



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUNDS

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1992 Fund Executive Committee	92EC62	
Supplementary Fund Assembly	SA10	
1971 Fund Administrative Council	71AC33	

BUDGET FOR 2015 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

1992 FUND

Note by the Director

Summary:	As indicated in document IOPC/OCT14/9/2, the draft 1992 Fund administrative budget for 2015 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 2015 totals £4 306 640 (2014 – £4 165 960). An assessment is made of the likely compensation payments and other incident-related expenses. The resulting need for 2014 contributions to the General Fund is examined.
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 4.15); (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 4.16); (c) Adopt the draft budget for 2015 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 5); (e) Approve the Director's estimate of the expenses to be incurred in 2015 in respect of the preparation for the entry into force of the HNS Convention (paragraph 7.3.4); (f) Decide whether to maintain the working capital of the 1992 Fund at £22 million (paragraph 7.4.3); and (g) Decide on the Director's proposal to levy £3.8 million, payable by 1 March 2015 (section 9).

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/OCT14/9/3/1).
- 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 2013 Financial Statements (document IOPC/OCT14/5/6/1, 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 2015. 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.

^{<1>} 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 2015 and is shown in the table in paragraph 8.1.

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 2015 in respect of the costs of running the joint Secretariat.
- 3.3 The 1971 Fund, according to a decision to be taken by the 1971 Fund Administrative Council will be dissolved in 2014. There will therefore be no need to manage the 1971 Fund beyond December 2014 and accordingly no management fee will be payable for 2015.

4 1992 Fund budget for administrative expenditure in 2015

- 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 2015.
- 4.2 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 2013 (actual expenditure and budget appropriations) and for 2014 (budget appropriations) are also given.
- 4.3 The Director submits for consideration by the 1992 Fund Assembly an administrative budget for the 1992 Fund which covers the expenses for 2015 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.
- 4.4 The draft joint Secretariat budget (Chapters I-VI) totals £4 306 640 (2014 – £4 165 960). This budget figure is 3.4% (£140 680) higher than the corresponding 2014 budget appropriation and is broken down as follows:

	Increase/(Decrease) on total 2014 Budget	
	£	%
Chapter I – Personnel costs	25 665	0.6
Chapter II – General services	23 365	0.6
Chapter III – Meetings	-	-
Chapter IV – Travel	-	-
Chapter V – Other expenditure	91 650	2.2
Chapter VI – Unforeseen expenditure	-	-
	140 680	3.4%

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

Chapter	Proposed 2015 Appropriation £	2014 Appropriation £	% Increase/(decrease) Appropriation on 2014
I Personnel	2 773 360	2 747 695	0.9%
II General services	815 780	792 415	2.9%
III Meetings	130 000	130 000	0.0%
IV Travel	100 000	100 000	0.0%
V Other expenditure	427 500	335 850	27.3%
VI Unforeseen expenditure	60 000	60 000	0.0%
Total Expenditure Chapters I-VI	4 306 640	4 165 960	3.4%

4.6 The External Audit fee for auditing the 1992 Fund's 2014 Financial Statements payable in 2015 is estimated at £47 500 and is set out under Chapter VII in the draft administrative budget for the 1992 Fund.

4.7 The lease for the current premises of the IOPC Funds expires on 24 March 2015 and will be extended to 24 March 2018. 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. 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 is set out under Chapter VIII in the draft administrative budget for the 1992 Fund (document IOPC/OCT14/7/3).

4.8 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 2015 joint Secretariat running cost budget in comparison to 2014 by Chapter is set out in paragraphs 4.9-4.14.

4.9 Chapter I – Personnel (64% of the 2015 proposed budget)

Increase/(decrease) on 2014 budget appropriation: 0.9% increase

4.9.1 The Chapter consists of:

Expense Head	2015 Appropriation £	2014 Appropriation £
Salaries	2 062 790	2 061 920
Separation and recruitment	40 000	40 000
Staff benefits, allowances and training	650 570	645 775
Conscious rewarding scheme	20 000	-
Total	2 773 360	2 747 695

4.9.2 As set out in document IOPC/OCT14/7/1 the Secretariat has 34 established posts of which 27 posts are presently filled. Of the seven vacancies there are five in the Professional category of which three posts are not included in the budget, and two 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). An increase of 2% (3% in previous years) to staff salary has been included for 2015 to account for any changes to the UN common system.

4.10 Chapter II – General services (19.0% of the 2015 proposed budget)

Increase/(decrease) on 2014 budget appropriation: 2.9% increase

4.10.1 This Chapter consists of:

Expense Head	2015 Appropriation £	2014 Appropriation £
Rent of office accommodation	346 800	332 800
IT (hardware, software, maintenance and connectivity)	223 480	221 615
Furniture and other office equipment	13 000	13 000
Office stationery and supplies	12 500	15 000
Communications (postage, telephone, courier)	35 000	45 000
Other supplies and services	35 000	35 000
Representation (hospitality)	20 000	20 000
Public information	130 000	110 000
Total	815 780	792 415

4.10.2 IT (hardware, software, maintenance and connectivity) – increase of 0.8% to cover replacement of PCs and monitors.

4.10.3 Public information – increase of 18.2% to cover the cost of participation in Interspill 2015 (held every two years) to be held in Amsterdam in the spring of 2015.

4.11 Chapter III – Meetings (3.0% of the 2015 proposed budget)

Increase/(decrease) on 2014 budget appropriation: no change

Two meetings of the governing bodies have been held since 2012 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 2015 budget has been prepared on the basis of two meetings a year.

4.12 Chapter IV – Travel: conferences and mission (2.3% of the 2015 proposed budget)

Increase/(decrease) on 2014 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 2014 level. Travel costs in relation to incidents are charged to the cost of the incident.

4.13 Chapter V – Other expenditure (10% of the 2014 proposed budget)

Increase/(decrease) on 2014 budget appropriation: 27.3% increase

4.13.1 This Chapter consists of:

Expense Head	2015 Appropriation £	2014 Appropriation £
Consultants and other fees	150 000	100 000
Investment Advisory Body (IAB)	72 500	70 850
Audit Body	205 000	165 000
Total	427 500	335 850

4.13.2 The increase in the 2015 appropriation is mainly due to an increase to the 'Consultants and other fees' appropriation of 50% and increase in the appropriation for 'Audit Body' to take into account a full complement of Audit Body ie one additional member following election of a new Audit Body in October 2014.

4.14 Chapter VI – Unforeseen expenditure (1.4% of the 2015 proposed budget)

Increase/(decrease) on 2014 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.

4.15 At its October 2013 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/OCT13/11/1](#), paragraph 9.1.12). 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 2015 (ie up to £206 000 based on the draft 2015 budget) in the event that the Secretariat is faced with difficulties in administering new incidents.

4.16 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 in the 2011 budget. This was renewed by the 1992 Fund Assembly, at its sessions in October 2011, 2012 and 2013. 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 2014 budget the Director has not included the post within the 2015 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 (£82 000) 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 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 (proposal)	2.0	33 000

- 5.2 The Director proposes that the management fees for 2015 be calculated on an estimate of two working days for the Supplementary Fund which the staff as a whole during 2015 would devote to tasks relating to the Fund. The work during 2015 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.
- 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 2015 totalling £4 306 640 (2014 – £4 165 960) and 261 working days during the year. The daily costs of running the joint Secretariat would then be some £16 501 (2014 – £15 962). Using a daily cost of £16 500, the Supplementary Fund should pay a management fee of £33 000 (2 x £16 500).
- 5.4 The Director therefore proposes that the Supplementary Fund should pay to the 1992 Fund management fees for 2015 of £33 000 compared to £32 000 for 2014.
- 5.5 The 1971 Fund, according to a decision to be taken by the 1971 Fund Administrative Council will be dissolved in 2014. There will therefore be no need to manage the 1971 Fund beyond December 2014 and accordingly no management fee will be payable for 2015.

6 **Estimated 1992 Fund General Fund balance as at 31 December 2014**

6.1 Estimated balance

The balance on the General Fund at 31 December 2014 is estimated at £23 322 451 as shown in the table below:

	£	£
Balance b/f at 1 January 2014		
Working Capital	22 000 000	
Surplus/(deficit)	<u>2 436 191</u>	
	24 436 191	
Add back – Provision for employee benefits	519 315	
Less – Difference between cost of fixed assets and depreciation (Notes 7 and 8 to 2013 Financial Statements (document IOPC/OCT14/5/6/1))	(109 833)	24 845 673
<i>Plus</i>		
2013 General Fund contributions receivable in 2014	3 123 700	
Previous years' General Fund contributions receivable in 2014	12 694	
Interest to be earned in 2014 (estimate)	150 000	
Management fee payable by 1971 Fund for 2014	240 000	
Management fee payable by Supplementary Fund for 2014	32 000	
Transfer of surplus on closure <i>Erika</i> Major Claims Fund in 2014	500 000	
Additional fee payable by 1971 Fund re. Secretariat costs of winding-up (document IOPC/OCT14/9/1)	240 000	
		4 298 394
		29 144 067
<i>Less</i>		
Estimated 2014 administrative expenditure of joint Secretariat	3 854 116	
External Auditor's fees for 2014 (paragraph 6.3.3)	48 500	
Provision for relocation (document IOPC/MAY14/10/1, paragraph 6.1.14)	250 000	
Minor claims expenditure in 2014 (Annex III)	<u>1 669 000</u>	
		5 821 616
Estimated balance as at 31 December 2014		23 322 451

6.2 Income*Contributions*

- 6.2.1 The 1992 Fund Administrative Council decided at its session in October 2013 that there should be a levy of 2013 contributions of £3.3 million for receipt by 1 March 2014.

Interest to be earned in 2014

- 6.2.2 Interest received for the period 1 January-30 June 2014 amounts to some £84 000. Based on the current interest rates applicable to the 1992 Fund investments, interest income for 2014 is estimated at £150 000 based on an average capital of £24 million.

Management fee payable to the 1992 Fund in 2014

- 6.2.3 The management fee payable to the 1992 Fund for 2014 was set by the governing bodies at £240 000 for the 1971 Fund and at £32 000 for the Supplementary Fund (see document [IOPC/OCT13/11/1](#), paragraph 9.1.24).
- 6.2.4 As decided by the of 1992 Fund Administrative Council at its October 2013 session the *Erika* Major Claims Fund is to be closed after the reimbursement to contributors. The balance estimated at some £500 000 is to be transferred to the General Fund in 2014.
- 6.2.5 It was decided by the 1971 Fund Administrative Council at its May 2014 meeting to take the decision to wind up the 1971 Fund at the October 2014 session and to take steps to dissolve the 1971 Fund with effect from 31 December 2014 (last working day). The fee payable by the 1971 Fund relating to additional work by the Secretariat in this respect and for defending the 1971 Fund's interest in Court is estimated at £240 000 (see document IOPC/OCT14/9/1).

6.3 Expenditure*Administrative costs*

- 6.3.1 The administrative budget of the joint Secretariat (Chapter 1-VI) for 2014 was set at £4 165 960. Based on information as at 1 August 2014, the total expenditure for 2014 for the joint Secretariat is estimated to be some £3 852 916 which is 7.5% lower than the 2014 budget appropriation, as set out in the table below:

Chapter	2014 Appropriation £	Expenditure to 30 June 2014 £	Projected total 2014 expenditure £	% of 2014 Appropriation
I Personnel	2 747 695	1 247 091	2 512 416	91.4%
II General services	792 415	416 511	745 000	94.1%
III Meetings	130 000	50 123	130 000	100.0%
IV Travel	100 000	16 346	80 000	80.0%
V Other Expenditure	335 850	175 593	385 500	114.8%
VI Unforeseen expenditure	60 000	0	0	0%
Total Expenditure Chapters I-VI	4 165 960	1 905 664	3 852 916	92.5%

- 6.3.2 Expenditures borne by the 1992 Fund only are under Chapter VII (External Audit fee) and Chapter VIII (Relocation costs).
- 6.3.3 The External audit fee is £48 500 for the audit of the 2013 Financial Statements payable in 2014.
- 6.3.4 At its May 2014 session, 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 (document [IOPC/MAY14/10/1](#), paragraph 6.1.14). The appropriation in 2014 for the cost of relocation is £250 000.
- 6.3.5 The total administration expenditure for the 1992 Fund for the 2014 financial year is estimated at £4 151 416 (Chapter I–VI: £3 852 916 plus Chapter VII: £48 500 and Chapter VIII: £250 000).

Minor claims expenditure 2014

- 6.3.6 As can be seen from Annex III, it is expected that claims and claims-related expenses will be incurred during 2014 in respect of ten incidents involving the 1992 Fund. The total claims and claims-related expenses payable from the General Fund during 2014 are estimated at £1 669 000.

7 Income and expenditure estimates for 2015

7.1 Income

Interest to be earned in 2015

- 7.1.1 Interest income during 2015 from the 1992 Fund's investment of the assets of the General Fund is estimated at £140 000. This estimated yield is based on an average principal of approximately £20 million at an average interest rate of 0.70%.

Management fee payable to the 1992 Fund

- 7.1.2 The Director has proposed that the management fees payable to the 1992 Fund for 2015 be set at £33 000 (2014 – £32 000) 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.

7.2 Expenditure

- 7.2.1 The estimated joint Secretariat administrative expenditure for 2015 totals £4 306 640 (2014 – £4 165 960), 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 2014 Financial Statements has been estimated by the External Auditor at £47 500. 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 2015

- 7.2.2 The incidents in respect of which payments may have to be made from the General Fund during 2015 are listed in Annex IV.
- 7.2.3 It is estimated that the payments by the 1992 Fund from the General Fund in 2015 relating to nine incidents will total £205 000. 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 I* incident.
- 7.2.4 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 2015. 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 2015, 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:

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 (expenses and interest to 30 June 2014)	50 000	8 661	905
Total	1 020 000	250 360	31 579

7.3.3 Of the total appropriations over the years of £1 020 000 an amount of £281 939 (including interest) had been used as at 30 June 2014. 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 2002-2014 relating to the preparations for setting up the HNS Fund can therefore not be used to cover payments during 2015.

7.3.4 An appropriation of £25 000 has been included in the 2015 budget to cover the costs for the preparations and other administrative tasks in respect of the HNS Fund (document IOPC/OCT14/8/3).

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 2015 budget accordingly.

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

- 8.1 The estimates for the General Fund for 2015 are set out in the table below:

		£	£
	ESTIMATED INCOME		
	Balance at 31 December 2014 (paragraph 6.1)		23 322 451
	Surplus/(deficit)		
<i>Plus</i>	Interest to be earned in 2015	140 000	
	Management fee payable by Supplementary Fund for 2015	33 000	
	Total estimated income 2015		173 000
<i>LESS</i>	ESTIMATED EXPENDITURE		
	Joint Secretariat administrative expenditure 2015 (Annex I)	4 306 640	
<i>Plus</i>	Provision for accrued Annual Leave and Repatriation Grant as at 31 December 2015	500 000	
<i>Plus</i>	External Audit fee for 1992 Fund (paragraph 4.5)	47 500	
<i>Plus</i>	Costs for relocation of IOPC Funds office (paragraph 4.6)	250 000	
	Minor claims expenditure 2015 (Annex IV)	205 000	
	Loans to HNS Fund (paragraph 7.3.4)	25 000	
<i>Plus</i>	Working capital (paragraph 7.4.3)	22 000 000	
	Total estimated expenditure 2015		27 334 140
	ESTIMATED EXPENDITURE OVER INCOME		(3 838 689)

- 8.2 The balance as at 31 December 2014 is estimated at £23 322 451 which exceeds the working capital by £1 322 451. When assessing the need for levying contributions for payment in the following year (ie 2015) 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 £3 838 689 would be needed to balance the 2015 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 2014 contributions to the General Fund**

- 9.1 In the light of the estimates set out in paragraph 8.1 of the amount needed to balance the 2015 budget of the General Fund, the Director proposes that there should be a levy of 2014 contributions to the General Fund of £3.8 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 The Director proposes that £3.8 million be levied for payment by 1 March 2015.

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 4.15);
- (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 4.16);
- (c) to adopt the draft budget for 2015 for the administrative expenses of the 1992 Fund (Annex I);
- (d) to decide on the apportionment between the two 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 £3.8 million, payable by 1 March 2015 (section 9).

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ANNEX I
Draft 2015 Administrative Budget for 1992 Fund

STATEMENT OF EXPENDITURE		Actual 2013 expenditure for 1992 Fund		2013 budget appropriations for 1992 Fund		2014 budget appropriations for 1992 Fund		2015 budget appropriations for 1992 Fund	
		£		£		£		£	
SECRETARIAT									
I	Personnel								
(a)	Salaries	1 896 199		2 060 260		2 061 920		2 062 790	
(b)	Separation and recruitment	44 730		40 000		40 000		40 000	
(c)	Staff benefits, allowances and training	541 977		670 650		645 775		650 570	
(d)	Conscious rewarding scheme <1>	-		-		-		20 000	
Sub-total			2 482 906		2 770 910		2 747 695		2 773 360
II	General services								
(a)	Rent of office accommodation (including service charges and rates)	306 288		340 800		332 800		346 800	
(b)	IT (hardware, software, maintenance and connectivity)	232 795		278 450		221 615		223 480	
(c)	Furniture and other office equipment	8 701		19 000		13 000		13 000	
(d)	Office stationery and supplies	10 314		20 000		15 000		12 500	
(e)	Communications (courier, telephone, postage)	35 244		45 000		45 000		35 000	
(f)	Other supplies and services	25 921		35 000		35 000		35 000	
(g)	Representation (hospitality)	14 810		25 000		20 000		20 000	
(h)	Public information	71 430		160 000		110 000		130 000	
Sub-total			705 503		923 250		792 415		815 780
III	Meetings								
	Sessions of the 1992, Supplementary and 1971 Funds' governing bodies and intersessional Working Groups		140 595		100 000		130 000		130 000
IV	Travel								
	Conferences, seminars and missions		85 537		100 000		100 000		100 000
V	Other expenditure (previously Miscellaneous expenditure)								
(a)	Consultants' and other fees	184 479		150 000		100 000		150 000	
(b)	Audit Body	144 271		167 000		165 000		205 000	
(c)	Investment Advisory Body	68 385		68 500		70 850		72 500	
Sub-total			397 135		385 500		335 850		427 500
VI	Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff and cost of equipment)		3,500		60 000		60 000		60 000
Total joint Secretariat expenditure I-VI (excluding External Audit fees)			3 815 176		4 339 660		4 165 960		4 306 640
VII	External Audit fees 1992 Fund only		48 500		49 000		48 500		47 500
VIII	Relocation costs 1992 Fund only		-		-		250,000		250 000
Total Expenditure I-VIII			3 863 676		4 388 660		4 464 460		4 604 140

<1> Expenditure and budget for 'Conscious rewarding scheme' in 2013 and 2014 was included under 'Salaries'

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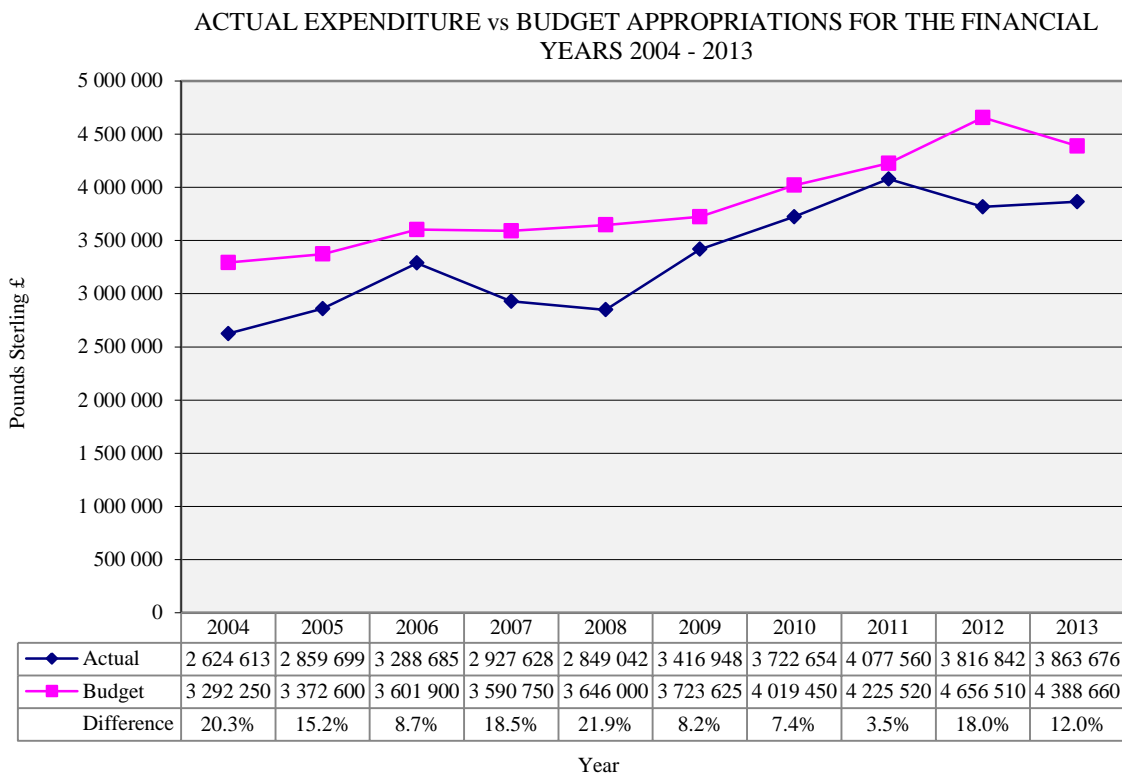
ANNEX II

NOTES ON THE INDIVIDUAL APPROPRIATIONS BY CHAPTER

Introduction

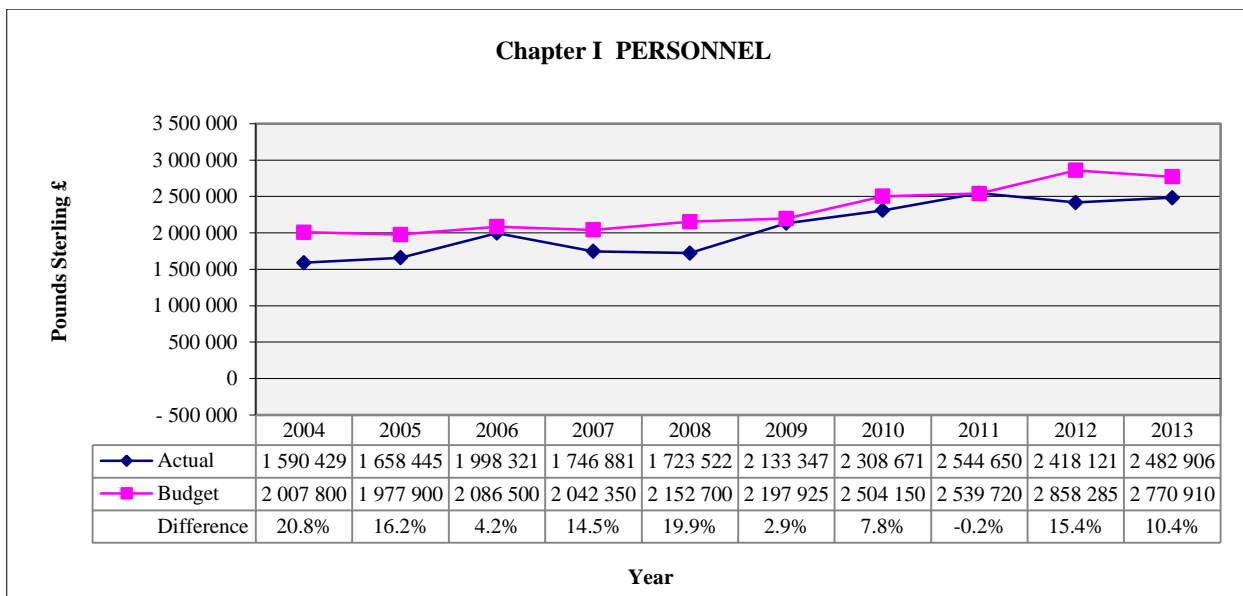
When assessing the need for levying contributions for payment in the following year any estimated surplus or deficit brought forward in the General Fund is taken into account, thereby decreasing or increasing the amount that needs to be levied, ie any deficit/surplus is taken into account each year to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



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 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 fee' (Chapter VII) and since the 2014 budget an appropriation for 'Relocation costs' (Chapter VIII).

1 Personnel (Chapter I)



2015 Appropriation £	2014 Appropriation £	% Increase/(Decrease) on 2014 Appropriation
2 773 360	2 747 695	0.9%

Overview

- 1.1 The major part (64%) of the joint Secretariat draft budget for 2015 relates to Personnel costs and there is an increase of 0.9% under this Chapter compared to the 2014 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/OCT14/7/1. 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 0.04% in the 2015 appropriation (£2 062 790) compared to 2014 (£2 061 920).
- 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% (3% in the previous years) 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/OCT14/7/1). As at 22 August 2014 seven established posts are vacant, five in the Professional category and two in the General Service category.
- 1.7 The five vacant posts in the Professional category are that of Human Resources Manager (P3) (to be filled in 2014), External Relations Officer (P3), Claims Manager (P3) and two posts of in-house Translators (French and Spanish). The 2015 draft budget only includes the vacant posts of Human Resources Manager and Claims Manager at the P3 level. The post of the External Relations Officer became vacant on the resignation of the incumbent at the end of July 2014. The tasks under this post have been reassigned to other posts within the Secretariat, on a trial basis and the post is not included in the 2015 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 two vacant posts in the General Service category. The post of Receptionist/Travel Assistant (Administrative Assistant (G4)) in the Finance and Administration Department became vacant in November 2011. The tasks under this post have been reassigned to two other posts within the Secretariat. The Director does not envisage filling this post in the foreseeable future therefore it is not included in the 2015 budget. The other vacant post that of Claims Assistant (G4) has been included for the full year.
- 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 2014.
- 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. Since 2013 the Director has not included an appropriation for an unspecified P3 post in the budget nor has he done so in the 2015 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). The Director has made no changes since the Administrative Council's session in October 2013.
- 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. 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. In 2014 based on the Performance Management Reviews for 2013 two awards were made, one in the Professional category and one in the General Service category for a total of £5 141 (see document IOPC/OCT14/7/1). The Director intends to continue with the scheme. The 1% limit based on the draft salaries budget for 2015 is some £20 000 and 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 2015 budget has been retained at the 2014 budget level of £20 000 to cover long leave periods.

(b) Separation and recruitment

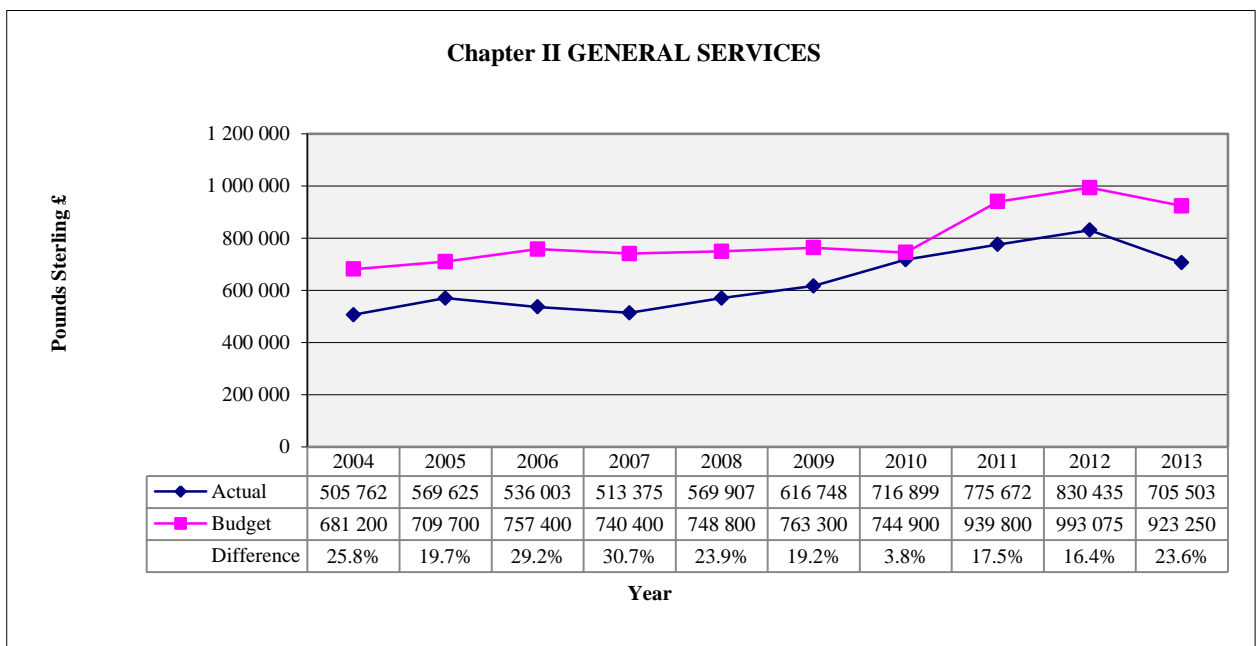
1.14 The budget appropriation covers expenses which would be incurred in the event that recruitment is to be made to posts that may fall vacant or to the existing vacant posts. The budget appropriation for this expenditure has been retained at the 2014 level of £40 000.

(c) Staff benefits, allowance and training

1.15 There is an increase of 0.7% in the 2015 appropriation (£650 570) compared to 2014 (£645 775) 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)



2015 Appropriation £	2014 Appropriation £	% Increase/(Decrease) on 2014 Appropriation
815 780	792 415	2.9%

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 3.8% of the budget.

(a) Office accommodation

2.2 There is an increase of 4.2% in the 2015 appropriation (£346 800) compared to 2014 (£332 800) 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 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 replaced by a lease which expires on 24 March 2015. In May 2014 the 1992 Fund Administrative Council authorised the Director to enter into a new lease with the current landlord and to extend the lease to 24 March 2018 with a lease break clause for 24 June 2016. The new lease is to be entered into on the same terms as per the existing lease:
- 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 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 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 £19 000 (2014 – £17 500) 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 for 2015 at £114 000 (2014 – £110 000).
- 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 £39 000 (2014 – £36 000) 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:

Expense Head	2015 Appropriation £	2014 Appropriation £
Outside storage space rent	20 000	17 500
General maintenance	13 500	15 000
Cleaning of the premises	21 000	17 500
Electricity	16 000	15 000
Office contents insurance	5 000	5 000
Total	75 500	70 000

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

2.11 The budget appropriation for 2015 shows an increase of 0.8% and totals £223 480 (2014 – £221 615), broken down as follows:

Expense Head	2015 Appropriation £	2014 Appropriation £
Purchase of hardware	41 000	22 000
Purchase of software	26 530	29 450
Maintenance (hardware, software and infrastructure)	64 200	42 925
Software development	55 000	90 000
Connectivity	31 750	32 240
IT related consumables	5 000	5 000
Total	223 480	221 615

2.12 Increase in the budget appropriation for purchase of hardware is to cover for the purchase of new PCs and monitors to replace the purchases made in March 2012. Software development covers work on the proposed online reporting system (ORS) in 2015 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 and payroll which require periodic updates/modifications.

(c) Furniture and other office equipment

2.13 This appropriation has been maintained at £13 000 (2014 – £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

2.14 This appropriation has been reduced to £12 500 (2014 – £15 000) based on expenditure levels.

(e) Communications

2.15 The appropriation has been reduced to £35 000 (2014 – £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 (2014 – £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 retained at £20 000 (2014 – £20 000).

(h) Public information

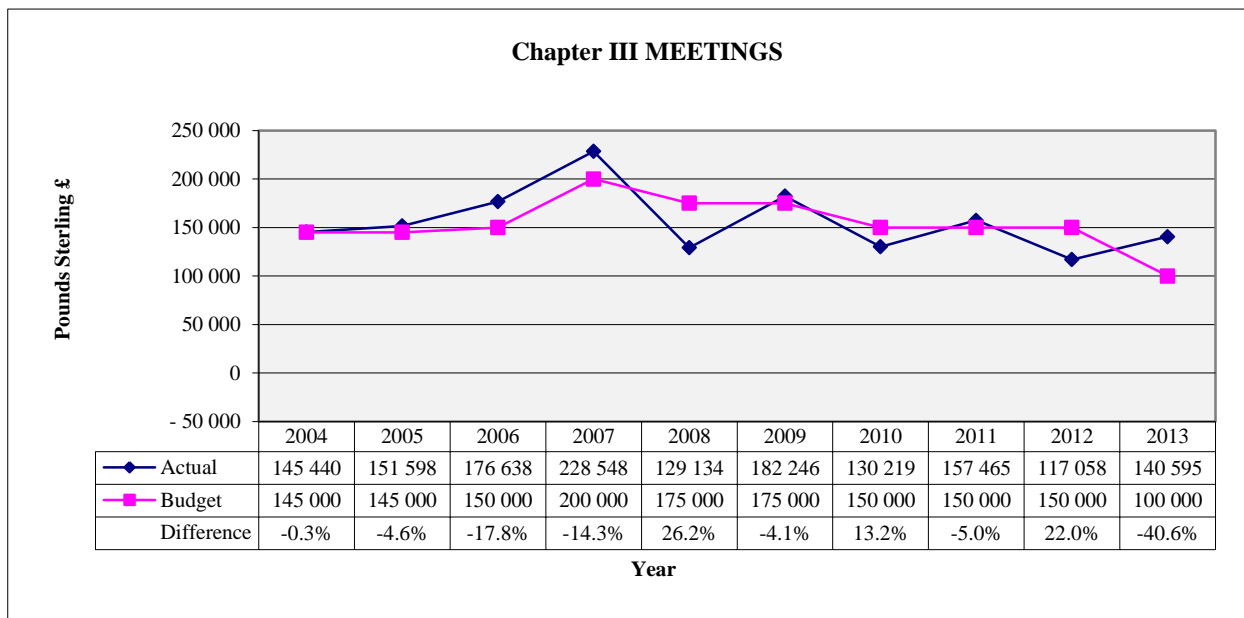
2.18 The appropriation is to cover costs for the following:

(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 increased to £130 000 (2014 – £110 000). The increase in appropriation is mainly in respect of participation in Interspill 2015 (held every two years) to be held in Amsterdam in spring 2015.

3 Meetings (Chapter III)



2015 Appropriation £	2014 Appropriation £	% Increase/(Decrease) on 2014 Appropriation
130 000	130 000	0.0%

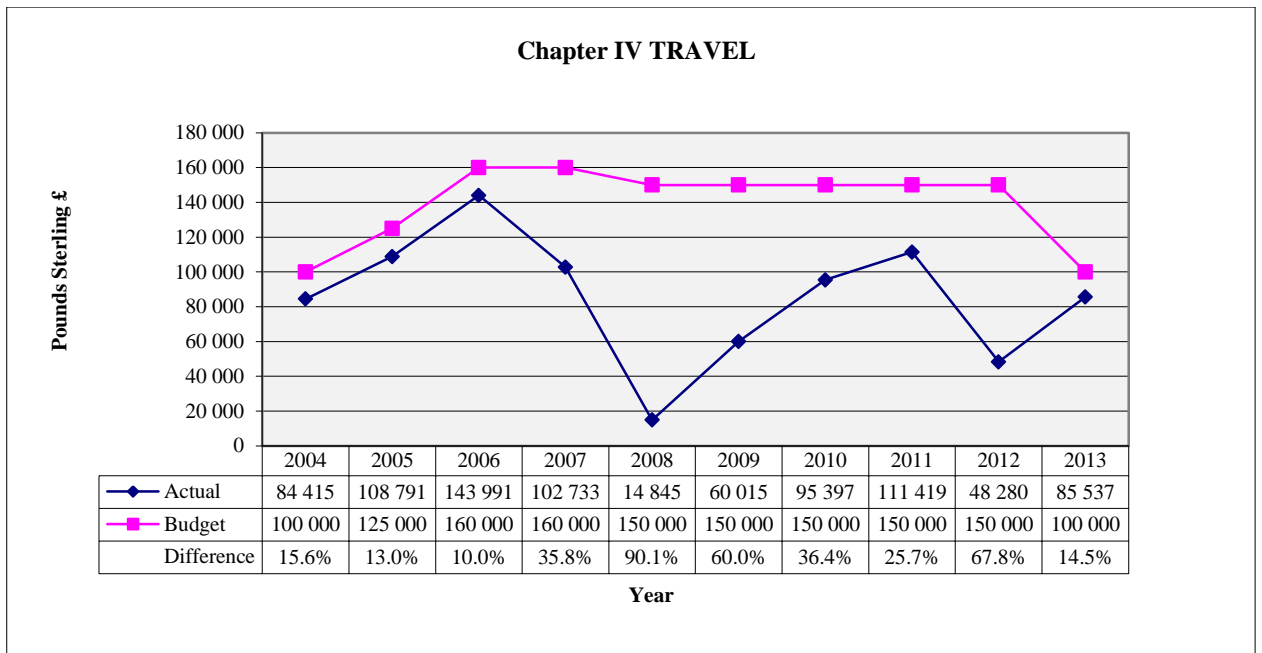
3.1 The meetings of the governing bodies of the IOPC Funds, as well as those of any intersessional Working Groups, are normally held in the IMO conference rooms. As set out in the graph above it can be seen that over the years that there has been both underspend and overspend on the approved budget ranging 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 2015 appropriation, therefore, has been prepared on the basis of two meeting sessions over ten days with an appropriation of £130 000 (2014 – £130 000) scheduled as follows:

- (i) regular sessions of the governing bodies of the 1992 Fund and Supplementary Fund in October 2015: five days; and
- (ii) further sessions of the governing bodies (including the Executive Committee of the 1992 Fund) and intersessional Working Groups: five days.

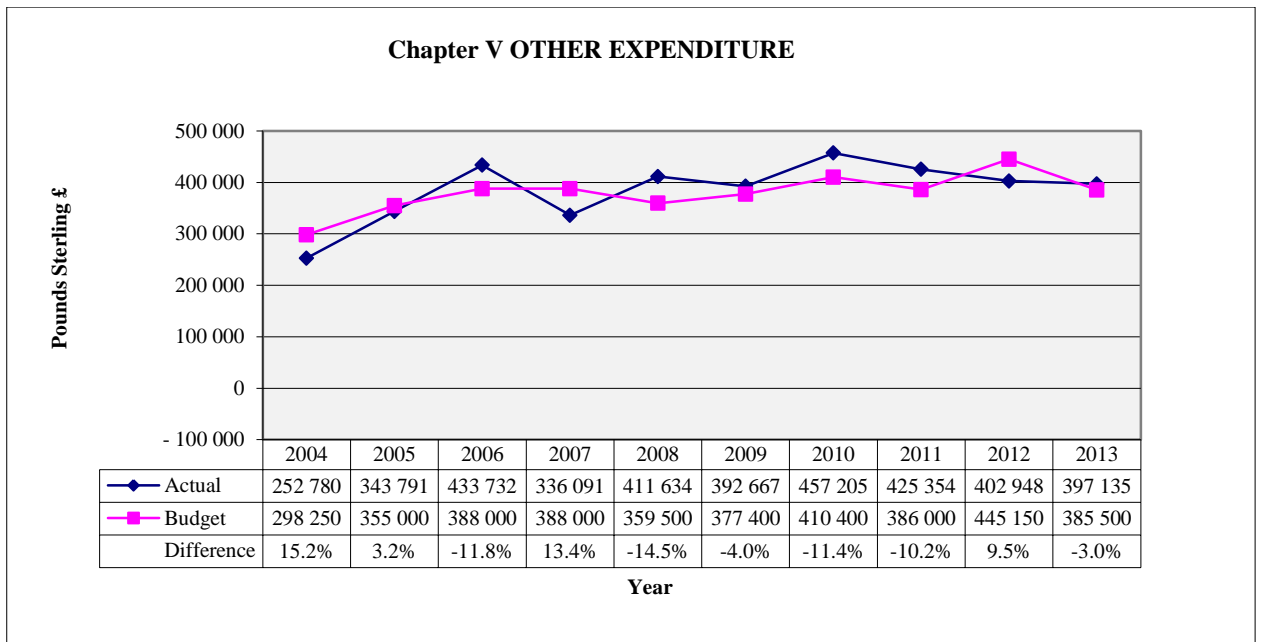
4 **Travel (Chapter IV)**



2015 Appropriation £	2014 Appropriation £	% Increase/(Decrease) on 2014 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 (2014 – £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)**



2015 Appropriation £	2014 Appropriation £	% Increase/(Decrease) on 2014 Appropriation
427 500	335 850	27.3%

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 15.2% of the budget to overspend of 14.5% of the budget. The table below provides a breakdown of the budget appropriations for 2015 and 2014 by expense category.

Expenses	2015 Appropriation £	2014 Appropriation £	% Increase on 2014 Appropriation
Consultants' and other fees	150 000	100 000	50.0%
Audit Body	205 000	165 000	24.3%
Investment Advisory Body	72 500	70 850	2.3%
Total	427 500	335 850	27.3%

(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 'compensation matters -VAT'.

5.3 The 2015 budget appropriation for Consultants' fees has been increased to £150 000 (2014 - £100 000) to include an appropriation of £50 000 specifically 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 2009-2013.

Expenses	2009	2010	2011	2012	2013
Software upgrade/development	44 750	27 308	7 889	-	-
Legal/administrative costs	7 400	9 900	49 632	52 790	45 091
Decisions database	56 584	56 187	-	-	-
Human Resources matters	23 071	12 578	13 252	7 788	4 697
Non-incident related studies	3 342	56 873	60 151	80 883	134 691
	135 147	162 846	130 924	141 461	184 479

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 £205 000 is included in the draft 2015 budget (2014 – £165 000) 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 During the last three year period ie 2011-2014 the Audit Body operated with five members instead of six members and the 'external expert'. It is expected that following the election in October 2014 the joint Audit Body would consist 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 June 2014 UK Retail Price Index of 2.6% has been used for preparing budget appropriations resulting in the following honoraria/fees totalling £63 760:

Chairman	£7 210
Members	£4 810 each (£24 050 for five members)
External expert	£32 500

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 2015, have been estimated at £141 240.

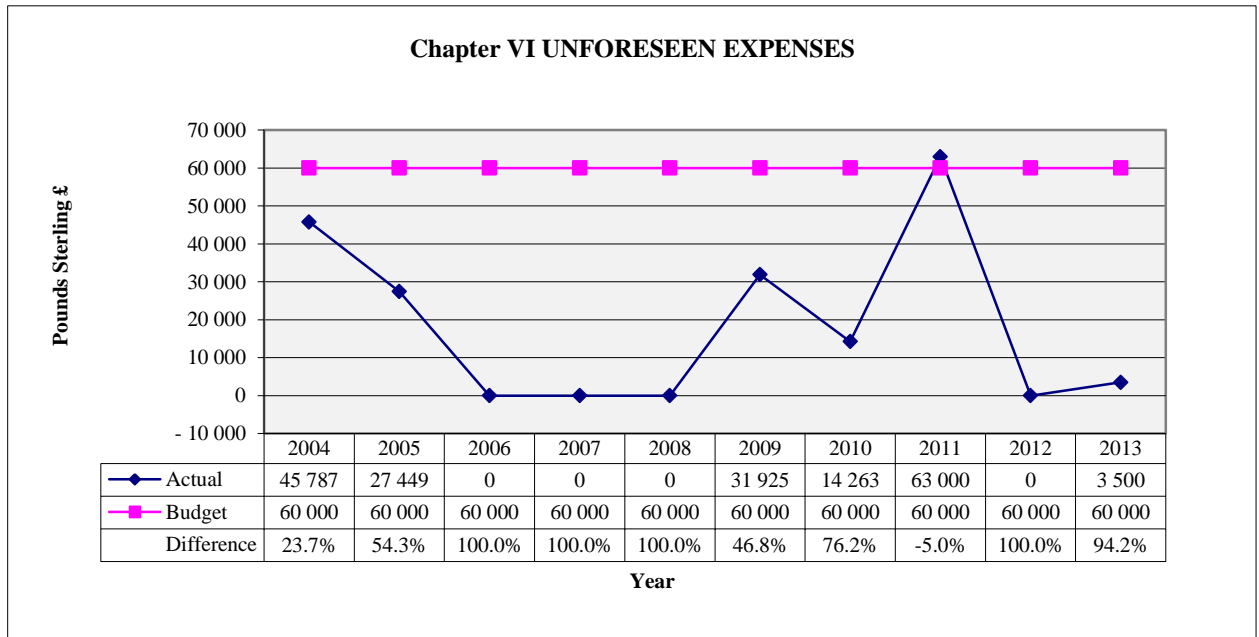
(c) Investment Advisory Body

5.13 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.

5.14 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 2014 UK Retail Price Index of 2.6% has been used for preparing the appropriations.

5.15 The new remuneration of the three members will therefore be £24 030 per member (2014 – £23 420). An appropriation of £72 500 has been included in the draft budget to cover any increase in fees in October 2015.

6 Unforeseen expenditure (Chapter VI)



2015 Appropriation £	2014 Appropriation £	% Increase/Decrease) on 2014 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 2014 financial period of the 1992 Fund which is payable in 2015 will be £47 500 (2014 - £48 500).

7.2 Relocation costs (Chapter VIII)

7.2.1 As reported in October 2013 and May 2014 it is not possible to give a clear estimate of the costs that will arise from a relocation of the IOPC Funds’ Secretariat since these would depend on the refurbishment the new premises would need and additional furniture and office equipment that would be required.

- 7.2.2 Following a workplace analysis undertaken by independent consultants, net office size consisting of an internal area of 699 square meters (7 521 square feet) has been identified to suit the needs of the Secretariat. The amount for the fit out costs (to cover design fees, fitting out costs, furniture, IT cabling etc) is estimated at £110/square feet resulting in an indicative budget of some £850 000. The budget estimate provided was for a mid-range standard fit-out. The exact scope of the required work and details of finishes, fixtures and fittings would need to be identified at the design stage and choices made will have an impact on any estimate. The Director's intention is to negotiate with any new potential landlord, the possibility of some of the fit-out costs to be borne by the landlord in lieu of the rent-free period. Given that the 1992 Fund would be looking to enter into a 10-15 year lease, a rent free period of some 12-18 months could be possible.
- 7.2.3 As advised at the May 2014 session of the Administrative Council the Director proposes to finance the relocation costs through budget appropriations in 2014 (approved £250 000 in October 2013), 2015 and 2016.

* * *

ANNEX III

Estimated General Fund claims expenditure in 2014

(Figures in Pounds sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Expenditure up to 31/12/13		Receipt under STOPIA 2006 Agreement** up to 31/12/2013	Balance payable from General Fund at 31/12/2013	2014 Expenditure				Receipts/receivables under STOPIA 2006 Agreement 01/01/14 to 31/12/14	Estimated total General Fund Expenditure in 2014	Estimated total General Fund Expenditure up to 31/12/14	Estimated balance payable from General Fund at 31/12/14
			Compensation paid up to 31/12/2013	Claims-related expenses paid up to 31/12/2013			Compensation		Claims-related expenses					
							Paid 01/01/14-30/06/14	Estimate 01/07/14-31/12/14	Paid 01/01/14-30/06/14	Estimate 01/07/14-31/12/14				
<i>Solar 1*</i>	11/08/06	3 134 944	(6 491 623)	(201 177)	6 522 136	2 964 280	-	-	-	(8 000)	-	(8 000)	(179 000)	2 957 000
<i>Volgoneft 139</i>	11/11/07	3 059 508	(1 527 250)	(1 067 941)	-	464 317	-	(438 000)	(11 214)	(15 000)	-	(465 000)	(3 060 000)	-
Incident in Argentina	26/12/07	3 152 360	-	(227 436)	-	2 924 924	-	-	(42)	(10 000)	-	(11 000)	(239 000)	2 914 000
<i>Redfern</i>	24/03/09	4 091 560	-	(63 822)	-	4 027 738	-	-	(1 660)	(10 000)	-	(12 000)	(76 000)	4 016 000
<i>JS Amazing</i>	06/06/09	3 857 988	-	(75 079)	-	3 782 909	-	-	(3 405)	(10 000)	-	(14 000)	(90 000)	3 769 000
<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	-	-	-	3 930 432	-	-	-	(25 000)	-	(25 000)	(25 000)	3 906 000
<i>Alfa I</i>	05/03/12	3 900 576	-	(32 706)	-	3 867 870	-	-	(16 610)	(50 000)	-	(67 000)	(100 000)	3 801 000
<i>Nesa R3</i>	19/06/13	3 906 172	-	(9,595)	-	3 896 577	-	(1 000 000)	(4 024)	(46 000)	-	(1 051 000)	(1 061 000)	2 846 000
<i>Shoku Maru</i>	29/05/14	3 684 972	-	-	-	3 684 972	-	-	(871)	(10 000)	-	(11 000)	(11 000)	3 674 000
												(1 669 000)		

* *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 2015

(Figures in Pounds sterling)

Incident	Date	Maximum payable from General Fund: 4 million SDR	Estimated balance payable from General Fund at 31/12/2014	2015 Estimated Expenditure		Receivable under STOPIA 2006 Agreement	Estimated total General Fund Expenditure in 2015	Estimated total General Fund Expenditure up to 31/12/15	Estimated balance payable from General Fund at 31/12/2015
				Compensation	Claims-related expenses				
<i>Solar 1*</i>	11/08/06	3 134 944	2 957 000	-	(10 000)	-	(10 000)	(189 000)	2 947 000
Incident in Argentina	26/12/07	3 152 360	2 914 000	-	(5 000)	-	(5 000)	(244 000)	2 909 000
<i>Redfferm</i>	24/03/09	4 091 560	4 016 000	-	(20 000)	-	(20 000)	(96 000)	3 996 000
<i>JS Amazing</i>	06/06/09	3 857 988	3 769 000	-	(10 000)	-	(10 000)	(100 000)	3 759 000
<i>Haekup Pacific</i>	20/04/10	3 993 132	3 982 000	-	(15 000)	-	(15 000)	(27 000)	3 967 000
<i>MT Pavit</i>	31/07/11	3 930 432	3 906 000	-	(50 000)	-	(50 000)	(75 000)	3 856 000
<i>Alfa I</i>	05/03/12	3 900 576	3 801 000	-	(35 000)	-	(35 000)	(135 000)	3 766 000
<i>Nesa R3</i>	19/06/13	3 906 172	2 846 000	-	(50 000)	-	(50 000)	(1,111,000)	2 796 000
<i>Shoku Maru</i>	29/05/14	3 684 972	3 674 000	-	(10 000)	-	(10 000)	(21 000)	3 664 000
							(205 000)		

* *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.