



International Oil Pollution
Compensation Funds

Agenda Item 9	IOPC/OCT19/9/1/1	
Date	13 September 2019	
Original	English	
1992 Fund Assembly	92A24	●
1992 Fund Executive Committee	92EC73	
Supplementary Fund Assembly	SA16	

BUDGET FOR 2020 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

1992 FUND

Note by the Director

Summary:	<p>The draft budget for running the joint Secretariat for 2020 totals £4 875 731 (2019 – £4 692 577) and expenditure on the external audit fee, relating only to the 1992 Fund, is £53 600 (2019 – £43 200). An assessment is made of the likely compensation payments and other incident-related expenses.</p> <p>In the Director's view, the resulting need for 2019 contributions payable by 1 March 2020 is £2.3 million to the General Fund.</p>
Action to be taken:	<p><u>1992 Fund Assembly</u></p> <ul style="list-style-type: none"> (a) Decide whether to renew the authorisation given to the Director to create additional posts in the General Service category as required (paragraph 4.1); (b) decide whether to renew the authorisation given to the Director to create a Professional post at the P3 level subject to need and budget availability (paragraph 4.2); (c) adopt the draft budget for 2020 for the 1992 Fund joint Secretariat administrative expenses of £4 875 731 (Annex I, Chapters I–VI), and the 1992 Fund's external audit fee of £53 600 (Annex I, Chapter VII); (d) decide on the management fee payable by the Supplementary Fund to the 1992 Fund of £38 000 (section 6); (e) approve the Director's estimate of the expenses to be incurred in 2020 in respect of the preparation for the entry into force of the HNS Convention of £35 000 (paragraph 8.3.4); (f) decide whether to reduce the working capital from £17 million to £15 million in the budget year 2020 (paragraph 8.4.4); and (g) decide whether to authorise the Director to levy £2.3 million, payable by 1 March 2020 (section 10).

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 need 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 SDR 4 million^{<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 SDR 4 million (major claims).
- 1.4 Expenses mentioned in subparagraphs (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 subparagraph (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/OCT19/9/2/1).
- 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 2018 Financial Statements (document IOPC/OCT19/5/6/1, Section One and Section Three).
- 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 2020. This document 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 1992 Fund's budget will continue to be prepared on a modified 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.
 - 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

^{<1>} The SDR (Special Drawing Right) 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.

repatriation costs for existing staff. This liability is required to be fully provided for in the Financial Statements and this 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 2020 and is shown in the table in paragraph 9.1 below.

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 paragraph 7.3 and SUPPFUND/A.1/39, paragraphs 11.2 and 11.3).
- 3.2 As set out in section 6 below, the Director proposes that, in accordance with the approach taken by the governing bodies, the Supplementary Fund should pay a management fee to the 1992 Fund for the period 1 January to 31 December 2020 in respect of the costs of running the joint Secretariat.

4 Additional posts

- 4.1 At its October 2001 session, the 1992 Fund Assembly authorised the Director to create positions in the General Service category as required, provided that the resulting cost would not exceed 10% of the figure for salaries in the budget (document 92FUND/A.6/28, paragraph 17.5). Since this authority was provided to the Director by the Assembly in October 2001, four posts have been created, one in 2004, one in 2008 and two in 2011. The Director considers that the authority to create additional posts in the General Service category has proved to be valuable and gives him certain flexibility in the management of the Secretariat. The 1992 Fund Assembly may wish to consider whether to renew the corresponding authority for 2020 (i.e. up to £230 000 based on the draft 2020 budget).
- 4.2 At its October 2010 session, the 1992 Fund Administrative Council gave the Director the authority to create one additional unspecified post in the Professional category at P3 level in the 2011 budget. This authority has been renewed each year by the 1992 Fund Assembly. Although this authority has not yet been utilised, the Director considers that having this flexibility will assist in the management of the Secretariat. As in the 2019 budget, the Director has not included the post within the 2020 budget (Chapter I – Personnel) but instead proposes that the Assembly renew the authority to create a Professional post at the P3 level (i.e. £98 000) subject to budget availability.

5 1992 Fund draft budget for administrative expenditure in 2020

- 5.1 Financial Regulation 3 of the 1992 Fund provides that the financial period shall be the calendar year. The draft budget proposed by the Director, therefore, covers the period 1 January to 31 December 2020.
- 5.2 The presentation of the joint Secretariat budget follows the requirements of Financial Regulations 5.2 and 5.3. Comparative figures of the joint Secretariat's administrative expenses for 2018 (actual expenditure and budget appropriations) and 2019 (budget appropriations) are also given.
- 5.3 The Director submits for consideration by the 1992 Fund Assembly, an administrative budget for the 1992 Fund which covers the expenses for 2020 of running the joint Secretariat (Chapter I–VI) and expenditures under Chapter VII – External audit fee to be borne by the 1992 Fund only. The draft administrative budget for the 1992 Fund is at Annex I.
- 5.4 The draft joint Secretariat budget (Chapters I–VI) totals £4 875 731 (2019 – £4 692 577). This budget figure is 3.9% (£183 154) more than the corresponding 2019 budget appropriation and is broken down as follows:

Chapter	Proposed 2020 appropriation £	% 2020 appropriation	2019 appropriation £	% Increase/(decrease) on 2019 appropriation
I Personnel	3 344 531	68.6	3 177 977	5.2
II General services	773 200	15.9	754 900	2.4
III Meetings	130 000	2.7	130 000	-
IV Travel	150 000	3.1	150 000	-
V Other expenditure	418 000	8.6	419 700	(0.4)
VI Unforeseen expenditure	60 000	1.2	60 000	-
Total expenditure Chapters I–VI	4 875 731		4 692 577	3.9

5.5 Following a review of the performance of the incumbent External Auditor, the Audit Body has recommended to the governing bodies that the External Auditor be reappointed to audit the IOPC Funds' Financial Statement for a second four-year term, i.e. the financial years 2020–2023 inclusive (see document IOPC/OCT19/6/1). The External Auditor has indicated that the audit fee for the audit of the 2020 Financial Statements will be £53 600 and is set out under Chapter VII in the draft administrative budget. The External Auditor has also indicated that this fee will be maintained at the same level for the duration of this second term.

5.6 Notes on the individual appropriations for the joint Secretariat budget are set out in Annex II. A summary of the key changes to the 2020 joint Secretariat budget in comparison to 2019 by Chapter is set out in paragraphs 5.7–5.12.

5.7 Chapter I – Personnel (68.6% of the 2020 proposed budget)

Increase/(decrease) on 2019 budget appropriation: 5.2% increase

5.7.1 The Chapter consists of:

Expense Head	2020 appropriation £	2019 appropriation £
Salaries	2 303 563	2 185 699
Separation and recruitment	40 000	40 000
Staff benefits, allowances and training	980 968	932 278
Conscious rewarding scheme	20 000	20 000
Total	3 344 531	3 177 977

5.7.2 As set out in document IOPC/OCT19/7/1, the Secretariat has 34 established posts of which 27 posts are presently filled. Of the seven vacancies, there are four posts in the Professional category and three posts in the General Service category, with one vacant post in the Professional category included in the budget for 2020. The salaries, allowances and grants follow the United Nations (UN) common system as applied by the International Maritime Organization (IMO). An increase of 2.0% has been included for staff in the

Professional and higher categories and 3.5% for staff in the General Service category, to account for changes to the UN common system in 2020 (Annex II, section 1).

5.8 Chapter II – General Services (15.9% of the 2020 proposed budget)

Increase/(decrease) on 2019 budget appropriation: 2.4% increase

5.8.1 This Chapter consists of:

Expense head	2020 appropriation £	2019 appropriation £
Rent of office accommodation	186 500	183 600
IT (hardware, software, maintenance and connectivity)	378 700	363 300
Furniture and other office equipment	15 000	16 000
Office stationery and supplies	10 000	10 000
Communications (postage, telephone, courier)	30 000	29 000
Other supplies and services	23 000	23 000
Representation (hospitality)	20 000	20 000
Public information	110 000	110 000
Total	773 200	754 900

5.8.2 As set out in section 2 of Annex II of this document, the accommodation costs (rent, service charges etc.) under this Chapter reflect amounts payable to IMO in accordance with the underlease Agreement signed in February 2016.

5.8.3 Also set out in section 2 of Annex II of this document, IT costs for 2020 are some 4.2% higher than in 2019. This heading covers hardware, software, licensing, connectivity and maintenance of hardware, software and infrastructure. A new infrastructure maintenance contract was renewed in 2019 with the incumbent supplier, and a new supplier was identified and engaged also in 2019 to maintain and update bespoke software.

5.9 Chapter III – Meetings (2.7% of the 2020 proposed budget)

Increase/(decrease) on 2019 budget appropriation: no change

In line with the decision of the 1992 Fund Administrative Council at its session in June 2009, only two meetings of the governing bodies have been held per year since 2012 (document 92FUND/AC.5/A/ES.14/9, paragraphs 4.4–4.5). The costs of holding these two meetings are difficult to predict due to the length of the meetings and the volume of documents. There has also been an increase in recent years of the cost of employing temporary translators during meeting weeks. The 2020 appropriation has been retained at £130 000 (Annex II, section 3).

5.10 Chapter IV – Travel (3.1% of the 2020 proposed budget)

Increase/(decrease) on 2019 budget appropriation: no change

This appropriation covers the costs of travel on missions and for attendance at outreach activities such as delivering seminars and workshops and attending international conferences and exhibitions. Where possible, this travel 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. There is continued strong demand from Member States, as well as States which are interested in becoming Member States, for participation by the IOPC Funds in various events (Annex II, section 4). The appropriation was increased for

the 2018 budget from £100 000 to £150 000 to reflect the increased demand. The 2020 appropriation has been retained at £150 000.

5.11 Chapter V – Other expenditure (8.6% of the 2020 proposed budget)

Increase/(decrease) on 2019 budget appropriation: (0.4% decrease)

5.11.1 This Chapter consists of:

Expense Head	2020 appropriation £	2019 appropriation £
Consultants' and other fees	150 000	150 000
Audit Body	189 000	192 500
Investment Advisory Body	79 000	77 200
Total	418 000	419 700

5.11.2 As set out in section 5 of Annex II to this document, the budget for Consultants and other fees has been maintained at the same level as in 2019. The IAB budget for 2020 includes an increase in line with UK inflation measured by the Consumer Price Index (CPI) for June 2019 of 2%. The appropriation for the Audit Body is based on the current composition of five members plus the external expert until October 2020 and includes an increase in line with UK inflation for the honorarium payable to the members and fees payable to the External Auditor, plus estimated travel costs.

5.12 Chapter VI – Unforeseen expenditure (1.2% of the 2020 proposed budget)

Increase/(decrease) on 2019 budget appropriation: no change

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

6 **Management fee paid by the Supplementary Fund**

- 6.1 The table below summarises the management fee 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 fee 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	33 000
2014	2	32 000
2015	2	33 000
2016	2	34 000
2017	2	34 000
2018	2	34 000
2019	2	36 000
2020	2	38 000

- 6.2 The Director proposes that the management fee for 2020 be calculated on an estimate of two working days, which the staff as a whole during 2020 would devote to tasks relating to the Supplementary Fund. The work during 2020 relating to the Supplementary Fund (provided it is not involved in any incident), will be limited to administrative tasks, such as those connected with the Supplementary Fund Assembly. Should a major incident occur which does involve the Supplementary Fund, the governing bodies may wish to reassess the apportionment.
- 6.3 On the basis set out above, the Director has calculated the total costs per working day for the entire Secretariat, based on the joint Secretariat budget for 2020 totalling £4 875 731 (2019 – £4 692 577) and 261 working days during the year. The daily costs of running the joint Secretariat would then be some £18 681 (2019 – £17 979). Rounding the daily cost up to £19 000, the Supplementary Fund should pay a management fee of £38 000 (2 x £19 000).

7 Estimated 1992 Fund General Fund balance as at 31 December 2019**7.1 Estimated balance**

7.1.1 The balance on the General Fund at 31 December 2019 is estimated at £18 288 923 as shown in the table below:

	£	£
Balance b/f at 1 January 2019		
Working capital	17 000 000	
Surplus/(deficit)	(930 824)	
		16 069 176
Add back:		
Provision for employee benefits	569 801	
Depreciation which exceeds the cost of fixed assets purchased (Notes 7 and 8 to 2018 Financial Statements document IOPC/OCT19/5/6/1)	30 343	
		600 144
<i>Plus</i>		
2018 General Fund contributions receivable in 2019	5 782 856	
Previous years' General Fund contributions receivable in 2019	350 449	
Interest to be earned in 2019 (estimate)	125 000	
Management fee payable by Supplementary Fund for 2019	36 000	
		6 294 305
		22 963 625
<i>Less</i>		
Estimated 2019 administrative expenditure of joint Secretariat (Chapter I–VI)	4 420 302	
External audit fee for 2018 and 2019 (Chapter VII)	86 400	
Loans to HNS Fund	35 000	
Minor claims expenditure in 2019 (Annex III)	133 000	
		4 674 702
Estimated balance as at 31 December 2019		18 288 923

7.2 Income*Contributions*

7.2.1 The 1992 Fund Assembly decided at its session in October 2018 that there should be a levy of 2018 contributions of £5.9 million for receipt by 1 March 2019 (document IOPC/OCT18/11/1, paragraph 9.1.16).

Interest to be earned in 2019

- 7.2.2 Interest received for the period 1 January to 30 June 2019 amounts to some £60 000. Based on the current interest rates applicable to the 1992 Fund investments, interest income for 2019 is estimated at £125 000 based on an average capital of £17 million at an average interest rate of 0.75%.

Management fee payable by the Supplementary Fund in 2019

- 7.2.3 The management fee payable to the 1992 Fund by the Supplementary Fund for 2019 was set by the governing bodies at £36 000 (document IOPC/OCT18/11/1, paragraph 9.1.20).

7.3 Expenditure

Administrative costs

- 7.3.1 The administrative budget of the joint Secretariat (Chapter I–VI) for 2019 was set at £4 692 577. Based on information as at 1 July 2019, the total expenditure for 2019 for the joint Secretariat is estimated to be some £4 420 302 which is 5.8% lower than the 2019 budget appropriation, as set out in the table below:

Chapter	2019 appropriation £	Expenditure to 30 June 2019 £	Projected total 2019 expenditure £	Projected total as % of 2019 appropriation
I Personnel	3 177 977	1 476 669	2 985 488	93.9
II General services	754 900	287 374	714 579	94.7
III Meetings	130 000	26 034	85 535	65.8
IV Travel	150 000	71 503	150 000	100.0
V Other expenditure	419 700	143 858	484 700	115.5
VI Unforeseen expenditure	60 000	-	-	-
Total expenditure Chapters I–VI	4 692 577	2 005 438	4 420 302	94.2

- 7.3.2 The Director proposes that the estimated overspend under Chapter V, Other Expenditure (Consultants and other fees), be met by the transfer from Chapter I, Personnel, as set out in document IOPC/OCT19/9/3. The overspend is due to costs in respect of the implementation of an Enterprise Resource Planning (ERP) financial and contribution management system for the IOPC Funds. The ERP system is planned to be used from 1 January 2020.
- 7.3.3 Expenditures which are borne by the 1992 Fund only are under Chapter VII (External audit fee), and these expenses are not considered when calculating the management fee payable by the Supplementary Fund.
- 7.3.4 The external audit fee is £43 200 (Chapter VII) for the audit of the 2018 Financial Statements is payable in 2019. An additional expenditure of some £43 200 for the audit of the 2019 Financial Statements is forecast to be made from Chapter VI, Unforeseen expenditure to Chapter VII (External audit fee). In previous years the audit fee for the year has covered the fee for the audit of the previous year's Financial Statements. In 2019 it has been agreed with the External Auditor that the fee for the audit of the 2019 Financial Statements, which will be undertaken in 2020, is to be charged to the 2019 financial year in order to be compliant with the accrual basis of accounting. For 2019 therefore, the audit fee will cover the audit of both the 2018 and 2019 financial years. For subsequent years the audit fee would correspond to the audit of the respective financial year.

Minor claims expenditure 2019

- 7.3.5 As can be seen from Annex III, it is expected that claims and claims-related expenses will be incurred during 2019 in respect of six incidents involving the 1992 Fund. The total claims and claims-related expenses payable from the General Fund during 2019 are estimated at £133 000.

8 Income and expenditure estimates for 2020

8.1 Income

Interest to be earned in 2020

- 8.1.1 Interest income during 2020 from the 1992 Fund's investment of the assets of the General Fund is estimated at £75 000. This estimated yield is based on an average principal of approximately £15 million at an average interest rate of over 0.75%.

Management fee payable to the 1992 Fund

- 8.1.2 The Director has proposed that the management fee payable to the 1992 Fund by the Supplementary Fund for 2020 be set at £38 000 (2019 – £36 000) (see section 6). If a different apportionment of costs between the two organisations were to be decided, the draft budget would have to be revised accordingly.

8.2 Expenditure

- 8.2.1 The estimated joint Secretariat administrative expenditure for 2020 totals £4 875 731 (2019 – £4 692 577), (see section 5). A provision for employment benefit (accrued annual leave and repatriation grant) of £569 801 has been made. As set out in paragraph 5.5, the external audit fee for auditing the 2020 Financial Statements has been estimated by the External Auditor at £53 600.

Minor claims expenditure 2020

- 8.2.2 The incidents for which payments may have to be made from the General Fund during 2020 are listed in Annex IV.
- 8.2.3 It is estimated that the payments by the 1992 Fund from the General Fund in 2020 relating to six incidents will total £130 000. 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 1*, *Haekup Pacific* and *Trident Star* incidents.
- 8.2.4 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 2020. 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 2020, have to be made earlier.

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

- 8.3.1 At its sixth session held in October 2001, the 1992 Fund Assembly instructed the Director to develop a system in the form of a website or CD-ROM to assist States and potential contributors in the identification and reporting of contributing cargo under the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, 2010 (2010 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 2010 HNS Convention entered into force. It was noted that these costs would be paid from the General Fund.

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

Year	Appropriation £	Loan £	Interest £
2002	150 000	26 182	611
2003	50 000	9 488	1 230
2004	50 000	14 920	1 754
2005	50 000	25 130	3 083
2006	50 000	27 808	4 331
2007	30 000	6 577	6 165
2008	30 000	36 342	6 542
2009	30 000	733	1 312
2010	80 000	8 214	1 123
2011	150 000	41 119	1 263
2012	150 000	22 494	1 570
2013	150 000	22 692	1 690
2014	50 000	18 866	1 861
2015	25 000	17 919	1 999
2016	35 000	26 656	1 877
2017	35 000	9 792	1 685
2018	35 000	22 959	2 765
2019 (expenses and interest to 30 June 2019)	35 000	12 250	1 900
Total	1 185 000	350 141	42 761

- 8.3.3 As at 30 June 2019, of the total appropriations over the years of £1 185 000 an amount of £392 902 (including interest) had been used. 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 2002–2019 relating to the preparations for setting up the HNS Fund can therefore not be used to cover payments during 2020.

- 8.3.4 An appropriation of £35 000 has been included in the 2020 budget to cover the costs for the preparations and other administrative tasks in respect of the HNS Fund (document IOPC/OCT19/8/2).

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

8.4 Working capital

- 8.4.1 The working capital is needed to cover claims payments not included in the estimated expenses for minor claims, and to make loans to Major Claims Funds for the satisfaction of claims and claims-related expenses to the extent that sufficient money is not available in the Major Claims Fund in question, pending the levy of contributions to that Major Claims Fund.

- 8.4.2 The Director considers that the prompt payment of compensation is of crucial importance. The 1992 Fund should, in the Director's view, hold sufficient liquid funds to enable it to pay claims without having to wait for the next payment of contributions. In addition, the Director considers that the working capital should be sufficiently large so that bank loans are not required for the prompt payment of settled claims, at least not in normal circumstances.

8.4.3 At its session in April 2017, the 1992 Fund Administrative Council decided to reduce the working capital from £22 million to £15 million over the budget years 2018 to 2020 (document IOPC/APR17/9/1, paragraph 6.1.10).

8.4.4 As proposed to the 1992 Fund Administrative Council at the same session, the Director is of the view that the level of the working capital be reduced to £15 million in the budget year 2020 (document IOPC/APR17/6/1/Rev.1).

9 Estimated 1992 Fund General Fund balance as at 31 December 2020

9.1 The estimates for the General Fund for 2020 are set out in the table below:

	£	£
Estimated balance at 31 December 2019 (paragraph 7.1) Surplus/(deficit)		18 288 923
Plus estimated income		
Interest to be earned in 2019	75 000	
Management fee payable by Supplementary Fund for 2020	38 000	
		113 000
		18 401 923
Less estimated expenditure		
Joint Secretariat administrative expenditure 2020 (Annex I)	4 875 731	
Provision for employee benefit (accrued annual leave and repatriation grant as at 31 December 2020)	569 801	
External audit fee for 1992 Fund (paragraph 5.5)	53 600	
Minor claims expenditure 2020 (Annex IV)	130 000	
Loans to HNS Fund (paragraph 8.3.4)	35 000	
Working capital (paragraph 8.4.4)	15 000 000	
		20 664 132
Estimated expenditure over income		2 262 209

9.2 The balance as at 31 December 2019 is estimated at £18 401 923, which is higher than the working capital in 2019 of £17 million by £1 401 923. When assessing the need for levying contributions for payment in the following year (i.e. 2020) any estimated surplus or deficit brought forward in the General Fund is considered, thereby decreasing or increasing the amount that needs to be levied, i.e. any surplus/deficit is taken into account each year to determine the following year's requirements.

9.3 As shown from the estimates in the table above, contributions of £2 262 209 would be needed to balance the 2020 budget of the General Fund on the assumption that the 1992 Fund Assembly decides to reduce the working capital from £17 million to £15 million as set out in paragraph 8.4.4.

10 Director's proposal on the assessment of 2019 contributions to the General Fund

10.1 Considering the estimates set out in paragraph 9.1 of the amount needed to balance the 2020 budget of the General Fund, the Director proposes that there should be a levy of 2019 contributions to the General Fund of £2.3 million.

Timing of levy

- 10.2 Internal Regulation 3.6 provides that unless the Assembly decides otherwise, payment of annual contributions shall be due on 1 March of the year following that in which the Assembly decides on the levy of annual contributions.
- 10.3 At its first session, the Assembly decided to introduce a deferred invoicing system. Under this system the Assembly fixes the total amount to be levied in contributions for a given calendar year, but may decide that only a specific lower amount should be invoiced for payment by 1 March in the following year, the remaining amount, or a part thereof, to be invoiced later in the year if it should prove to be necessary (document 92FUND/A.1/34, paragraph 16).
- 10.4 The Director proposes that the entire levy of £2.3 million be levied for payment by 1 March 2020.

11 Action to be taken

1992 Fund Assembly

The 1992 Fund Assembly is invited to:

- (a) decide whether to renew the authorisation given to the Director to create additional posts in the General Service category as required (paragraph 4.1);
- (b) decide whether to renew the authorisation given to the Director to create a Professional post at the P3 level subject to need and budget availability (paragraph 4.2);
- (c) adopt the draft budget for 2020 for the 1992 Fund joint Secretariat administrative expenses of £4 875 731 (Annex I, Chapters I–VI), and the 1992 Fund’s external audit fee of £53 600 (Annex I, Chapter VII);
- (d) decide on the management fee payable by the Supplementary Fund to the 1992 Fund of £38 000 (section 6);
- (e) approve the Director’s estimate of the expenses to be incurred in 2020 in respect of the preparation for the entry into force of the HNS Convention of £35 000 (paragraph 8.3.4);
- (f) decide whether to reduce the working capital from £17 million to £15 million in the budget year 2020 (paragraph 8.4.4); and
- (g) decide whether to authorise the Director to levy £2.3 million, payable by 1 March 2020 (section 10).

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ANNEX I
Draft 2020 Administrative Budget for 1992 Fund

STATEMENT OF EXPENDITURE	Actual 2018 expenditure for 1992 Fund	2018 budget appropriations for 1992 Fund	2019 budget appropriations for 1992 Fund	2020 budget appropriations for 1992 Fund
	£	£	£	£
I Personnel				
(a) Salaries	2 028 664	2 160 678	2 185 699	2 303 563
(b) Separation and recruitment	3 298	40 000	40 000	40 000
(c) Staff benefits, allowances and training	851 347	931 030	932 278	980 968
(d) Conscious rewarding scheme	9 250	20 000	20 000	20 000
Sub-total	2 892 559	3 151 708	3 177 977	3 344 531
II General services				
(a) Rent of office accommodation (including service charges and rates)	161 511	185 100	183 600	186 500
(b) IT (hardware, software, maintenance and connectivity)	254 005	247 500	363 300	378 700
(c) Furniture and other office equipment	14 715	16 100	16 000	15 000
(d) Office stationery and supplies	6 863	10 000	10 000	10 000
(e) Communications (courier, telephone, postage)	22 182	32 000	29 000	30 000
(f) Other supplies and services	20 700	21 000	23 000	23 000
(g) Representation (hospitality)	24 315	20 000	20 000	20 000
(h) Public information	135 063	118 000	110 000	110 000
Sub-total	639 355	649 700	754 900	773 200
III Meetings				
Sessions of the 1992 Fund and Supplementary Fund governing bodies and intersessional Working Groups	98 569	110 000	130 000	130 000
IV Travel				
Conferences, seminars and missions	100 249	150 000	150 000	150 000
V Other expenditure				
(a) Consultants' and other fees	73 984	150 000	150 000	150 000
(b) Audit Body	184 635	187 800	192 500	189 000
(c) Investment Advisory Body	76 405	77 225	77 200	79 000
Sub-total	335 024	415 025	419 700	418 000
VI Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff and cost of equipment)	0	60 000	60 000	60 000
Total joint Secretariat expenditure I–VI	4 065 756	4 536 433	4 692 577	4 875 731
VII External audit fee (1992 Fund only)	43 200	43 200	43 200	53 600
Total Expenditure I–VII	4 108 956	4 579 633	4 735 777	4 929 331

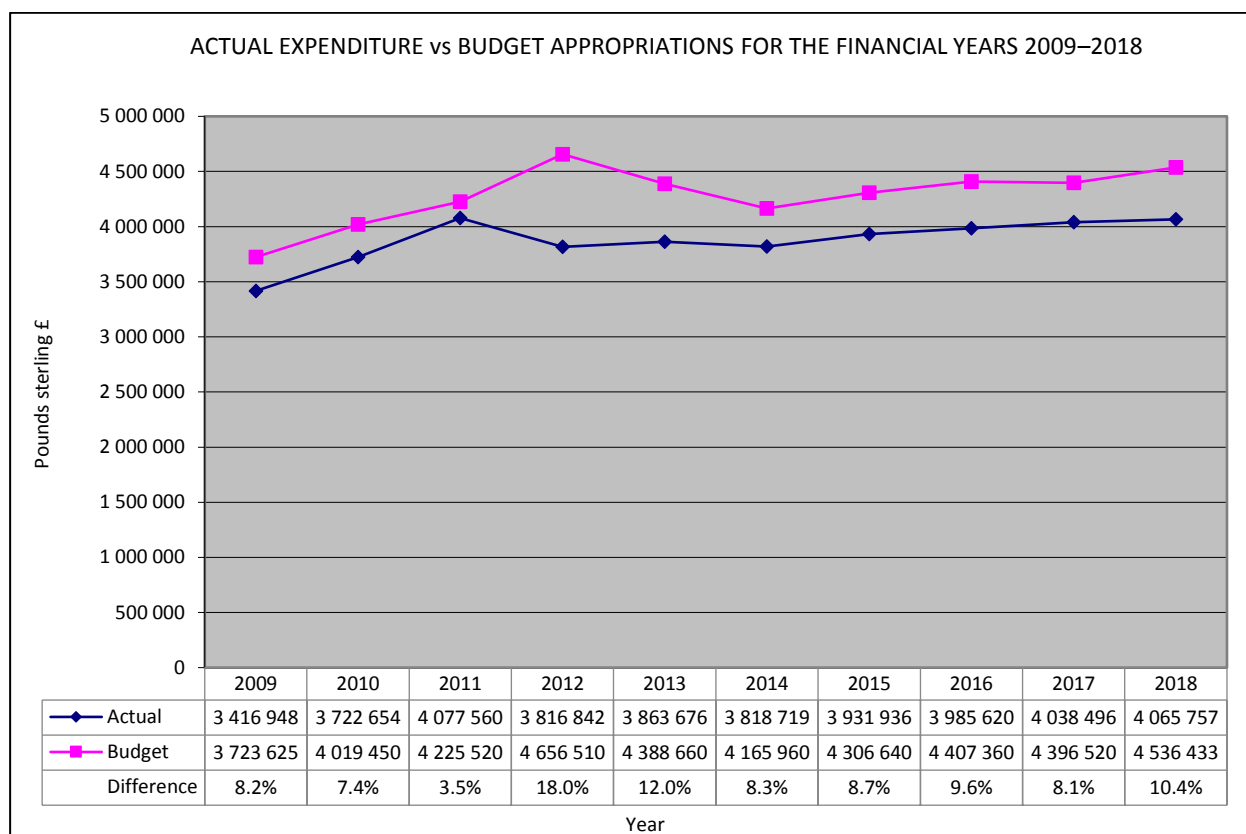
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ANNEX II

NOTES ON THE INDIVIDUAL APPROPRIATIONS BY CHAPTER

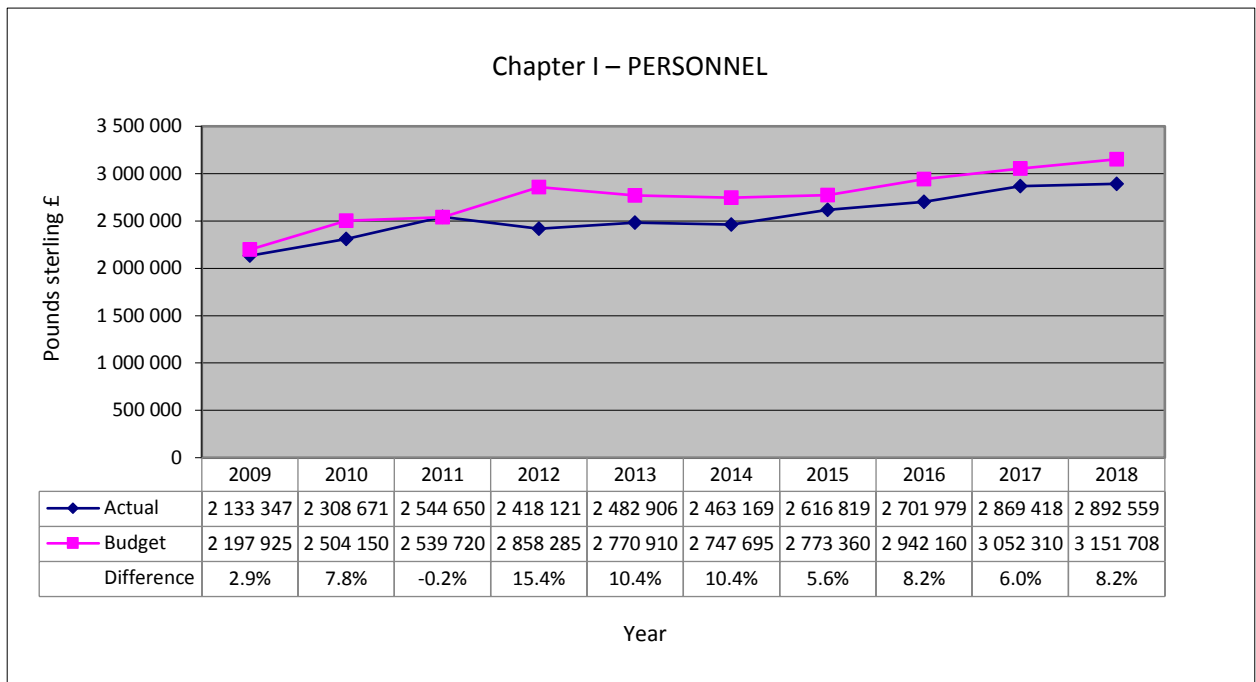
Introduction

- 0.1 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 considered, thereby decreasing or increasing the amount that needs to be levied, i.e. any surplus/deficit is considered each year to determine the following year's requirements.
- 0.2 As set out in the graph below, over the years there has been an underspend on the approved budget of the joint Secretariat Chapters I–VI ranging from 18.0% of the budget to 3.5% of the budget.



- 0.3 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.
- 0.4 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) for 2020.

1 Personnel (Chapter I)



2020 Appropriation £	2019 Appropriation £	% Increase/(Decrease) on 2019 Appropriation
3 344 531	3 177 977	5.2

Overview

- 1.1 The major part (68.6%) of the joint Secretariat draft budget for 2020 relates to Personnel costs and there is an increase of 5.2% under this Chapter compared to the 2019 budget. As set out in the graph above, over the years there has been an underspend (except in 2011) on the approved budget ranging from 15.4% 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.
- 1.3 The relevant salary scales, pensionable remuneration and changes to the Staff Rules are reproduced as Annexes to document IOPC/OCT19/7/1. The Provident Fund contributions are calculated in accordance with 1992 Fund Staff Rule VIII.5.
- 1.4 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 the duty station. The post adjustment is variable according to the 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

- 1.5 There is an increase of 5.4% in the 2020 appropriation (£2 303 563) compared to 2019 (£2 185 699) and reflects increases set out below.
- 1.6 Salaries comprise of the cost of staff members and short-term assistance. 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% for staff in the Professional and higher categories and 3.5% for staff in the General Service 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).
- 1.7 The number of established posts within the Secretariat stands at 34, of which 19 are in the Professional category and 15 are in the General Service category (see document IOPC/OCT19/7/1). As at 13 September 2019, seven established posts are vacant; four in the Professional category and three in the General Service category.
- 1.8 The 2020 draft budget includes the vacant post of Claims Manager at the P3 level. The other three vacant posts in the Professional category are that of the External Relations Officer (P3) and two posts of in-house Translators (French and Spanish). The post of the External Relations Officer became vacant in July 2014. The Director does not envisage filling this post in the foreseeable future and, therefore, it is not included in the 2020 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.
- 1.9 There are three vacant posts in the General Service category. The three posts are that of Administrative Assistant (G4) in the Finance and Administration Department, Claims Assistant (G4) and Administrative Assistant (G4) in the Director's office, and are not included in the 2020 budget as the Director does not envisage filling these posts in the foreseeable future.
- 1.10 Under the authority given to the Director by the Assembly in October 2001 to create positions in the General Service category, four posts have been created between 2004 and 2011. No posts have been created since 2011.
- 1.11 The salaries budget in 2011 and 2012 included an appropriation for one unspecified P3 post. Since 2013 the Director has not included an appropriation for an unspecified P3 post in the budget nor has he done so in the 2019 budget. As set out in paragraph 4 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.
- 1.12 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 the Professional category up to grade P5 and to decide on promotions for these categories (document 92FUND/A.3/27, paragraph 23.6). A Secretariat-wide job review/classification exercise was undertaken by a United Nations classifier in 2014/2015.
- 1.13 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 scheme was extended in 2014 to also include a Manager's Award, in recognition of staff contribution, in the form of non-cash vouchers. The total budget for any one year is limited to 1% of the total annual budget for salaries in the year the Conscious Reward is awarded. The 1% limit based on the draft salaries budget for 2020 is some £20 000 and is included as a separate item under Personnel in Annex I.

- 1.14 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 such as parental leave, and to fill any vacancies temporarily until new incumbents are appointed. The budget appropriation in the draft 2020 budget has been increased from the 2019 budget of £10 000 to £30 000 to cover long leave periods such as maternity leave.

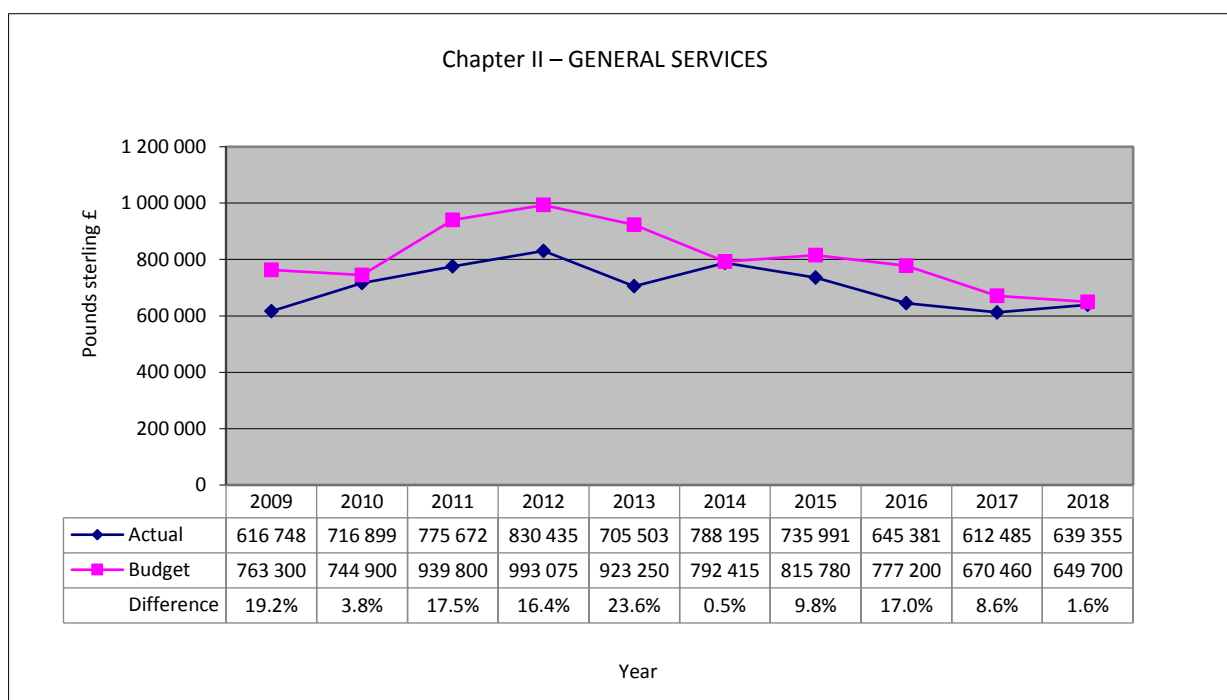
(b) Separation and recruitment

- 1.15 This budget appropriation covers expenses which would be incurred if recruitment is to be made to posts that may fall vacant or to the existing vacant posts. A budget appropriation of £40 000 has been made for this expenditure as in 2019.

(c) Staff benefits, allowances and training

- 1.16 There is an increase of 5.2% in the 2020 appropriation (£980 968) compared to 2019 (£932 278) under this heading.
- 1.17 This appropriation covers mainly the 1992 Fund's contributions to the Provident Fund, education grants, home leave (increased compared to 2019 due to staff eligibility for travel in 2020), insurance (accident, life and medical) and staff training.
- 1.18 The IOPC Funds also pay IMO a charge for medical services provided to staff members. The charge per staff member is set annually and is in accordance with the budgeted number of staff members and paid annually in arrears.

2 General services (Chapter II)



2020 Appropriation £	2019 Appropriation £	% Increase/(Decrease) on 2019 Appropriation
773 200	754 900	2.4

Overview

- 2.1 The appropriations under subsections (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, over the years there has been an underspend on the approved budget ranging from 23.6% to 0.5% of the budget.

(a) Rent of office accommodation (including service charges and rates)

- 2.2 There is a slight increase of some 1.6% in the 2020 appropriation (£186 500) compared to 2019 (£183 600) under this heading. The appropriation under this heading accounts for 3.8% of the overall joint Secretariat budget for 2020.
- 2.3 The appropriation has been calculated in accordance with the underlease Agreement signed in February 2016 by the Director of the IOPC Funds and the Secretary-General of IMO and calculated on the space occupied in the IMO building (600.4 m²) and space retained outside the IMO building for storage.
- 2.4 The 2020 budget appropriations are in accordance with the underlease Agreement as follows:
- Rent fixed at £429.60/m²/year (i.e. £258 000) exclusive of service charges as described below, for the period between 1 September 2016 and the break point (i.e. 31 October 2024).
 - The United Kingdom Government contributes 80% of the rent (i.e. £258 000 X 80% = £206 400 per annum). The net rent payable by the 1992 Fund is, therefore, £51 600 per annum up until 31 October 2024.
 - Service charge is calculated in proportion to the area occupied, to cover common services provided by IMO as itemised in the Agreement and covers facilities and services to the IOPC Funds such as building insurance, utilities, water and sewerage, building maintenance and renovations, security service local taxes (rates), use of conference rooms and the cafeteria, and one reserved car parking space for the Director.
- 2.5 All rent and service charges are calculated on a calendar-year basis and paid annually in arrears.
- 2.6 The table below shows a comparison between the costs relating to accommodation in 2019 and 2020:

Expense Head	2020 appropriation £	2019 appropriation £
Rent	51 600	51 600
Service charge (including utilities, local rates etc.)	110 900	108 500
Outside storage space rent	13 500	13 000
Office contents insurance	5 500	5 500
Other maintenance	5 000	5 000
Total	186 500	183 600
Increase on 2019	1.6%	

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

- 2.7 There is an increase of 4% in the 2020 appropriation (£378 700) compared to 2019 (£363 300) under this heading, broken down as follows:

Expense Head	2020 appropriation £	2019 appropriation £
Purchase of hardware	20 000	55 000
Purchase of software	60 350	46 150
Maintenance (hardware, software and infrastructure)	137 800	145 100
Software development	110 000	80 000
Connectivity	47 050	33 550
IT-related consumables	3 500	3 500
Total	378 700	363 300
Increase on 2019	4%	

- 2.8 The appropriation for maintenance (hardware, software and infrastructure) constitutes over a third of the appropriation and covers the costs for maintenance and support for the IOPC Funds' systems which include public-facing (i.e. having external users) software packages, the Claims Handling System (CHS)/Claims Submission System (CSS) and the Online Reporting System (ORS) hosted on the cloud.
- 2.9 The software development appropriation (£110 000) is primarily included for the further development of the Online Reporting System (ORS) to be reviewed following the implementation of a new ERP system for the IOPC Funds and for further enhancements to the CHS/CSS systems and the bespoke payroll system.

(c) Furniture and other office equipment

- 2.10 This appropriation has been reduced to £15 000 (2019 – £16 000). The main portion of the budget covers the rental cost of photocopying/printing machines. The appropriation also includes office equipment (other than IT equipment), office equipment maintenance, repairs and replacement of furniture.

(d) Office stationery and supplies

- 2.11 This appropriation has been maintained at £10 000 (2019 – £10 000) based on estimated expenditure in 2019.

(e) Communications (courier, telephone, postage)

- 2.12 The appropriation has been increased slightly to £30 000 (2019 – £29 000) in line with estimated expenditure in 2019. The appropriation covers the cost of courier, postage and telephone services (including mobiles).

(f) Other supplies and services

- 2.13 This item covers supplies and services not included under items (a) to (e) and miscellaneous expenditure such as bank charges and staff room supplies. The appropriation has been maintained at £23 000 (2019 – £23 000) based on estimated expenditure in 2019.

(g) Representation (hospitality)

- 2.14 This appropriation relates to hospitality not covered by the Director's representation allowance, e.g. receptions given in connection with meetings of the IOPC Funds and official entertainment by the organisation. This appropriation has been retained at £20 000 (2019 – £20 000).

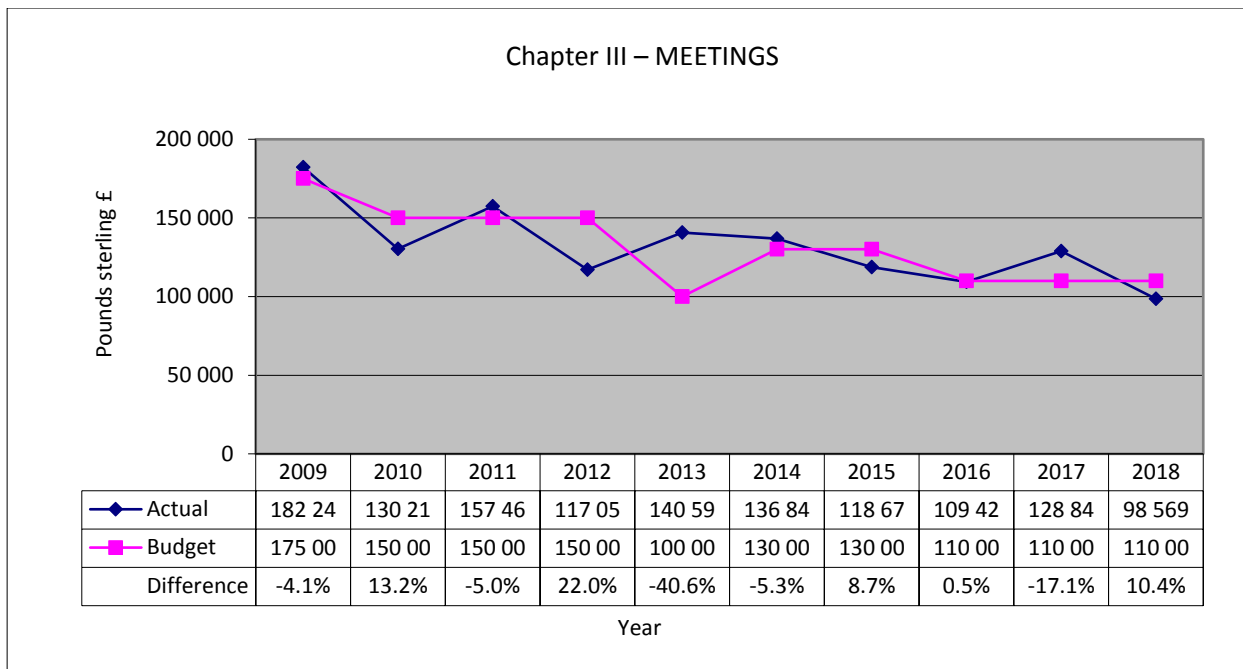
(h) Public information

- 2.15 The appropriation is to cover costs for the following:

- (i) the cost of printing, publication and bulk mailings of the joint Annual Report of the IOPC Funds in the three working languages, and of other publications and documents (other than those prepared for the sessions of the Funds' governing bodies);
- (ii) the cost of public information services, e.g. uploading information/minor changes to the organisations' websites, as well as expenditure in relation to other public relations projects, e.g. induction meetings and the Short Course;
- (iii) subscriptions for periodicals, newspapers, books;
- (iv) the cost of participating in key international oil spill conferences, including updating the IOPC Funds' exhibition stand; and
- (v) updating the short film on the IOPC Funds.

- 2.16 The total appropriation under this heading has been maintained at £110 000 (2019 – £110 000)

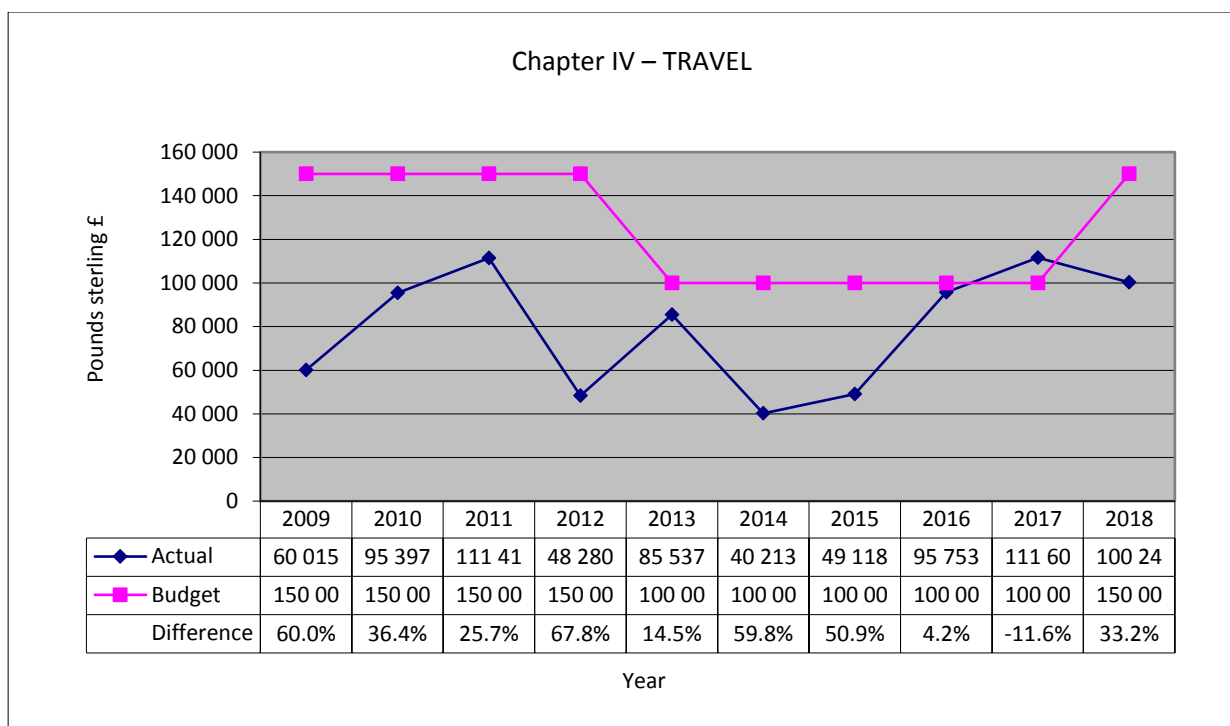
3 Meetings (Chapter III)



2020 appropriation £	2019 appropriation £	% Increase/(Decrease) on 2019 Appropriation
130 000	130 000	-

- 3.1 The meetings of the IOPC Funds' governing bodies, as well as those of any intersessional Working Groups, are normally held in IMO conference rooms. As set out in the graph above, it can be seen that over the years there has been both an underspend and overspend on the approved budget ranging from an underspend of 22.0% of the budget to an 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 per year as usual and cancel one if it were not needed.
- 3.3 Since 2012, only two meetings have been held per year. The 2020 appropriation has been retained at £130 000. It is difficult to determine the costs within this Chapter as it will depend on the number of meeting days scheduled. The budget appropriation considers recent increases to costs of employing temporary translators during meeting weeks.

4 Travel (Chapter IV)



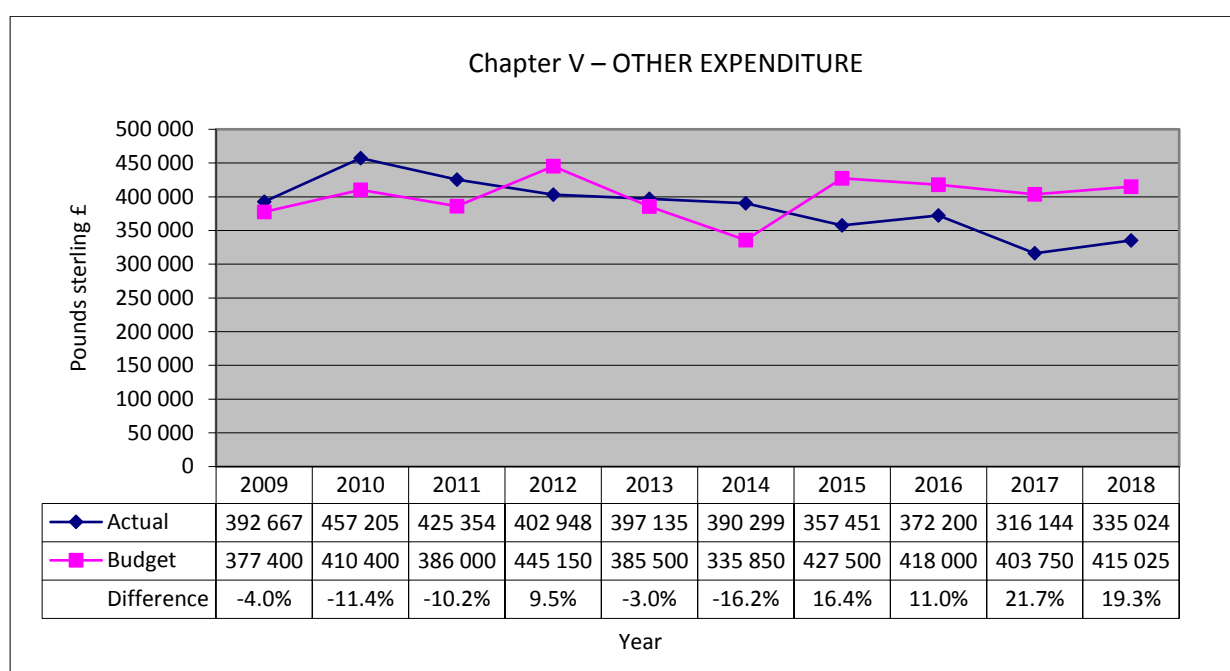
2020 Appropriation £	2019 Appropriation £	% Increase/(Decrease) on 2019 Appropriation
150 000	150 000	-

- 4.1 This appropriation covers the costs of travel on missions and for attendance at conferences and seminars. As set out in the graph above, over the years there has been an underspend on the approved budget ranging from 67.8% to 4.2% of the budget, with the exception of 2017 which saw an overspend of 11.6%.
- 4.2 These trips are reported to Member States as outreach activities in the Report of the Director and other communication materials such as the Annual Report or the IOPC Funds' website. Outreach is defined as the activity of providing services to any stakeholders who might not otherwise have access to them. A key component of outreach is that the organisation delivers such services to stakeholders at their locations, either physically or by other means of communication.
- 4.3 The Secretariat of the IOPC Funds participates in outreach activities such as:
- Participation in seminars/workshops for the promotion of the international oil pollution liability and compensation regime;
 - training on claims and compensation matters;
 - support to Member States for the implementation of the Conventions into national law;
 - support efforts to ensure a consistent application of the Conventions;
 - participation in conferences and other events to maintain/improve engagement with industry and other key stakeholders; and
 - delivery of lectures at academic events.
- 4.4 Since its inception, the Secretariat has been delivering such types of activities around the world, generally in response to requests from Member and non-Member States, or from IMO and other regional organisations interested in having expertise in the area of liability and compensation for oil pollution. In recent years, the Secretariat has received an increase in the number of such requests for assistance,

which may in part be attributable to the increasing membership of the 1992 Fund Convention and the new focus on effective implementation of the Conventions into national law.

- 4.5 This increase in demand for outreach activities has continued in 2019 and the costs associated with these activities are forecast to use up a large portion of the budget appropriation for 2019.
- 4.6 The IOPC Funds have also been invited to participate in international conferences such as Interspill and Spillcon, where the IOPC Funds have held stands within the exhibition spaces to promote the IOPC Funds and the international liability and compensation regime.
- 4.7 It is the Director's view that over the coming years more focus will be needed on outreach activities. There may be a need, 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. The Director proposes to maintain the travel budget at £150 000 for 2020 (2019 – £150 000).

5 Other expenditure (Chapter V)



2020 Appropriation £	2019 Appropriation £	% Increase/(Decrease) on 2019 Appropriation
418 000	419 700	(0.4)%

- 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, over the years there has been both an underspend and overspend on the approved budget ranging from an underspend of 21.7% of the budget to an overspend of 16.2% of the budget. The table below provides a breakdown of the budget appropriations for 2020, which shows a small reduction on the 2019 budget and the breakdown by expense category.

Expenses	2020 appropriation £	2019 appropriation £	% Increase/(decrease) on 2019 appropriation
Consultants' and other fees	150 000	150 000	0.0
Audit Body	189 000	192 500	(1.8)
Investment Advisory Body	79 000	77 200	2.3
Total	418 000	419 700	0.4

(a) Consultants' and other fees

- 5.2 The 2020 budget appropriation for consultants' fees has been maintained at £150 000 (2019 – £150 000).
- 5.3 It will be necessary to engage consultants/lawyers if work which cannot be undertaken by permanent staff members has to be carried out.
- 5.4 The use of consultants might be required, for example, to undertake studies of a general nature which are not related to specific incidents. For example, consultants have been engaged in 2019 to assist the Secretariat with identifying and implementing a new off-the-shelf accounting and contribution management system (ERP system). The appropriation is also used for work externally done such as internal audit reviews on specific topics to assist the Director to review key areas of the operation of the Secretariat, e.g. in 2018, a cybersecurity audit was commissioned and the report shared with the Audit Body.
- 5.5 The table below provides a summary of the use of the consultants' fees budget for the period 2014–2018.

Expenses £	2014	2015	2016	2017	2018
Legal/administrative costs	60 814	75 328	79 198	35 951	70 218
Human resources matters	513	1 121	-	-	-
Non-incident related studies	110 056	48 324	21 109	19 363	3 766
Total	171 383	124 773	100 307	55 314	73 984

- 5.6 It should be noted that fees for consultants/lawyers 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 nominated by Member States and one member not related to the organisations (the 'external expert') with expertise and experience in financial matters. The Audit Body holds three regular meetings per year.
- 5.8 Following the election of members of the joint Audit Body in October 2017, the joint Audit Body consisted of six members and the external expert. Following the sad passing of the Chair of the Audit Body in January 2019, at its April 2019 session, the 1992 Fund Administrative Council decided to allow the joint Audit Body to operate with five elected members and the external expert for the remainder of the three-year term until October 2020, thereby bringing the composition of the joint Audit Body from seven to six.
- 5.9 An appropriation of £189 000 is included in the draft 2020 budget (2019 – £192 500) to cover the costs resulting from the operation of this Body, i.e. 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 its October 2009 session, the 1992 Fund Administrative Council 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 (see document IOPC/OCT09/11/1, paragraphs 6.2.8 and 6.2.9).
- 5.11 As set out in the 2015 budget document, the Retail Price Index is no longer classified as a 'national statistic' by the Office for National Statistics in the United Kingdom and therefore from 2017 the United Kingdom Consumer Price Index (UK CPI) has been used for indexing.
- 5.12 The June 2019 UK CPI Index of 2.0% has been used for preparing the 2020 budget appropriations resulting in the following honoraria/fees totalling £65 379 payable from 1 November 2019 to October 2020:

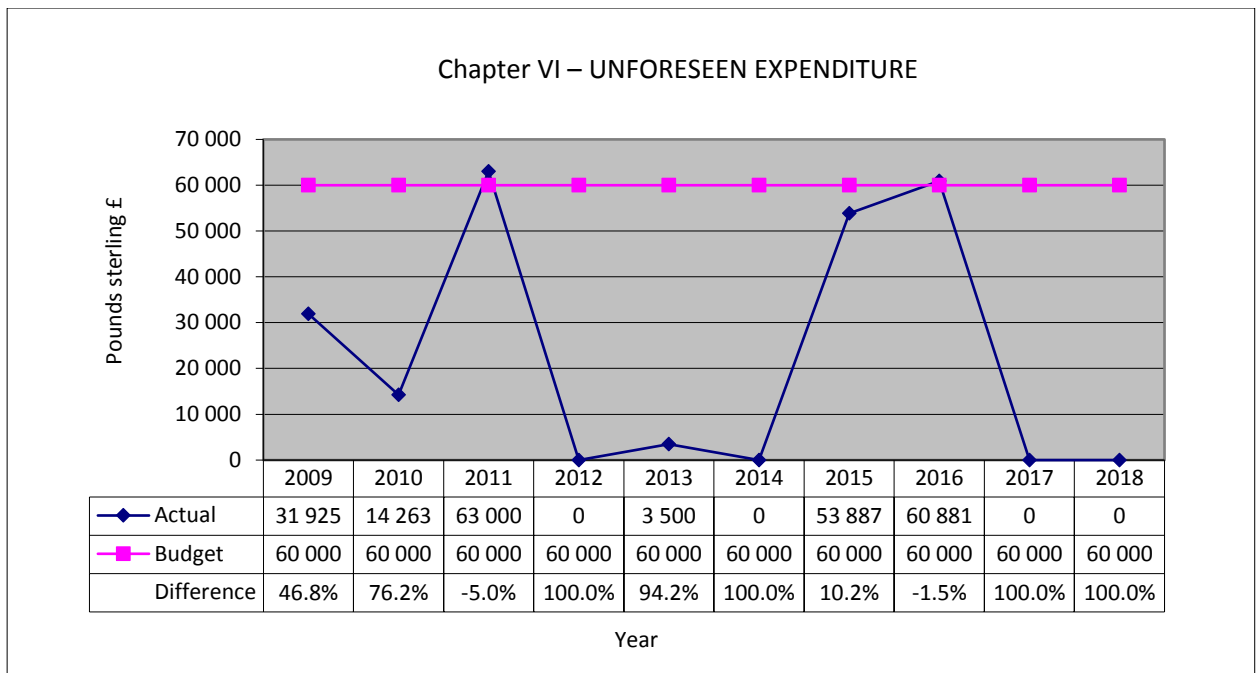
Chair	£7 840 (2019 – £7 686)
Vice-Chair	£6 534
Members (three)	£5 229 each — £15 687 for three members (2019 – £5 126 each)
External expert	£35 318 (2019 – £34 625)

- 5.13 Travel costs, including daily subsistence allowance to attend meetings, for the members has been estimated at £122 400.
- 5.14 An appropriation of £189 000 (2019 – £192 500) has been included for 2020 to also include an additional appropriation for any increase in honorarium and fees from 1 November 2020 and the expenses for the full complement of the Audit Body for the last two months of 2020.

(c) Investment Advisory Body

- 5.15 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.
- 5.16 At its October 2009 session, the 1992 Fund Administrative Council 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 Consumer 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 2019 UK CPI of 2.0% has been used for preparing the 2020 budget appropriations.
- 5.17 The remuneration for 2020 for the three members will be £26 114 (2019 – £25 602) per member for the period 1 November 2019 to October 2020. The total for three members is therefore £78 342.
- 5.18 An appropriation of £79 000 has been included in the draft budget to cover any increase in fees from 1 November 2020.

6 Unforeseen expenditure (Chapter VI)



2020 Appropriation £	2019 Appropriation £	% Increase/Decrease) on 2018 Appropriation
60 000	60 000	-

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, over the years there has mainly been an underspend on the approved budget ranging from an underspend of 100% to an overspend of 5% of the budget. This appropriation has been maintained at £60 000, representing some 1.2% of the draft budget.

7 External audit fee (1992 Fund only) (Chapter VII)

- 7.1 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.
- 7.2 The External Auditor has advised that the fee for auditing the accounts of the 2020 financial period of the 1992 Fund will be £53 600 (2019 – £43 200).

* * *

ANNEX III
Estimated General Fund claims expenditure in 2019
(Figures in pounds sterling)

Incident	Date	Maximum payable from General Fund: SDR 4 million	Expenditure up to 31/12/18		Receipt under STOPIA 2006** up to 31/12/18	Balance payable from General Fund at 31/12/18	2019 Expenditure				Receipts/ receivables under STOPIA 2006 01/01/19– 31/12/19	Estimated General Fund expenditure in 2019	Estimated total General Fund expenditure up to 31/12/19	Estimated balance payable from General Fund at 31/12/19
			Compensation paid up to 31/12/18	Claims-related expenses paid up to 31/12/18			Compensation		Claims-related expenses					
							Paid 01/01/19– 30/06/19	Estimate 01/07/19– 31/12/19	Paid 01/01/19– 30/06/19	Estimate 01/07/19– 31/12/19				
Solar 1*	11/08/06	3 134 944	(6 491 623)	(263 871)	6 522 136	2 901 586	-	-	-	(10 000)	-	(10 000)	(244 000)	2 892 000
Redfferm	30/03/09	4 091 560	-	(73 391)	-	4 018 169	-	-	-	(5 000)	-	(5 000)	(78 000)	4 014 000
Haekup Pacific*	20/04/10	3 993 132	-	(20 362)	-	3 972 770	-	-	-	(5 000)	-	(5 000)	(25 000)	3 968 000
Trident Star*	24/08/16	4 243 640	-	(26 329)	-	4 217 311	-	-	(27 614)	(75 000)	-	(103 000)	(129 000)	4 115 000
Nathan E. Stewart***	13/10/16	4 316 320	-	(2 969)	-	4 313 351	-	-	-	(5 000)	-	(5 000)	(7 000)	4 309 000
Bow Jubail	23/06/18	4 258 160	-	-	-	4 258 160	-	-	-	(5 000)	-	5 000.00	- 5 000.00	4 254 000
												(133 000)		

* Under STOPIA 2006 compensation payments up to SDR 20 million 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.

*** Previously reported as Incident in Canada

* * *

ANNEX IV
Estimated General Fund claims expenditure in 2020
(Figures in pounds sterling)

Incident	Date	Maximum payable from General Fund: SDR 4 million	Estimated balance payable from General Fund at 31/12/2019	2020 Estimated Expenditure		Receivable under STOPIA 2006	Estimated General Fund expenditure in 2019	Estimated total General Fund Expenditure up to 31/12/19	Estimated balance payable from General Fund at 31/12/19
				Compensation	Claims-related expenses				
<i>Solar 1*</i>	11/08/06	3 134 944	2 892 000	-	(10 000)	-	(10 000)	(254 000)	2 882 000
<i>Redfferm</i>	30/03/09	4 091 560	4 014 000	-	(5 000)	-	(5 000)	(83 000)	4 009 000
<i>Haekup Pacific*</i>	20/04/10	3 993 132	3 968 000	-	(5 000)	-	(5 000)	(30 000)	3 963 000
<i>Trident Star*</i>	24/08/16	4 243 640	4 115 000	-	(100 000)	-	(100,000)	(229 000)	4 015 000
<i>Nathan E. Stewart**</i>	13/10/16	4 316 320	4 309 000	-	(5 000)	-	(5,000)	(12 000)	4 304 000
<i>Bow Jubail</i>	23/06/18	4 258 160	4 254 000	-	(5 000)	-	(5,000)	(10 000)	4 249 000
							(130,000)		

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

Figures in brackets show outflow.

** Previously reported as Incident in Canada