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BUDGET FOR 2004 AND ASSESSMENT OF CONTRIBUTIONS TO THE GENERAL FUND

Note by the Director

<i>Summary:</i>	The draft budget for 2004 is presented, with the Director's comments thereon. The resulting need for 2003 contributions to the General Fund is examined.
<i>Action to be taken:</i>	Adopt the administrative budget for 2004 and decide on the levy of 2003 General Fund contributions.

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 Assembly shall determine the amount of contributions to be levied, if any. For this purpose the 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 up to 4 million SDR per incident (minor claims); and
- (c) payments of claims 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 92FUND/A.8/23).

1.6 The assessment of contributions to the General Fund should be calculated as follows:

	ESTIMATED INCOME		
<i>Plus</i>	1 Surplus as at 31 December 2003	A	Total estimated income in 2004
	2 Interest to be earned in 2004		
<i>LESS</i>	ESTIMATED EXPENDITURE		
<i>Plus</i>	1 Administrative expenditure 2004	B	Total estimated expenditure 2004
<i>Plus</i>	2 Minor claims expenditure 2004		
<i>Plus</i>	3 Working capital		
	AMOUNT REQUIRED TO BALANCE BUDGET 2004	A-B	General Fund contributions

1.7 As for the individual incidents, reference is made to the information contained in the Financial Statements (document 92FUND/A.8/8, Annex IV, Schedule II) and to the various documents relating to incidents submitted to the 22nd session of the Executive Committee.

1.8 It should be noted that any estimate in this document of amounts to be paid by the 1992 Fund in compensation has been made solely for the purpose of the assessment of annual contributions, without prejudice to the position of the 1992 Fund in respect of the claims.

2 Income

2.1 Surplus as at 31 December 2003

2.1.1 The estimated surplus by 31 December 2003 of £21 049 222 is arrived at as shown in the table on page 3.

2.1.2 As can be seen from Annex I, it is anticipated that payments of compensation from the General Fund will be made during 2003 in respect of three incidents. It is expected that fees will be incurred during 2003 in respect of eight incidents involving the 1992 Fund.

	£	£
Surplus as at 1 January 2003		23 640 071
<i>Plus</i>		
2002 General Fund contributions receivable in 2003	3 000 000	
Previous years' General Fund contributions receivable in 2003	11 148	
Interest to be earned in 2003 (estimate)	650 000	
	3 661 148	3 661 148
		27 301 219
<i>Less</i>		
Administrative expenditure, Budget 2003	2 381 297	
Minor claims expenditure in 2003 (Annex I)	3 870 700	
	6 251 997	6 251 997
Estimated surplus as at 31 December 2003		21 049 222

2.2 Interest to be earned in 2004

The income in interest during 2004 from the 1992 Fund's investment of the assets of the General Fund is estimated at £650 000. This estimated yield is based on an average principal of approximately £20 million.

3 Expenditure

3.1 Administrative expenditure 2004^{<1>}

Introduction

- 3.1.1 As decided in June 1996 by the 1971 Fund Assembly and the 1992 Fund Assembly, the 1971 Fund and the 1992 Fund have a joint Secretariat. Since 16 May 1998 the 1992 Fund Secretariat has been responsible for the administration of the two Funds (documents 71FUND/A.19/30, paragraph 11 and 92FUND/A.2/29, paragraph 13.1). The 1992 Fund will initially pay the total expenditure, and the 1971 Fund will reimburse the 1992 Fund for its share.
- 3.1.2 As indicated in document 92FUND/A.8/20 and 71FUND/AC.12/17, the Director proposes that for the period 1 January - 31 December 2004 the 1971 Fund would pay a management fee to the 1992 Fund in respect of the costs of running the joint Secretariat. This fee has been proposed for that period at £325 000 which is approximately 10% of the proposed joint budget. If the governing bodies were to decide on a different basis of sharing the costs of the joint Secretariat, the distribution in the budget would need to be revised accordingly.
- 3.1.3 The Director submits for consideration by the Assembly an administrative budget covering the expenses for 2004 of the 1992 Fund and the 1971 Fund. The draft budget is at Annex II.
- 3.1.4 The presentation of the budget follows the requirements of Financial Regulations 5.2 and 5.3.
- 3.1.5 Comparative figures of the Secretariat's administrative expenses for 2002 (actual expenditure and budget appropriations) and for 2003 (budget appropriations) are also given.
- 3.1.6 The draft budget includes a separate Chapter VII in respect of expenditures relating only to the 1971 Fund. These costs will be borne only by the 1971 Fund.

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It should be noted that the part of this document setting out comments on the administrative expenditure for 2004 (section 3.1) is identical to the corresponding section in document 71FUND/AC.12/19.

Explanatory notes to the administrative budget

- 3.1.7 Financial Regulation 3 of the respective Organisations provides that the financial period of the 1992 Fund and 1971 Fund shall be the calendar year. The draft budget proposed by the Director therefore covers the period 1 January to 31 December 2004.
- 3.1.8 The estimates of the draft 2004 administrative budget for the two Organisations (excluding costs relating to the winding up of the 1971 Fund) amount to £3 292 250. This figure is £279 393 (9.3%) higher than the 2003 budget appropriation of £3 012 857. The majority of the increase is under Chapter I (Personnel) as a result of a new salary scale having been approved by the United Nations General Assembly in December 2002 which came into effect on 1 January 2003, the inclusion of a provision to cover a 3% increase to salaries in 2004 (cf paragraph 3.1.17) and an increase in the appropriation for separation and recruitment (cf paragraph 3.1.19).
- 3.1.9 On the assumption that the Director's proposal for the apportionment of the joint administrative costs between the 1992 Fund and the 1971 Fund outlined in paragraph 3.1.2 above is approved by the governing bodies, the estimates of the draft 2004 administrative budget for the 1992 Fund and 1971 Fund amount to £2 952 250 and £340 000 respectively, compared with a net cost in the 2003 budget of £2 381 297 and £631 560 respectively.
- 3.1.10 It should be noted that 68% (£2 257 500) of the total appropriation in the joint draft 2004 budget of £3 292 250 covers personnel and office accommodation costs.

*Notes on the individual appropriations***I Personnel**

2004 Appropriation £	2003 Appropriation £	% Increase/(decrease) on 2003 Appropriation
2 007 800	1 834 157	9.5%

- 3.1.11 Staff Regulation 17 of the 1992 Fund provides that the emoluments of members of staff of the 1992 Fund should follow the United Nations common system as applied by the International Maritime Organization (IMO). The calculation of the appropriation for salaries is based, therefore, on the United Nations salary system as applied by IMO, including all grants, allowances, overtime and insurance payments. The relevant salary scales and the relevant schedules of post adjustments are reproduced as Annexes to the 1992 Fund's Staff Rules (cf document 92FUND/A.8/16). The Provident Fund contributions are calculated in accordance with 1992 Fund Staff Rule VIII.5.
- 3.1.12 The joint Secretariat has 30 established posts. At the time of drafting this document four posts are vacant – three in the professional category and one in the general service category. These posts have been included in the appropriation for personnel in the draft 2004 budget. The estimate for personnel costs in 2004 is £2 007 800.
- 3.1.13 The three vacant posts in the professional category, i.e. those of Claims Manager, French Translator and Spanish Translator, are not envisaged to be filled immediately. At its 5th session, held in October 2000, the Assembly approved the Director's proposal to engage a Spanish in-house translator on contract for a fixed term of up to one year to make it possible to assess whether a permanent post as Spanish translator should be created (document 92FUND/A/5.24, paragraph 3.1.13). No appointment has been made to this post. The post of French Translator is vacant since May 2003 and freelance French translators are being used more extensively than previously. This arrangement will be reviewed over the coming months.

- 3.1.14 During the summer of 2003 the Director engaged a consultant who has extensive experience of classification of posts for both large and small organisations within the United Nations system to review the job descriptions within the Secretariat and to develop a formal job classification methodology. This has been considered necessary due to the increase in the number of staff in recent years and changes in the Secretariat's working methods. It is expected that the consultant's findings will be presented to the Director during September 2003. Decisions made by the Director based on the consultant's recommendations may have an impact on the 2004 budget. However the Director considers that any additional costs resulting from these decisions can be met from the appropriations in the draft 2004 budget for the vacant posts mentioned above.
- 3.1.15 At its 3rd 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 1971 Fund Executive Committee, acting on behalf of the Assembly, noted this decision at its 59th session (document 71FUND/EXC.59/17/A.21/24, paragraph 22.3). Promotions made by the Director since the governing bodies' October 2002 sessions are reported in document 92FUND/A.8/15 and 71FUND/AC 12/11- 'Working methods of the Secretariat'.
- 3.1.16 At their October 2001 sessions the governing bodies 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 (documents 92FUND/A.6/28, paragraph 17.5 and 71FUND/AC.6/A.24/22, paragraph 16.5). This authorisation was renewed by the governing bodies at their October 2002 sessions for 2003 (documents 92FUND/A.7/29, paragraph 26.4 and 71FUND/AC.9/20, paragraph 19.4). The governing bodies may wish to consider whether to grant the Director the corresponding authority for 2004. No appropriation has been included in the draft 2004 budget for such extra posts.
- 3.1.17 In order to cover any increase in salaries which may be decided within the United Nations common system it has been considered appropriate to include in the draft budget a provision for such increases of 3% for staff in all categories, in addition to the annual increments which, in accordance with the Staff Regulations, are awarded to staff members (other than the Director) on satisfactory performance of duties (Staff Rule IV.1).
- 3.1.18 It may be necessary to make continued use of temporary assistance. Such assistance is needed not only when there is additional heavy workload, but also to cover leave periods and to fill any vacancies temporarily until new incumbents are appointed. As in the 2002 and 2003 budgets, a provision of £40 000 has been included for this purpose in the appropriation for salaries in the draft 2004 budget.
- 3.1.19 The present Director's contract expires on 31 December 2004. The appropriation for separation and recruitment in the draft budget includes therefore an amount to cover repatriation grant, travel expenses, removal costs and commutation of unused annual leave in respect of the Director in accordance with Staff Rules VI.2, VII.6, VII.9 and VI.4. The expenses relating to the recruitment of a new Director would fall within the 2005 budget. The budget appropriation includes also expenses which would be incurred in the event that recruitment were to be made to the vacant posts mentioned in paragraph 3.1.13. This appropriation has been increased from £35 000 to £115 000.
- 3.1.20 An appropriation of £551 800 has been made under the heading for staff benefits, allowances and training. This covers mainly the 1992 Fund's contributions to the Provident Fund, education grants, home leave and accident, medical and national insurance.

- 3.1.21 Continued staff training is necessary to increase efficiency within the Organisations. The costs of training in the specialised fields relevant to the work of the Organisations are expensive. Additional training for members of the Management Team is envisaged to develop further the Team's role in managing the joint Secretariat. A provision of £100 000 has been included for staff training, an increase of £25 000 from the 2003 budget.

II General services

2004 Appropriation £	2003 Appropriation £	% Increase/(decrease) on 2003 Appropriation
681 200	667 200	2.1%

- 3.1.22 The appropriations under (a) to (h) in this chapter amounting to £681 200 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.

(a) Office accommodation

- 3.1.23 The appropriation of £249 700 under this heading has been calculated on the space occupied in Portland House and the space retained in the IMO building.
- 3.1.24 The office premises occupied on the 23rd floor of Portland House consist of 11 000 square feet of office space, at £39.50 per square foot, and 700 square feet of ancillary space, at £15.00 per square foot, used to house the printing machinery and the main IT hardware. A storage space of 600 square feet, at £10 per square foot, has been obtained in the basement of Portland House. The rent totals £445 000 per annum for the 23rd floor and £6 000 per annum for the basement storage. As the United Kingdom Government refunds 80% of the rent, only 20% or £89 000 of the rent is payable by the IOPC Funds for the 23rd floor and £1 200 for the storage space.
- 3.1.25 Service charges are also payable for the premises in Portland House. The service charges, which cover building insurance, gas, water and sewerage, building maintenance and renovations, security services and management fees, are estimated at £75 000. An appropriation of £18 000 has been included with respect to the daily cleaning of the premises.
- 3.1.26 Local taxes ('rates') are also payable for the new premises. Like diplomatic missions and other intergovernmental organisations, the IOPC Funds pay only a minor portion of the rates. An appropriation of £6 500 has been included for rates.
- 3.1.27 Other costs relating to the premises are estimated at £31 500. This amount includes the sum of £15 000 for general maintenance and office insurance.
- 3.1.28 Office space of some 1 300 square feet has been retained in the IMO. The present lease of these premises expired on 31 October 2002. An extension of the lease to 31 October 2012 has been agreed with IMO. The rent for these offices has been calculated as in previous years at £8.23 per square foot. A sum of £28 500 is included in the appropriation to cover rent, rates and service charges in respect of these offices, calculated on the basis of the space occupied. This appropriation also covers the costs of general services given by IMO. The IMO Personnel Section provides the services of a staff doctor and nurse and passes to the 1992 Fund Secretariat all information necessary to implement the Staff Regulations and Staff Rules in accordance with the United Nations common system as applied by IMO. It should be noted that the Director has agreed to IMO's request that IMO may use some of the IOPC Funds' office space in the IMO building for a special project for a period up to June 2004. This will result in some saving in 2004.

(b) Office machines

3.1.29 This item covers purchases, rental, maintenance and repairs of office machines (IT hardware and software) and includes the rental cost of photocopying/printing machinery. This appropriation has been increased from £71 500 to £90 000 to cover the costs necessary to ensure that the Organisations' IT systems are adequately protected and accessible.

(c) Furniture and other office equipment

3.1.30 This appropriation, which has been maintained at £17 500, covers general costs for maintenance, repairs and replacement of furniture and other office equipment.

(d) Office stationery and supplies

3.1.31 This appropriation has been maintained at £20 000.

(e) Communications

3.1.32 The appropriation has been maintained at £65 000 and covers the cost of courier, postage telephone, e-mail/internet connections.

(f) Other supplies and services

3.1.33 This item covers supplies and services not included under items (a) to (e) and miscellaneous expenditure, bank charges, books for the library, periodicals and newspapers. The appropriation has been retained at £41 000.

(g) Representation (hospitality)

3.1.34 This appropriation relates to hospitality not covered by the Director's representation allowance, e.g. receptions to be given in connection with meetings of the 1992 Fund or the 1971 Fund and official entertainment by the Organisations. The appropriation has been reduced from £22 500 to £18 000.

(h) Public information

3.1.35 It is recalled that the governing bodies of the Organisations have considered that the IOPC Funds should continue to strengthen their activities in the field of information and public relations.

3.1.36 Under this heading funds are provided for the publication of a joint Annual Report of the 1992 and 1971 Funds, for the printing of publications and documents (other than those prepared for the sessions of the Funds' organs) and for the Organisations' web site.

3.1.37 The total appropriation under the heading has been maintained at £180 000 and is broken down as follows:

- (i) The cost of printing, publication and bulk mailings has been estimated at £100 000. This appropriation covers the cost of printing the Annual Report.
- (ii) An amount of £80 000 is included for public information to cover the cost of the ongoing development of the Organisations' web site and document server as well as expenditure in relation to other public relations projects.

III Meetings

2004 Appropriation £	2003 Appropriation £	% Increase/(decrease) on 2003 Appropriation
145 000	126 500	14.6%

3.1.38 The meetings of the governing bodies of the 1992 Fund and the 1971 Fund, as well as those of any intersessional Working Groups, have over the years taken place in the IMO conference rooms. The arrangements for holding meetings during 2004 will remain the same as in previous years.

3.1.39 The total appropriation for 2004 has been increased from £126 500 to £145 000, on the basis of the following meeting schedule:

- (i) ordinary sessions of the governing bodies of the 1992 and 1971 Funds in October 2004: five days;
- (ii) further sessions of the Executive Committee of the 1992 Fund and the Administrative Council of the 1971 Fund and meetings of the 1992 Fund intersessional Working Group: 13 days.

IV Travel

2004 Appropriation £	2003 Appropriation £	% Increase/(decrease) on 2003 Appropriation
100 000	70 000	42.8%

3.1.40 This appropriation covers the costs for missions and for attendance at conferences and seminars in which it is in the interest of the 1992 Fund or 1971 Fund to participate. The budget appropriation has been increased from £70 000 to £100 000 for 2004.

3.1.41 In the past, where possible, travel for missions, conferences and seminars was combined with travel in relation to the various incidents handled by the IOPC Funds, and the costs were apportioned between travel and the incident in question. With the reduced number of incidents involving the 1992 and 1971 Funds such cost sharing may no longer be possible to the same extent. There is also an increasing demand from Member States for participation by the Funds in seminars and conferences.

V Miscellaneous expenditure

2004 Appropriation £	2003 Appropriation £	% Increase/(decrease) on 2003 Appropriation
298 250	255 000	17%

(a) External audit

3.1.42 The fee for auditing the accounts of the 1992 Fund and the 1971 Fund for the 2003 financial period which is payable in 2004 has been provisionally advised by the United Kingdom National Audit Office as £38 250 for the 1992 Fund and £15 000 for the 1971 Fund. The audit fee for the 1971 Fund will be paid directly by it (Chapter VII). With respect to the 1992 Fund audit fee, the External Auditor has informed the Director that the estimate includes staff travel costs to visit the local Claims Handling Offices in Spain and France, set up in relation to the *Prestige* incident, as part of the external audit process. He has also stated that if visits to other offices were to be required, the fee may have to be increased.

(b) Payment to IMO for general services

- 3.1.43 Even after the relocation of the IOPC Funds' offices outside of the IMO building the Secretariat benefits from IMO's assistance in certain regards. The costs of these services are included in the appropriation for office accommodation (cf paragraph 3.1.28 above).

(c) Consultants' fees

- 3.1.44 Even with the increased resources of the Secretariat, it will be necessary to engage consultants 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 working methods of the Secretariat and to undertake studies of a general nature, which are not related to specific incidents.
- 3.1.45 The appropriation in the draft budget for consultants' fees has been retained at £125 000.
- 3.1.46 Fees for consultants engaged in connection with individual incidents are charged against the respective incidents.

(d) Audit Body

- 3.1.47 At their October 2001 sessions the IOPC Funds governing bodies decided to create a joint Audit Body for the two Funds to assist the External Auditor in his task (documents 92FUND/A.6/28, paragraph 12.5 and 71FUND/AC.6/A.24/22, paragraph 11.6). The appropriation of £50 000 in the 2003 budget to cover the costs of the operation of the Audit Body will not be sufficient, and the Director has requested the governing bodies to authorise him to make a transfer between Chapters within the 2003 budget to cover the additional cost of some £35 000 (cf document 92FUND/A.8/19 and 71FUND/AC.12/16). An appropriation of £90 000 is therefore proposed in the 2004 budget to cover the costs resulting from the operation of this body, ie the travel and subsistence costs of the members, the fee of one 'outsider/expert' member and the honorarium of the other members nominated by Member States.

(e) Investment Advisory Bodies

- 3.1.48 As decided by the respective Assemblies, both the 1992 Fund and the 1971 Fund have an Investment Advisory Body, composed of three external experts with specific knowledge in financial matters. The governing bodies appoint the persons to serve on the Investment Advisory Bodies at their October sessions.
- 3.1.49 The appropriation for the remuneration of the three members of the Bodies has been maintained at £10 000 per member, i.e. a total of £30 000. The fees were last increased from the financial year 2003.

VI Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff, cost of equipment and any other cost not foreseen.)

2004 Appropriation £	2003 Appropriation £	% Increase/(decrease) on 2003 Appropriation
60 000	60 000	0%

- 3.1.50 The appropriation under this Chapter is designed to cover expenditure that was not foreseen at the time of the adoption of the administrative budget. This appropriation has been maintained at the 2003 level, i.e. £60 000.

VII Expenditure relating only to the 1971 Fund

- 3.1.51 As indicated in paragraph 3.1.2 above it is proposed that the 1971 Fund pay a management fee to the 1992 Fund to cover the joint costs of running the Secretariat. It has also been proposed that this fee be set at £325 000 for 2004.
- 3.1.52 An appropriation of £250 000 has been retained in the draft budget to cover fees of lawyers and other experts and travel pertaining to the winding up of the 1971 Fund.
- 3.1.53 As mentioned in paragraph 3.1.42 the External Auditor has indicated a provisional audit fee of £15 000 for the audit of the 1971 Fund's financial statements for 2003 which will be payable in 2004.

3.2 Minor claims expenditure 2004

- 3.2.1 The known incidents in respect of which payments may have to be made from the General Fund during 2004 are listed in Annex III.
- 3.2.2 It is estimated that the total payments by the 1992 Fund from the General Fund in 2004 will amount to £1 045 000. This estimate does not include any provision for the payment of claims 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 2004. 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 2005, actually have to be made earlier.

3.3 Working capital

- 3.3.1 The working capital is needed to cover claim payments not included in the estimated expenses for minor claims, and to make loans to Major Claims Funds for the satisfaction of claims to the extent that sufficient money is not available in the Major Claims Funds in question.
- 3.3.2 The Director has submitted a document to the Assembly in which he proposes to maintain the working capital at £20 million (document 92FUND/A.8/21). If the Assembly were to decide otherwise, the Director would revise his proposals in respect of the budget.

4 General Fund assessment

4.1 Sum required

- 4.1.1 The amount of annual contributions needed for the General Fund in 2004 is estimated as shown in the following table.

		£	£
	ESTIMATED INCOME		
<i>Plus</i>	Surplus as at 31 December 2003	21 049 222	
	Interest to be earned in 2004	650 000	
	Total estimated income 2004		21 699 222
<i>LESS</i>	ESTIMATED EXPENDITURE		
	Administrative expenditure 2004 (Annex II)	2 952 250	
<i>Plus</i>	Minor claims expenditure 2004 (Annex III)	1 045 000	
<i>Plus</i>	Loans to HNS Fund (cf paragraphs 4.1.3)	150 000	
<i>Plus</i>	Loans to Supplementary Fund (cf paragraphs 4.1.4)	75 000	
<i>Plus</i>	Working capital	20 000 000	
	Total estimated expenditure 2004		24 222 250
	AMOUNT REQUIRED TO BALANCE 2004 BUDGET		2 523 028

- 4.1.2 As shown from the estimates in the table above, contributions of £2 523 028 would be needed to balance the 2004 budget of the General Fund.
- 4.1.3 At its 6th session held in October 2001, the 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 would be reimbursed to the 1992 Fund by the HNS Fund when the HNS Fund Convention entered into force. It was noted that these costs would be paid from the General Fund (cf document 92FUND/A.6/28, paragraphs 28.5 and 28.6). As at 31 December 2002 an amount of £26 182 had been paid for work undertaken in respect of the HNS Fund and it is estimated that £25 000 will be paid in 2003. In May 2003 the Administrative Council, acting on behalf of the 7th extraordinary session of the Assembly, instructed the Director to continue to study issues on the administrative preparations for the setting up of the HNS Fund (cf document 92FUND/AC.1/A/ES.7/7, paragraph 6.8). A further £50 000 may be required in 2004 for this purpose. Any costs incurred by the 1992 Fund in respect of the preparations for the entry into force of the HNS Convention will be reimbursed by the HNS Fund with interest.
- 4.1.4 At its 6th extraordinary session in April/May 2002, the Assembly decided to make available to IMO funds to finance a Diplomatic Conference for the adoption of a Protocol establishing a Supplementary Compensation Fund. The amount paid to IMO would be reimbursed, with interest, to the 1992 Fund by the Supplementary Fund when the Protocol establishing that Fund entered into force (cf document 92FUND/A/ES.6/10, paragraph 6.11). The Protocol establishing the Supplementary Fund was adopted at a Diplomatic Conference held in May 2003. The Diplomatic Conference requested the Assembly of the 1992 Fund to instruct the Director to carry out certain tasks necessary for the setting up of the Supplementary Fund, as set out in document 92FUND/A.8/4/1. Subject to any instructions which the Assembly may wish to give him in this regard the Director has included in the 2004 budget an amount of £75 000 to cover the costs of these preparations. Any costs incurred by the 1992 Fund in this regard will be reimbursed by the Supplementary Fund with interest.

4.2 Director's proposal

The Assembly may wish to decide to fix the levy of contributions to the General Fund at £2.5 million.

4.3 Timing of levy

- 4.3.1 Internal Regulation 3.7 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.
- 4.3.2 At its 1st 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).
- 4.3.3 The Director proposes that the entire proposed levy to the General Fund should be due for payment by 1 March 2004.

5 Action to be taken by the Assembly

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

- (a) to take note of the information contained in this document;
- (b) to consider for adoption the draft budget for 2004 for the administrative expenses of the 1992 Fund (section 3.1 and Annex II);
- (c) to decide in respect of the assessment for 2003 contributions to the General Fund (paragraph 4.2);
- (d) to decide on the date of payment of 2003 contributions to the General Fund (paragraph 4.3.3);
- (e) to decide whether to renew the authorisation given to the Director to create additional posts in the General Service category as required provided that the resulting cost would not exceed 10% of the figure for salaries in the budget (ie up to £134 000 based on the draft 2004 budget) (paragraph 3.1.16); and
- (f) to note the Director's estimate of the expenses to be incurred in respect of the preparation for the entry into force of the HNS Convention and the Supplementary Fund Protocol (paragraphs 4.1.3 and 4.1.4).

* * *

ANNEX I

General Fund claims expenditure in 2003

(Figures in Pounds Sterling)

Incident	Date	Maximum Payable from General Fund: 4 million SDR	Expenditure up to 31/12/02		Balance Payable from General Fund at 31/12/2002	2003 Expenditure				Estimated Total General Fund Expenditure in 2003	Estimated Total General Fund Expenditure up to 31/12/03	Estimated Balance Payable from General Fund at 31/12/2003		
			Compensation	Miscellaneous		Compensation		Miscellaneous						
						Paid up to 31/12/02	Paid up to 31/12/02	Paid 1/1/03-30/6/03	Estimate 1/7/03-31/12/03				Paid 1/1/03-30/6/03	Estimate 1/7/03-31/12/03
Unknown Germany	20/06/96	3 752 700	0	(37 617)	3 715 083	0	0	(4 558)	(20 000)	(25 000)	(63 000)	3 691 000		
Dolly	05/11/99	3 383 800	0	(2 281)	3 381 519	0	0	(1 092)	(10 000)	(11 000)	(14 000)	3 371 000		
Al Jaziah 1	24/01/00	3 307 800	(230 288)	(51 550)	3 025 962	(335 878)	0	(7 585)	(20 000)	(364 000)	(646 000)	2 662 000		
Slops	15/06/00	3 535 920	0	(58 591)	3 477 329	0	0	(26 044)	(30 000)	(56 000)	(115 000)	3 422 000		
Unknown Sweden	23/09/00	3 553 840	0	0	3 553 840	0	0	0	(5 000)	(5 000)	(5 000)	3 549 000		
Baltic Carrier	29/03/01	3 517 120	0	(860)	3 516 260	0	0	(42)	0	(100)	(1 000)	3 517 000		
Zeinab	14/04/01	3 525 200	(418 480)	(22 245)	3 084 475	0	(75 000)	(3 468)	(8 000)	(87 000)	(528 000)	2 998 000		
Prestige	13/11/02	3 369 200	0	(46 595)	3 322 605	0	(1 000 000)	(2 010 669)	(311 936)	(3 322 600)	(3 370 000)	0		
Butang	22/04/03	3 488 320	0	0	3 488 320	0	0	0	0	0	0	3 489 000		
Hana	13/05/03	3 496 960	0	0	3 496 960	0	0	0	0	0	0	3 497 000		
										(3 870 700)				

ANNEX II

DRAFT 2004 ADMINISTRATIVE BUDGET FOR 1992 FUND AND 1971 FUND

STATEMENT OF EXPENDITURE		Actual 2002 expenditure for 1971 and 1992 Funds		2002 budget appropriations for 1971 and 1992 Funds		2003 budget appropriations for 1971 and 1992 Funds		2004 budget appropriations for 1992 Fund 1971 Fund	
	SECRETARIAT	£		£		£		£	
I	Personnel								
(a)	Salaries	1 067 450		1 190 291		1 275 816		1 341 000	
(b)	Separation and recruitment	5 479		55 000		35 000		115 000	
(c)	Staff benefits, allowances and training	420 021		481 922		523 341		551 800	
	Sub-total		1 492 950		1 727 213		1 834 157	2 007 800	0
II	General Services								
(a)	Rent of office accommodation (including service charges and rates)	225 311		240 450		249 700		249 700	
(b)	Office machines, including maintenance	67 840		71 500		71 500		90 000	
(c)	Furniture and other office equipment	11 437		17 500		17 500		17 500	
(d)	Office stationery and supplies	17 547		20 000		20 000		20 000	
(e)	Communications (courier, postage, telephone, e-mail/internet)	59 922		65 500		65 000		65 000	
(f)	Other supplies and services	32 493		38 000		41 000		41 000	
(g)	Representation (hospitality)	14 675		16 500		22 500		18 000	
(h)	Public Information	91 205		180 000		180 000		180 000	
	Sub-total		520 430		649 450		667 200	681 200	0
III	Meetings								
	Sessions of the 1992 and 1971 Fund Governing Bodies and Intersessional Working Groups		114 685		126 500		126 500	145 000	0
IV	Travel								
	Conferences, seminars and missions		66 328		70 000		70 000	100 000	0
V	Miscellaneous expenditure								
(a)	External audit fees for 2003 Financial Statements- 1992 and 1971 Funds	45 300		50 000		50 000		53 250	
(b)	Payment to IMO for general services	0		6 500		0		0	
(c)	Consultants' fees	111 130		100 000		125 000		125 000	
(d)	Audit Body	0		0		50 000		90 000	
(e)	Investment Advisory Bodies	27 000		27 000		30 000		30 000	
	Sub-total		183 430		183 500		255 000	298 250	0
VI	Unforeseen expenditure (such as consultants' and lawyers' fees, cost of extra staff and cost of equipment)		6 028		60 000		60 000	60 000	
Total Expenditure I-VI			2 383 851		2 816 663		3 012 857	3 292 250	0
VII Expenditure relating only to 71Fund									
(a)	Management fee payable to 1992 Fund (cf documents 92FUND/A.8/20 and 71FUND/AC.12/17)							(325 000)	325 000
(b)	Costs for winding up of the 1971 Fund		16 000		250 000		250 000		250 000
(c)	External audit fees for 2003 Financial Statements-1971 Fund only		0		0		0	(15 000)	15 000
Budget for 1992 Fund and 1971 Funds respectively								2 952 250	590 000

ANNEX III

General Fund claims expenditure in 2004

(Figures in Pounds Sterling)

Incident	Date	Maximum Payable from General Fund: 4 million SDR	Estimated Balance Payable from General Fund at 31/12/2003	2004 Estimated Expenditure		Estimated Total General Fund Expenditure in 2004	Estimated Total General Fund Expenditure up to 31/12/04	Estimated Balance Payable from General Fund at 31/12/2004
				Compensation	Miscellaneous			
<i>Unknown Germany</i>	20/06/96	3 752 700	3 691 000	0	(30 000)	(30 000)	(93 000)	3 661 000
<i>Dolly</i>	05/11/99	3 383 800	3 371 000	(700 000)	(40 000)	(740 000)	(754 000)	2 631 000
<i>Al Jaziah 1</i>	24/01/00	3 307 800	2 662 000	0	(25 000)	(25 000)	(671 000)	2 637 000
<i>Slops</i>	15/06/00	3 535 920	3 422 000	0	(40 000)	(40 000)	(155 000)	3 382 000
<i>Unknown Sweden</i>	23/09/00	3 553 840	3 549 000	0	(10 000)	(10 000)	(15 000)	3 539 000
<i>Zeinab</i>	14/04/01	3 525 200	2 998 000	0	0	0	(528 000)	2 998 000
<i>Prestige</i>	13/11/02	3 369 200	0	0	0	0	(3 370 000)	0
<i>Butang</i>	22/04/03	3 488 320	3 489 000	0	(125 000)	(125 000)	(125 000)	3 364 000
<i>Hana</i>	13/05/03	3 496 960	3 497 000	0	(75 000)	(75 000)	(75 000)	3 422 000
						(1 045 000)		