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COMPENSATION  
FUND

ASSEMBLY  
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Agenda item 13

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## LEASE OF THE IOPC FUND'S OFFICES

Note by the Director

### Introduction

1 A ten year lease regarding the IOPC Fund's offices in the IMO headquarters building on Albert Embankment was agreed with IMO from 1 November 1982. This lease expires on 31 October 1992.

2 Under the lease, the IOPC Fund occupies eight office rooms plus one storage room (1 872 sq ft). In addition, the Secretary-General has placed at the disposal of the IOPC Fund Secretariat one office room (163 sq ft) on a temporary basis from September 1990. This room was first used by a temporary secretary and, from 21 January 1991, by the new Clerk-Secretary recruited pursuant to the decision of the Assembly at its 13th session. The total space at present occupied by the IOPC Fund is thus 2 035 sq ft.

3 The United Kingdom Government refunds 80% of the rent and rates to the IOPC Fund. The IOPC Fund thus pays in the end only 20% of the rent and rates. The United Kingdom Government also refunds 80% of the cost of property insurance, as well as 80% of the cost of major repairs, replacements and major services.

4 After consultation with the United Kingdom Government, IMO has decided to charge sub-tenants, including the IOPC Fund, a market rent for their accommodation. The rent agreed with IMO is £15 per square foot, exclusive of rates and service charges. For the space at present occupied by the Fund Secretariat, the rent (after the aforementioned 80% refund) amounts to £6 105. It should be noted that the rent level is fixed up to the expiry of the present lease, viz 31 October 1992. It is likely that there will be a significant increase in the rent after that date. The IOPC Fund also pays rates and service charges in proportion to the space occupied by the Fund. For 1991, the rates and service charges amount to approximately £22 000.

5 Under the lease agreement, the IOPC Fund is entitled to two additional rooms in the building for which additional rent is payable, if the Fund Secretariat should require additional office space. On this point, the lease agreement provides as follows:

- "(3) (a) If at any time during the period of this Underlease the Tenant shall require two additional rooms in the Building and shall give to the Landlord not less than six months' prior written notice of such requirement then the Landlord shall within two months of the date of such notice apply to the Head Landlord in accordance with the terms of the Superior Lease for consent to such underletting and on obtaining such consent will grant to the Tenant an Underlease of two rooms in the Building...."

6 In a letter to the Secretary-General of IMO, dated 21 May 1990, the Director requested that the IOPC Fund should be given two additional office rooms. The reason for this request was the Director's proposal to the Assembly for the creation of a new post of Clerk-Secretary and the need for a new post in the professional category in the near future. Discussions were held with the Secretary-General during the summer of 1990.

#### Discussions at the 13th session of the Assembly

7 At its 13th session, the Assembly discussed the question of the lease of the IOPC Fund's offices. The Assembly expressed the view that it was desirable that the IOPC Fund's offices should remain within the IMO building after 31 October 1992 (the date of expiry of the present lease), and emphasised the necessity that any new lease contract with IMO should give an adequate guarantee that additional office space be made available to the IOPC Fund, if the need arose. The Assembly instructed the Director to examine the matter and discuss it with the Secretary-General and the United Kingdom Government, in order to find the best solution, and to report the results of his examination to the Assembly at its 14th session. As for the Director's request for two additional rooms under the option provided in the present lease, the Assembly emphasised that it was important for the efficient operation of the IOPC Fund that the Director's request be granted by IMO and that the required additional space be located adjacent to the offices already occupied by the Fund (document FUND/A.13/21, paragraphs 18.2 - 18.4).

#### Continued Discussions with the Secretary-General

8 As instructed by the Assembly, the Director continued his discussions with the Secretary-General. In May 1991, the Secretary-General indicated that IMO could in a few months time make available the two additional office rooms to which the IOPC Fund was entitled under the present lease, since some office space would become vacant in the IMO building in August 1991. However, IMO preferred to solve at the same time the problem relating to the extension of the IOPC Fund's lease beyond 31 October 1992, the date of expiry of the present lease. The Director agreed that it was preferable that these two issues be solved simultaneously.

#### Discussion at the 27th session of the Executive Committee

9 At its 27th session held in June 1991, the Executive Committee was informed by the Director of the developments in respect of the lease of the IOPC Fund's offices. The Director stated that, in view of the position taken by the Assembly at its 13th session and considering the importance of the matter for the IOPC Fund, he considered it necessary to reach an agreement in principle as soon as possible with the Secretary-General which would solve the problem of the extension of the IOPC Fund's lease beyond 31 October 1992. In his view, the IOPC Fund should take the opportunity which exists at present to secure sufficient office space within the IMO building. For this reason, he intended to negotiate an agreement with the Secretary-General which would immediately give the IOPC Fund not only the two additional rooms to which it was entitled under the present lease but also further space which would facilitate the efficient running of the organisation and give the Fund adequate guarantees for further expansion if the need arose (document FUND/EXC.27/6, paragraphs 5.3 - 5.5).

10 The United Kingdom delegate, as representative of the host Government, stressed the need for a rapid solution to the problem of the IOPC Fund's lease beyond 31 October 1992. For this reason, that delegation supported that the Director should reach an agreement with the Secretary-General as soon as possible along the lines indicated. The Executive Committee took note of the information provided by the Director and of the intervention by the United Kingdom delegation (document FUND/EXC.27/6, paragraphs 5.6 and 5.7).

#### **Agreement with the Secretary-General**

11 The negotiations with the Secretary-General resulted, in July 1991, in an agreement in principle between him and the Director regarding both the additional office space and the extension of the present lease. This agreement was confirmed by an exchange of letters in August 1991.

12 Under this agreement, the IOPC Fund will, from 1 October 1991, be given four more rooms located adjacent to the offices which are at present occupied by the Fund. One room, which is covered by the present lease and is used by the IOPC Fund as a meeting room, will be exchanged for a slightly larger meeting room. The IOPC Fund's temporary use of one office room would cease. The total area occupied by the IOPC Fund will be 2 647 sq ft.

13 It is the Director's intention that the Fund Secretariat will start using the additional rooms by mid October 1991, after certain rearrangements of the offices have been carried out.

14 Agreement has also been reached in principle between the Secretary-General and the Director on an extension of the present lease, subject to approval by the Assembly. The new lease would run from 1 November 1992 for an agreed period. The Director is of the opinion that the period should be set at 10 years. The details of the extended lease will have to be discussed further between the Secretary-General and the Director.

15 The new lease would give the IOPC Fund the option to obtain two further office rooms adjacent to the rooms to be taken over by the Fund on 1 October 1991. Exercising this option would require six months notice by the IOPC Fund. In the view of the Director, this option would give the IOPC Fund adequate guarantee that additional office space will be made available to the IOPC Fund if the need arose.

16 The extension of the present lease is also subject to the approval of the United Kingdom Government.

#### **Budgetary Consequences**

17 The additional office space placed at the IOPC Fund's disposal from 1 October 1991 will result in an extra cost of approximately £2 100 for the remaining part of 1991 and £12 000 in respect of the calendar year 1992, including rates and service charges (see the notes to the Draft Budget 1992, document Fund/A.14/11).

18 As regards the rent to be paid by the IOPC Fund after 31 October 1992, ie the date of expiry of the present lease, it is not possible to give any accurate figure until final agreement has been reached with IMO. However, it is likely that there will be a significant increase in the rent level, compared with the present rent of £15 per sq ft.

**Action to be Taken by the Assembly**

**19** The Assembly is invited to:

- (a) take note of the information contained in this document;
  - (b) note the agreement between the Secretary-General and the Director in respect of additional office space to be made available to the IOPC Fund from 1 October 1991, as set out in paragraph 12 above;
  - (c) express its opinion in respect of the proposed extension of the lease of the IOPC Fund's offices in the IMO building beyond 31 October 1992, set out in paragraphs 14 and 15 above; and
  - (d) give the Director such instructions as it deems appropriate concerning the negotiations with the Secretary-General regarding the extension of the lease.
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