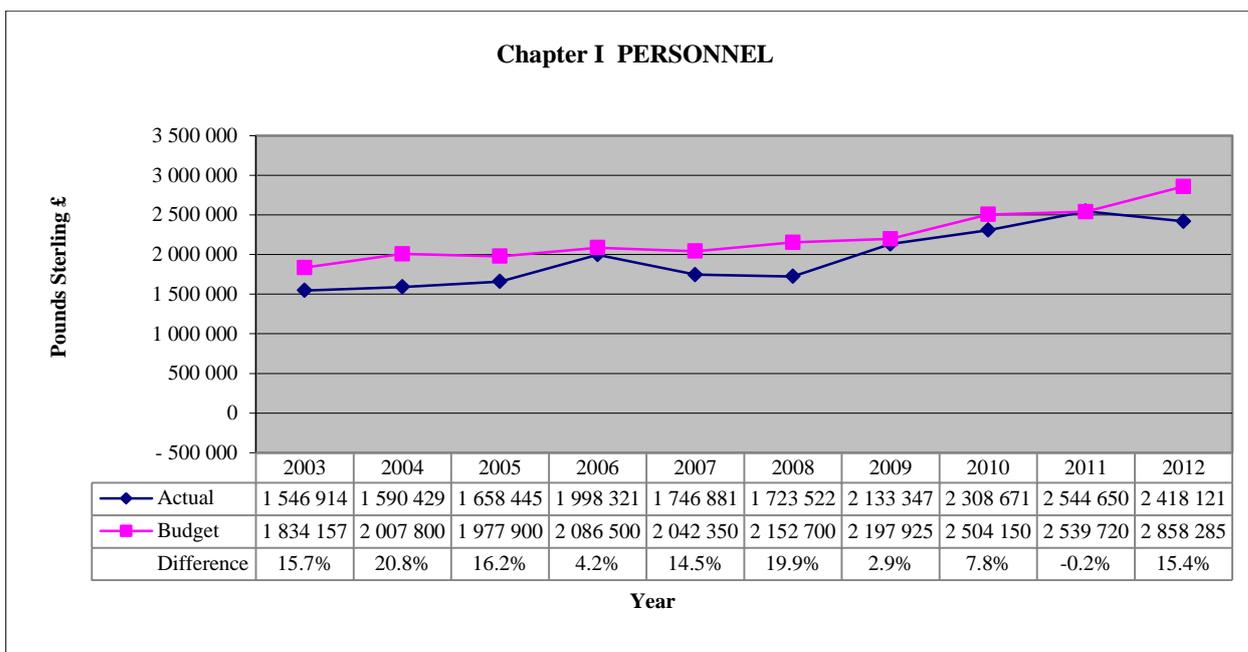
When assessing the need for levying contributions for payment in the following year any estimated surplus or deficit brought forward in the General Fund is taken into account, thereby decreasing or increasing the amount that needs to be levied, ie any deficit/surplus is taken into account each year to 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 20.3% of the budget to 3.5% of the budget. As set out in this Annex certain assumptions have been made in arriving at the budget appropriations which may or may not materialise.

The joint Secretariat budget is broken down into six Chapters and since the 2013 budget separate budget headings for expenses only attributable to the 1992 Fund have also been included, namely an appropriation for the 'External Audit fees' (Chapter VII) and for the 2014 budget an appropriation for 'Relocation costs' (Chapter VIII).

ACTUAL EXPENDITURE vs BUDGET APPROPRIATIONS FOR THE FINANCIAL YEARS 2003 - 2012



# 1 Personnel (Chapter I)



2014 Appropriation £	2013 Appropriation £	% Increase/(Decrease) on 2013 Appropriation
2 747 695	2 770 910	(0.8)%

## *Overview*

- 1.1 The major part (66%) of the joint Secretariat draft budget for 2014 relates to Personnel costs and there is a decrease of 0.8% under this Chapter compared to the 2013 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 20.8% 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/OCT13/7/1. 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 0.1% in the 2014 appropriation (£2 061 920) compared to 2013 (£2 060 260).

- 1.5 As in previous years 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 3% for staff in all categories, in addition to the annual increments which, in accordance with the Staff Regulations, are awarded to staff members (other than the Director) on satisfactory performance of duties (Staff Rule IV.1).
- 1.6 The number of established posts within the Secretariat stands at 34, of which 17 are in the Professional category and 17 are in the General Service category (see document IOPC/OCT13/7/1). As at 1 August 2013 six established posts are vacant, three in the Professional category and three in the General Service category.
- 1.7 The three vacant posts in the Professional category are that of Claims Manager (P3) and the two posts of in-house Translators (French and Spanish). As in the 2013 budget only the vacant post of Claims Manager has been included in the draft budget at the P3 level. 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. One of the vacant posts, that of Receptionist/Travel Assistant (Administrative Assistant (G4)) in the Finance and Administration Department, became vacant in November 2011 with the resignation of the incumbent. The tasks under this post had been reassigned to two other posts within the Secretariat, on a trial basis during 2012/2013. The Director does not envisage filling this post therefore it is not included in the 2014 budget. The other two vacant posts, that of Claims Assistant (G4) and Finance Assistant (G6), have been included for the full year. The post of Finance Assistant is temporarily being filled on a part-time basis (three days/week).
- 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 to date. No additional posts are envisaged to be created in 2013.
- 1.10 The salaries budget in 2011 and 2012 included an appropriation for one unspecified P3 post. In 2011 the appropriation was used to cover the additional cost relating to the post of Acting Director (September 2010 to October 2011) which was not included in the 2011 budget. No posts have been established under this authority. The Director did not include an appropriation for an unspecified P3 post in the 2013 budget nor has he done so in 2014. As set out in paragraph 4.17 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). The Director has made no changes since the Assembly's session in October 2012.
- 1.12 The Assembly noted that the Director had introduced a Conscious Rewarding Scheme to reward staff members for outstanding performance in their current role. 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. For 2013 based on the Performance Management Reviews for 2012 four awards were made, three in the Professional category and one in the General Service category for a total of £10 023. The Director intends to continue with the scheme. The 1% limit based on the draft salaries budget for 2014 is some £20 000.

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 2014 budget has been retained at the 2013 budget level of £20 000 to cover long leave periods.

(b) Separation and recruitment

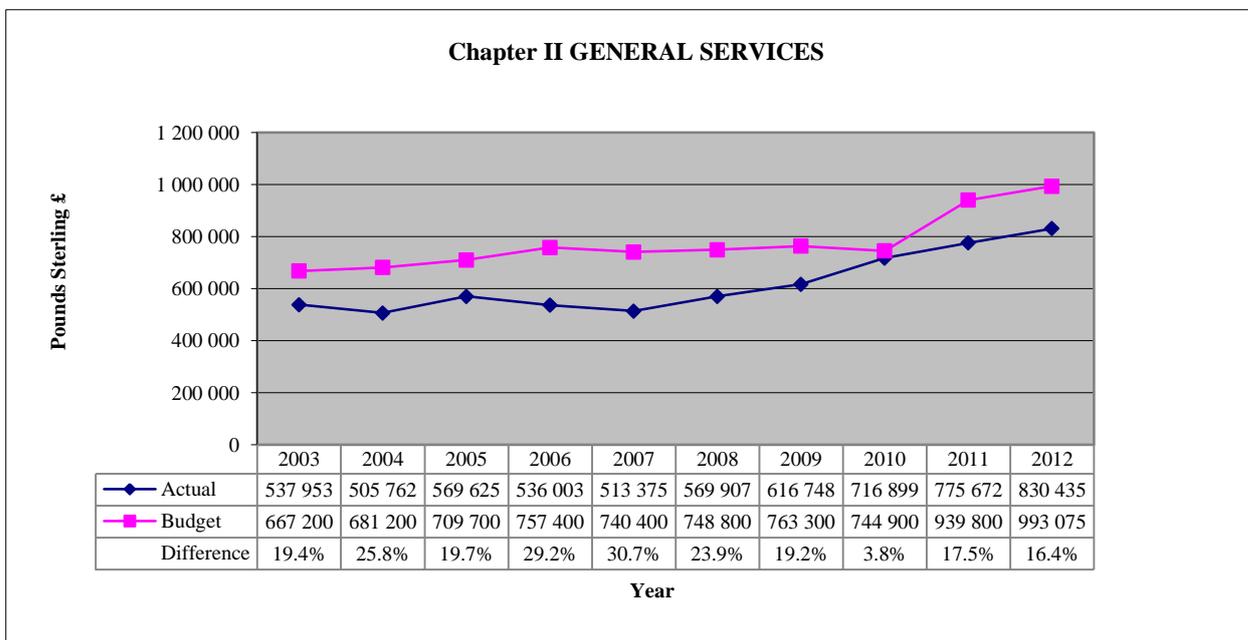
1.14 The budget appropriation covers expenses which would be incurred in the event that recruitment is to be made to posts that may fall vacant or to the existing vacant posts. The budget appropriation for this expenditure has been retained at the 2013 level of £40 000.

(c) Staff benefits, allowance and training

1.15 There is a decrease of 3.7% in the 2014 appropriation (£645 775) compared to 2013 (£670 650) 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. As set out in the document IOPC/OCT13/7/1 (Secretariat Matters) the Director, with the cooperation and goodwill of IMO, has decided that staff members can join the IMO Van Breda medical scheme from December 2013 – the only difference being that the scheme will not be applicable once the staff member leaves the Fund's employment. Not all staff members have chosen to take the medical cover and in order to encourage staff to participate in the scheme the Director has increased the organisation's contribution from 50% to 75%. All new staff members will have to join the medical scheme. The overall additional cost of joining the scheme has been met from savings realised on other social security insurance schemes especially cover resulting from nuclear, chemical and biological (NCB) insurance.

**2 General services (Chapter II)**



2014 Appropriation £	2013 Appropriation £	% Increase/(Decrease) on 2013 Appropriation
792 415	923 250	(14.2)%

## 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 an underspend on the approved budget ranging from 30.7% to 3.8% of the budget.
- (a) Office accommodation
- 2.2 The Director has been informed by the landlord that the current office lease on Portland House, which expires on 24 March 2015, will not be renewed as the property is being regenerated by the landlord. With the assistance of the UK Government, the Director has commenced the search for alternative premises. Since the expenditure on relocation is not a regular administrative expense the Director has included in the draft budget a separate budgetary appropriation (Chapter VIII – Relocation costs) to be met by the 1992 Fund only.
- 2.3 The appropriation for 2014 of £332 800 (2013 – £340 800) 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.
- 2.4 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.
- 2.5 The premises were subject to a lease dated 26 June 2000 to June 2010 which was surrendered in 2006 for nil consideration by the landlord and a new lease up to 24 March 2015 had 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);
  - 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.
- 2.6 The UK Government refunds 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 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 £17 500 (2013 – £12 500) has been included for rates.
- 2.8 Service charges are also payable for the premises in Portland House. The service charges, which cover building insurance, gas, water and sewerage, building maintenance and renovations, security services and management fees are estimated at £110 000 (2013 – £117 000).
- 2.9 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 £36 000 (2013 – £34 000) has been included to cover the rent along with the costs of the general services provided by IMO.

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

<b>Expense Head</b>	<b>2014 Appropriation £</b>	<b>2013 Appropriation £</b>
Outside storage space rent	17 500	16 000
General maintenance	15 000	20 000
Cleaning of the premises	17 500	20 000
Electricity	15 000	15 000
Office contents insurance	5 000	7 000
<b>Total</b>	<b>70 000</b>	<b>78 000</b>

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

2.11 The budget appropriation for 2014 shows a reduction of 20.4% and totals £221 615 (2013 – £278 450), broken down as follows:

<b>Expense Head</b>	<b>2014 Appropriation £</b>	<b>2013 Appropriation £</b>
Purchase of hardware	22 000	50 000
Purchase of software	29 450	34 940
Maintenance (hardware, software and infrastructure)	42 925	46 270
Software development	90 000	110 000
Connectivity	32 240	32 240
IT related consumables	5 000	5 000
<b>Total</b>	<b>221 615</b>	<b>278 450</b>

2.12 Software development covers work on the proposed new Claims Handling System (version II of the web-based claims handling system (WCMS)) in 2014 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), WCMS, on-line reporting system (ORS) and payroll which require periodic updates/modifications.

(c) Furniture and other office equipment

2.13 This appropriation has been reduced to £13 000 (2013 – £19 000) based on recent expenditure levels. 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

2.14 This appropriation has been reduced to £15 000 (2013 – £20 000) based on expenditure levels.

(e) Communications

2.15 The appropriation has been retained at £45 000 (2013 – £45 000). It covers the cost of courier, postage and telephone.

(f) Other supplies and services

2.16 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 maintained at £35 000 (2013 – £35 000).

(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. This appropriation has been reduced to £20 000 (2013 – £25 000).

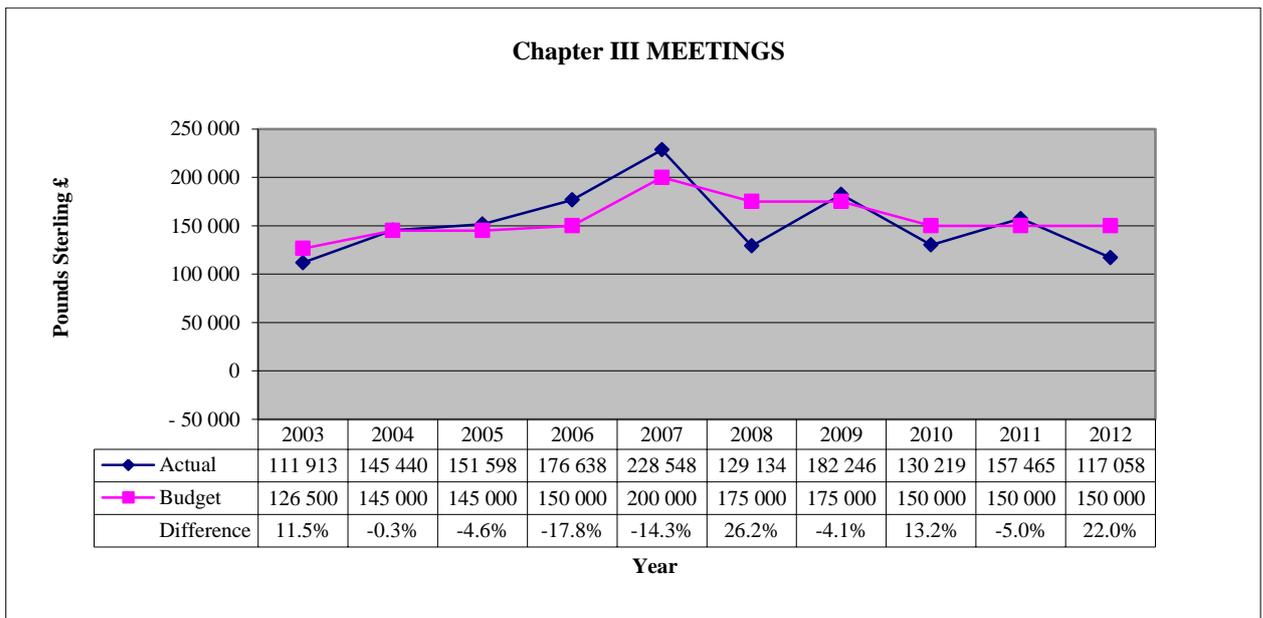
(h) Public information

2.18 The appropriation is to cover costs for the following:

- (i) the cost of printing, publication and bulk mailings of the joint Annual Report and Incident 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) and terminology project for all three official languages; and
- (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).

2.19 The total appropriation under this heading has been reduced to £110 000 (2013 – £160 000). Work on the Funds' new website was completed in 2013. There is also a reduction in expenditure in respect of PR projects such as participation in Interspill. The next Interspill is planned for 2015. In addition bulk of the work related to Document Services and the terminology project are soon to be completed.

**3 Meetings (Chapter III)**



2014 Appropriation £	2013 Appropriation £	% Increase/(Decrease) on 2013 Appropriation
130 000	100 000	30%

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 an underspend and overspend on the approved budget ranging from an under spend of 26.2% of the budget to overspend of 17.8% of the budget.

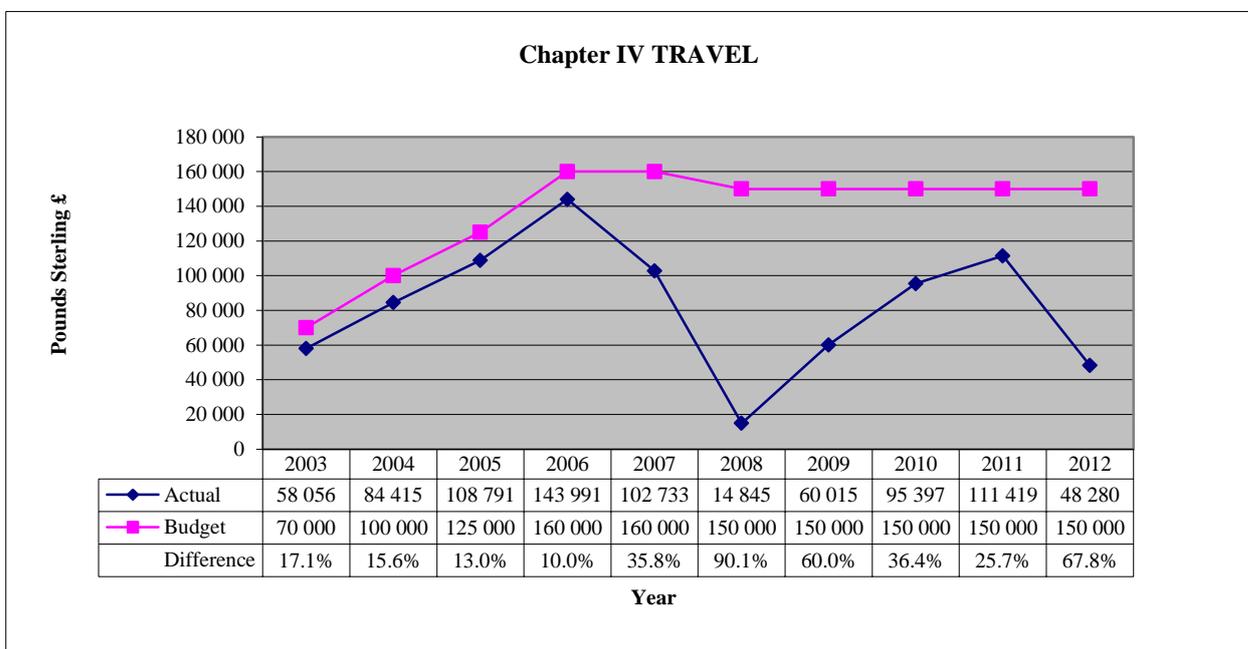
3.2 At its meeting in June 2009, the 1992 Fund Administrative Council, acting on behalf of the 1992 Fund Assembly, considered reducing the number of meetings. It was agreed that it would be preferable to book three meetings a year as usual and cancel one if it were not needed.

3.3 In 2012 and 2013 it was decided to have only two meetings. The 2014 appropriation, therefore, has been prepared on the basis of two meeting sessions over ten days with an appropriation of £130 000 (2013 – £100 000) scheduled as follows:

- (i) regular sessions of the governing bodies of the 1992 Fund, 1971 Fund and Supplementary Fund in October 2014: five days; and
- (ii) further sessions of the governing bodies (including the Executive Committee of the 1992 Fund) and intersessional Working Groups: five days.

3.4 The budget appropriation shows an increase in appropriation of some 30% on 2013 as a result of increases in late 2012 and in 2013 of costs associated with interpreters and translators. New agreements have been reached with interpreters and translators as result of changes to agreements with interpreters engaged by IMO and international agreements reached by the International Association of Conference Translators. Though not signatories to these agreements, the Funds, being a small organisation, has always abided by the principle of these agreements in order to obtain the best service as it cannot compete based on volume of work that it can provide.

#### 4 Travel (Chapter IV)



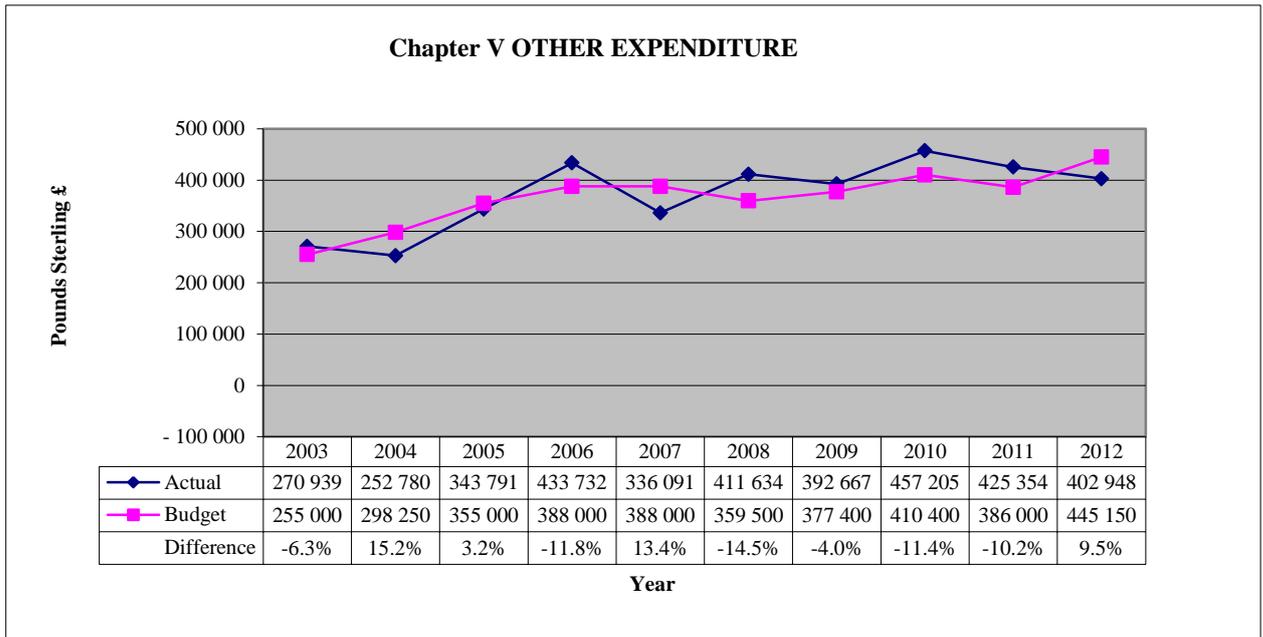
2014 Appropriation £	2013 Appropriation £	% Increase/(Decrease) on 2013 Appropriation
100 000	100 000	0.0%

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 an 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 (2013 – £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)**



2014 Appropriation £	2013 Appropriation £	% Increase/(Decrease) on 2013 Appropriation
335 850	385 500	(12.9)%

*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 an underspend and overspend on the approved budget ranging from an underspend of 15.2% of the budget to overspend of 14.5% of the budget.
- (a) Consultants’ 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 ‘State liability’.
- 5.3 The 2014 budget appropriation for Consultants’ fees has been reduced to £100 000 (2013 – £150 000) as it does not include the cost for the purchase of data on oil imports by Member States from Lloyds Intelligence (£50 000). The Secretariat is continuing to review the oil import data and liaising with Member States as required. A review is to be undertaken as to the future use of such data and this will be presented to the October 2014 session of the Assembly.

5.4 The table below provides a summary of the use of the Consultants' fees budget for the period 2009-2012.

<b>Expenses</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Software upgrade/development	44 750	27 308	7 889	-
Legal/administrative costs	7 400	9 900	49 632	52 790
Decisions database	56 584	56 187	-	-
Human Resources matters	23 071	12 578	13 252	7 788
Non-incident related studies	3 342	56 873	60 151	80 883
	<b>135 147</b>	<b>162 846</b>	<b>130 924</b>	<b>141 461</b>

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

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

(b) Audit Body

5.7 As decided by the respective 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.

5.8 The 1992 Fund Assembly decided at its October 2011 session to allow the Audit Body to function with five members nominated by 1992 Fund Member States and the 'external expert' for the next three year term and to review the composition of the Audit Body in 2014.

5.9 An appropriation of £165 000 is included in the draft 2014 budget (2013 – £167 000) 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.

5.10 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 June 2013 UK Retail Price Index of 3.3% has been used for preparing budget appropriations resulting in the following honoraria/fees totalling £57 625:

Chairman	£7 025
Members	£4 685 each (£18 740 for four members)
External expert	£31 860

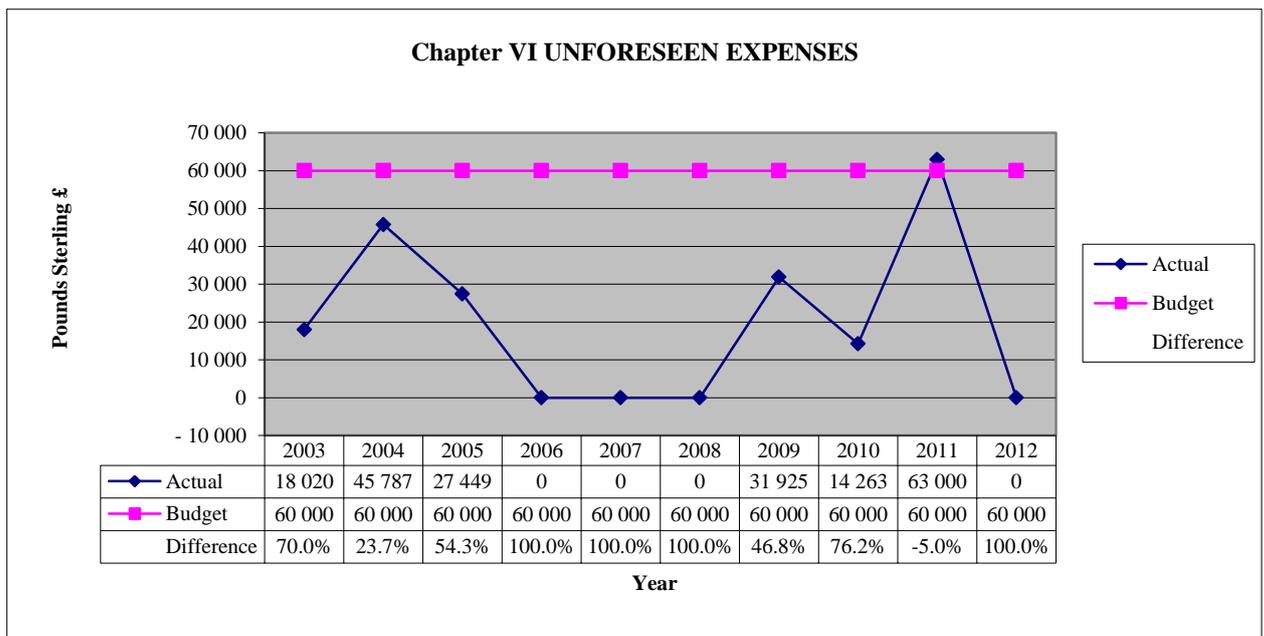
5.12 Travel costs, including daily subsistence allowance to attend meetings for the members, plus a small additional appropriation for any increase in fees from October 2014, have been estimated at £107 375.

(c) Investment Advisory Body

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

- 5.14 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 2013 UK Retail Price Index of 3.3% has been used for preparing the appropriations.
- 5.15 The new remuneration of the three members will therefore be £23 420 per member (2013 – £22 670). An appropriation of £70 850 has been included in the draft budget to cover any increase in fees in October 2014.

## 6 Unforeseen expenditure (Chapter VI)



2014 Appropriation £	2013 Appropriation £	% Increase/Decrease) on 2013 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 and 1971 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 2013 financial period of the 1992 Fund which is payable in 2014 will be £48 500. The fees have been maintained at the same level as in 2013.

7.2 Relocation costs (Chapter VIII)

Any search and office move will have budgetary consequences for the Fund and in this regard the Director has included in the draft budget for 2014 a separate budgetary appropriation of £250 000 to be met by the 1992 Fund only (see document IOPC/OCT13/7/3). The Director shall keep the 1992 Fund Assembly informed of any developments in his negotiations with the United Kingdom Government in finding alternative office premises and disclose all associated costs in respect of this matter.

\* \* \*

## ANNEX III

### Estimated General Fund claims expenditure in 2013

(Figures in Pounds sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Expenditure up to 31/12/12		Receipt under STOPIA 2006 Agreement** up to 31/12/2012	Balance payable from General Fund at 31/12/2012	2013 Expenditure				Receipts/receivables under STOPIA 2006 Agreement 01/01/13 to 31/12/2013	Estimated total General Fund Expenditure in 2013	Estimated total General Fund Expenditure up to 31/12/13	Estimated balance payable from General Fund at 31/12/13
			Compensation paid up to 31/12/2012	Claims-related expenses paid up to 31/12/2012			Compensation		Claims-related expenses					
							Paid 01/01/13-30/06/13	Estimate 01/07/13-31/12/13	Paid 01/01/13-30/06/13	Estimate 01/07/13-31/12/13				
<i>Solar 1</i> *	11/08/06	3 134 944	(6 491 623)	(194 322)	6 522 136	2 971 135	-	-	(1 032)	(4 000)	-	(5 000)	(169 000)	2 967 000
<i>Volgoneft 139</i>	11/11/07	3 059 508	-	(952 598)	-	2 106 910	(432 900)	(1 631 865)	(42 145)	-	-	(2 107 000)	(3 060 000)	-
Incident in Argentina	26/12/07	3 152 360	-	(219 626)	-	2 932 734	-	-	(4 494)	(45 506)	-	(50 000)	(270 000)	2 883 000
<i>Redfern</i>	24/03/09	4 091 560	-	(31 702)	-	4 059 858	-	-	(6 499)	(43 501)	-	(50 000)	(82 000)	4 010 000
<i>JS Amazing</i>	06/06/09	3 857 988	-	(43 551)	-	3 814 437	-	-	(6 507)	(43 493)	-	(50 000)	(94 000)	3 765 000
<i>Haekup Pacific</i>	20/04/10	3 993 132	-	0	-	3 993 132	-	-	-	(10 000)	-	(10 000)	(10 000)	3 984 000
<i>Alfa I</i>	05/03/12	3 900 576	-	(23 937)	-	3 876 639	-	-	(9 834)	(40 166)	-	(50 000)	(74 000)	3 827 000
<i>Nesa R3</i>	19/06/13	3 906 172	-	0	-	3 906 172	-	-	-	(10 000)	-	(10 000)	(10 000)	3 897 000
												<b>(2 322 000)</b>		

\* *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 2014**

*(Figures in Pounds sterling)*

Incident	Date	Maximum payable from General Fund: 4 million SDR	Estimated balance payable from General Fund at 31/12/2013	2014 Estimated Expenditure		Receivable under STOPIA 2006 Agreement	Estimated total General Fund Expenditure in 2014	Estimated total General Fund Expenditure up to 31/12/14	Estimated balance payable from General Fund at 31/12/2014
				Compensation	Claims-related expenses				
<i>Solar 1*</i>	11/08/06	3 134 944	2 967 000	-	(5 000)	-	(5 000)	(174 000)	2 962 000
Incident in Argentina	26/12/07	3 152 360	2 883 000	-	(50 000)	-	(50 000)	(320 000)	2 833 000
<i>Redffern</i>	24/03/09	4 091 560	4 010 000	(3 960 000)	(50 000)	-	(4 010 000)	(4 092 000)	-
<i>JS Amazing</i>	06/06/09	3 857 988	3 765 000	(3 715 000)	(50 000)	-	(3 765 000)	(3 859 000)	-
<i>Haekup Pacific</i>	20/04/10	3 993 132	3 984 000	-	(50 000)	-	( 50 000)	( 60 000)	3 934 000
<i>Alfa I</i>	05/03/12	3 900 576	3 827 000	(3 777 000)	(50 000)	-	(3 827 000)	(3 901 000)	-
<i>Nesa R3</i>	19/06/13	3 906 172	3 897 000	-	(50 000)	-	( 50 000)	( 60 000)	3 847 000
							<b>(11 757 000)</b>		

\* *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.