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## **BUDGET FOR 1993**

### **Note by the Director**

1 Article 18.5 of the Fund Convention requires the Assembly to adopt the annual budget of the IOPC Fund. The draft budget 1993 for the administrative expenses of the IOPC Fund with explanatory notes, as prepared by the Director, is at the Annex. The estimates as regards the payments to be made by the IOPC Fund for the satisfaction of claims for compensation are contained in document FUND/A.15/11.

2 The presentation of the budget follows the requirements of Financial Regulations 3.2 and 3.3.

3 Comparative figures for the 1991 actual expenditure, the 1991 budget appropriations and the 1992 budget appropriations are also given.

### **Action to be Taken by the Assembly**

4 The Assembly is invited to consider the draft budget 1993 for adoption.

\* \* \*

# ANNEX

## DRAFT BUDGET FOR 1993

### STATEMENT OF EXPENDITURE

	1991 actual expen- diture	1991 budget appro- priation	1992 budget appro- priation	1993 budget appro- priation
	£	£	£	£
<b>A <u>SECRETARIAT</u></b>				
<b>I <u>Personnel</u></b>				
(a) Salaries	229 390	248 100	329 040	332 390
(b) Separation and recruitment	-	-	-	51 500
(c) Staff benefits and allowances	78 008	79 090	101 960	112 310
(d) Home leave	<u>1 306</u>	<u>3 000</u>	<u>10 000</u>	<u>4 000</u>
	<u>308 704</u>	<u>330 190</u>	<u>441 000</u>	<u>500 200</u>
<b>II <u>General Services</u></b>				
(a) Rent of office accommodation (including common services, security services and rates)	30 897	27 000	42 000	66 000
(b) Office machines, including maintenance	25 285	15 000	15 000	13 000
(c) Furniture and other office equipment	22 556	4 000	8 000	2 000
(d) Office stationery and supplies	7 087	8 000	8 000	10 000
(e) Communications (telephone, telex, telefax, postage)	12 319	12 000	15 000	18 000
(f) Other supplies and services	10 996	12 000	14 000	18 000
(g) Representation (hospitality)	7 084	6 000	7 000	9 000
(h) Printing and publication	<u>11 475</u>	<u>16 000</u>	<u>16 000</u>	<u>20 000</u>
	<u>127 699</u>	<u>100 000</u>	<u>125 000</u>	<u>156 000</u>
<b>III <u>Meetings</u></b>				
(a) Session of Assembly and sessions of Executive Committee in autumn	20 707	20 000	21 000	30 000
(b) Further meetings (Assembly or Executive Committee)	7 451	18 000	8 400	24 000
(c) Intersessional Working Group	<u>5 246</u>	<u>12 000</u>	-	-
	<u>33 404</u>	<u>50 000</u>	<u>29 400</u>	<u>54 000</u>

	1991 actual expen- diture	1991 budget appro- priation	1992 budget appro- priation	1993 budget appro- priation
IV <u>Conferences and Travel</u>	£	£	£	£
(a) Conferences and seminars	18 321	14 000	15 000	17 000
(b) Mission	<u>5 955</u>	<u>14 000</u>	<u>15 000</u>	<u>17 000</u>
	<u>24 276</u>	<u>28 000</u>	<u>30 000</u>	<u>34 000</u>
V <u>Miscellaneous Expenditure</u>				
(a) External audit	11 400	10 200	10 700	15 000
(b) Payment to IMO for general services	4 000	4 000	4 000	5 000
(c) Consultants' fees	<u>8 100</u>	<u>8 000</u>	<u>8 000</u>	<u>12 000</u>
	<u>23 500</u>	<u>22 200</u>	<u>22 700</u>	<u>32 000</u>
TOTAL EXPENDITURE I - V	<u>517 583</u>	<u>530 390</u>	<u>648 100</u>	<u>776 200</u>

## B CLAIMS

(see document FUND/A.15/11 Assessment  
of Annual Contributions)

## STATEMENT OF INCOME - GENERAL FUND

	funds actually accumulated at 31.12.91	1991 budget estimate	1992 budget estimate	1993 budget estimate
I <u>Surplus Fund from Preceding Years</u>	5 240 658	4 530 838	3 502 309	7 866 952
II <u>Any Other Income</u>		<u>450 000</u>	<u>600 000</u>	<u>510 000</u>
TOTAL INCOME I & II		<u>4 980 838</u>	<u>4 102 309</u>	<u>8 376 952</u>

## **EXPLANATORY NOTES TO THE DRAFT BUDGET**

### **GENERAL**

Financial Regulation 2 provides that the financial period of the IOPC Fund shall be the calendar year. The draft budget proposed by the Director therefore covers the period from 1 January to 31 December 1993.

The draft budget deals with administrative expenses and income in respect of the General Fund only. Budget estimates in respect of claims for compensation are dealt with in document FUND/A.15/11 (see under B below).

The estimates of the 1993 draft budget amount to £776 200. This figure exceeds the 1992 budget appropriation of £648 100 by £128 100. The increase falls mainly within Chapters I, II and III. As regards Chapter I (Personnel), the increase is almost entirely an automatic result of the application of the Staff Regulations and Rules. The major budgeted increase in Chapter II (General Services) relates to rent of office accommodation and is due to an increase in the rent per square foot of office space. With regard to Chapter III (Meetings), the increase is a consequence of higher fees payable to IMO for production of documents and the need to make provisions for one more meeting of the Executive Committee than foreseen in the 1992 budget. The draft budget also provides for relatively small increases in Chapter IV (Conferences and Travel) and Chapter V (Miscellaneous Expenses).

### **EXPENDITURE**

#### **A     SECRETARIAT**

##### **I     Personnel**

Staff Regulation 14 provides that the emoluments of the IOPC Fund's staff members 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 scheme 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 IOPC Fund Staff Rules. The Provident Fund contributions are calculated in accordance with Staff Rule VIII.5.

In general, the estimate of £500 200 for Personnel costs in 1993 exceeds the 1992 appropriation by £59 200. This excess is made up of £3 350 in respect of salaries, £51 500 in respect of separation and recruitment and £10 350 in respect of staff benefits and allowances, less a reduction of £6 000 in respect of home leave. Excluding the special allocation relating to separation and recruitment, the net increase is £7 700 or 1.8%.

The increase of £3 350 in the appropriation for salaries corresponds to 1% of the 1992 appropriation. As for the salaries of staff in the Professional and higher categories the budget for 1992 included a 6% increase of the salary scales. However, no such increase took place. It is expected that there will be an increase of the salary scales of approximately 5% during 1993. In comparison with the 1992 budget, the appropriation for the salaries of staff in these categories has therefore been increased by only 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). The Director's salary is held at the 1992 budget level, since he does not receive any increments. As for the General Service staff, increases in the United Kingdom cost of living are automatically compensated by changes in salary levels. The estimate for the salaries of staff in the General Service category is based on an assumed increase of the salary scales of 5%.

The high appropriation of £51 500 for separation and recruitment, which represents 87% of the increase in respect of this Chapter, is due to the fact that the contract of the present Legal Officer expires on 31 May 1993, on which date he will leave the IOPC Fund to take up duties within the

administration in his home country. The repatriation grant, travel expenses and removal costs, in accordance with Staff Rules VI.2, VII.6 and VII.9, are calculated at £8 000, £3 500 and £9 000 for the present Legal Officer. The corresponding recruitment expenses for his successor are calculated at £13 000, £7 000 and £11 000 (Staff Rules IV.4, VII.6 and VII.9).

Notwithstanding the employment of a new Clerk-Secretary in 1991, it may be necessary to make use of temporary assistance. For this reason, it is proposed that the appropriation for temporary assistance be maintained at the same level as for 1992, viz £15 000.

The appropriation under Staff benefits and allowances includes the Director's Representation Allowance, which has been fixed at US\$6 000 since 1 January 1988 (document FUND/A.10/14, paragraph 12.2). In order to compensate for the loss of purchasing power of that amount which has taken place since 1988 (due to inflation and the depreciation of the US dollar), and in view of the expanded membership of the IOPC Fund, it is proposed that this allowance be increased to US\$9 000.

Continued staff training is necessary. For this reason, the appropriation for staff training should be maintained at the same level as for 1992, ie £5 000.

The appropriation for home leave, £4 000, covers expenses in respect of home leave for the Director (Staff Rule V.3).

In detail, the appropriations are based on the following calculations:

	1991 actual expenditure £	1991 budget appropriation £	1992 budget appropriation £	1993 budget appropriation £
Director (ASG)	63 826	69 970	74 570	74 570
Legal Officer (D1)	48 437	53 290	57 630	55 240
Finance/Personnel Officer (P4)	33 392	37 460	42 350	43 700
Claims Officer (P3)	-	-	39 880	34 470
Director's Secretary/Administrative Officer (P1)	21 955	21 530	25 570	29 100
Principal Clerk-Secretary (G7)	17 335	17 480	20 520	22 260
Principal Clerk-Secretary (G7)	16 497	16 720	19 590	21 280
Principal Clerk-Secretary (G6)	13 460	7 370	17 520	19 030
Messenger/Storekeeper (G4)	14 489	14 280	16 410	17 740
Temporary assistance	-	10 000	15 000	15 000
Home leave	1 306	3 000	10 000	4 000
Separation and recruitment	-	-	-	51 500
Staff benefits and allowances				
- Staff training	2 225	5 000	5 000	5 000
- Provident Fund, IOPC Fund contributions	43 391	45 275	58 240	59 760
- Education grant	13 213	7 500	11 600	18 000
- Accident, medical and national insurance	10 821	11 728	15 330	16 475
- Other benefits and allowances	8 357	9 587	11 790	13 075
	<u>308 704</u>	<u>330 190</u>	<u>441 000</u>	<u>500 200</u>

## II General Services

The appropriations under (a)-(h) are for the general expenses of running the IOPC Fund's Secretariat, such as rent and related expenses, maintenance and replacement of office machines, office equipment, stationery, communications and printing.

The estimate of £156 000 exceeds the 1992 appropriation by £31 000. This major part of this increase, £24 000, relates to rent of office accommodation.

### (a) Rent of office accommodation

The present ten year lease regarding the IOPC Fund's offices in the IMO headquarters building on the Albert Embankment expires on 31 October 1992. An extension of the lease for a period of ten years from 1 November 1992 has been agreed with IMO (document FUND/A.15/8).

As in previous years, 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 costs of major repairs, replacements and major services. The appropriation is calculated on this 20% basis.

Under the present lease, the IOPC Fund is charged a market rent for its accommodation. The gross rent agreed with IMO is £15 per square foot, exclusive of rates and service charges. However, under the extended lease, the IOPC Fund will pay the same rent to IMO per square foot as IMO effectively pays to the United Kingdom Government. The lease agreement between the United Kingdom Government and IMO has not been finalised, but the total amount of rent payable by IMO to the Government has been fixed. After consultation with the United Kingdom Government, it has been agreed between the IOPC Fund and IMO that the IOPC Fund's gross rent be fixed at £41.15 per square foot, exclusive of rates and service charges. After the aforementioned 80% refund, the net rent will be £8.23 per square foot. For the space at present occupied by the IOPC Fund's Secretariat, ie eleven office rooms plus one storage room (2 647 sq ft), the rent will amount to £21 785.

The IOPC Fund also pays service charges and rates to IMO in proportion to the space occupied by the Fund. Service charges cover building insurance, electricity, gas, water and sewerage, building maintenance and renovations, cleaning services, security services, management fee and catering services fee. The service charges and rates were estimated at £22 000 in the 1991 budget and £30 500 in the 1992 budget. The actual cost for 1991 was £24 581. An amount of £36 715 has been included in the 1993 budget in respect of service charges and rates.

The air conditioning system in the IMO building will be improved by the United Kingdom Government in 1992-1993. The IOPC Fund's share of this expenditure will be in the region of £7 500. Provision for this amount has also been made under this heading.

(b) Office machines

This appropriation, which had been maintained at the same level in the 1991 and 1992 budgets, has been reduced to £13 000. It covers purchases, rental, maintenance and repairs of office machines. It has been considered more economical to rent some office machines (photocopier and telefax machine) rather than buy them. The annual rental costs of these machines are £4 915. The appropriation under this head also includes a maintenance cost of £5 000 for the machines which the IOPC Fund has purchased. There is, thus, a provision of only £3 000 for the acquisition of new office machines or replacement of old ones.

(c) Furniture and other office equipment

This item covers normal costs for maintenance, repairs and replacement of furniture and other office equipment.

In 1991 and 1992, furniture and other equipment were purchased for use in the new offices taken over on 1 November 1991, and some furniture acquired in the early years of the IOPC Fund's operations were replaced. In view of these recent purchases, the appropriation under this heading has been reduced from £8 000 in the 1992 budget to £2 000.

(d) Office stationery and supplies

This appropriation has been increased by £2 000 in comparison with the 1990, 1991 and 1992 budgets.

(e) Communications

The appropriation for Communications has been increased from the 1992 level of £15 000 to £18 000. This is due to the greater use of facsimile messages and to higher costs for telephone and postage resulting from expanding membership.

(f) Other supplies and services

This item covers supplies and services not included under items (a) to (e) and miscellaneous expenditure, such as public information, bank charges, books for the IOPC Fund's library, periodicals, newspapers and unforeseen expenditure.

(g) Representation (hospitality)

This appropriation is necessary for hospitality not covered by the Director's representation allowance, eg receptions to be given in connection with IOPC Fund meetings and official entertainment by the IOPC Fund. The proposed increase of £2 000 is mainly due to the fact that the number of meetings held annually by the Executive Committee has increased in the last two years.

(h) Printing and Publication

Under this heading funds are provided for the publication of the IOPC Fund's Annual Report and the printing of any other necessary documents.

An increase of this appropriation by £4 000 has been considered necessary as a result of greater demand for the IOPC Fund's publications and higher printing costs.

**III Meetings**

The meetings of the IOPC Fund Assembly and Executive Committee will take place in one of the IMO conference rooms. In the budget for previous years provision was made for two meeting sessions, one of five days' duration for the ordinary annual sessions of the Assembly and Executive Committee in autumn, and one possible extraordinary session of two days' duration of the Assembly or the Executive Committee. During the period 1983 - 1990 no such extra sessions were held. The allocation for this purpose was £8 000 in the 1991 budget and £8 400 in the 1992 budget. The Executive Committee held three extra sessions in 1991, and one extra session has already been held in 1992. At its 14th session, in October 1991, the Assembly approved a supplementary budget appropriation of £10 000 for an extra session of the Executive Committee in December 1991 (document FUND/A.14/23, paragraph 24.3). In view of this development, it is considered appropriate to make provision for two extra sessions of two days of the Assembly or Executive Committee during 1993.

The fees payable to IMO for translation and printing of documents for meetings of the Assembly and Executive Committee have increased in 1992 by an average of 14%, after being held relatively steady for some years. Moreover, the documentation prepared for the meetings of the Assembly and the Executive Committee has become more extensive in recent years, resulting in increased costs.

**IV Conferences and Travel**

This appropriation covers costs for missions and for the attendance at conferences and seminars in which it is in the IOPC Fund's interest to participate. The proposed increase is mainly due to higher air fares.

**V Miscellaneous Expenditure**

(a) External audit

The fee for auditing the accounts for the 1992 financial period has been provisionally advised as £12 800 by the United Kingdom National Audit Office. An additional amount of £2 200 has been included to cover any extra audit work resulting from major incidents.

(b) Payment to IMO for general services

The IOPC Fund's administration still depends to some extent on IMO's assistance: the Personnel Section provides the services of a staff nurse and passes to the IOPC Fund all information necessary to implement the Staff Regulations and Staff Rules in accordance with the United Nations common system as applied by IMO; the Common Services Section provides additional telephone, telex and telefax services; the Conference Section provides services before, during and after IOPC Fund meetings.

With effect from the 1983 financial period, a flat rate of £4 000 per annum, fixed for 10 years, was agreed for general services rendered by IMO to the IOPC Fund. This agreement expires at the end of 1992. No agreement has yet been reached with IMO on the fee payable by the IOPC Fund

in 1993 and coming years for the above-mentioned services. A tentative appropriation of £5 000 is included for 1993 under this heading.

(c) Consultants' fees

The IOPC Fund Assembly decided to keep the IOPC Fund's Secretariat as small as possible and to allow the Director to employ consultants if some extraordinary work had to be done that could not be undertaken by the permanent staff members. The use of consultants may be necessary, eg in connection with studies that have to be carried out by the IOPC Fund or for consultations of a general nature not related to specific incidents. In view of the increased activities of the IOPC Fund and the higher level of fees charged by consultants, this appropriation has been increased from £8 000 to £12 000.

Fees for consultants employed in connection with incidents will be charged against the respective incidents.

**B CLAIMS**

For the assessment of annual contributions, the Assembly shall make an estimate in the form of a budget of the payments to be made by the IOPC Fund for the satisfaction of claims for compensation (Article 12.1 of the Fund Convention). A document to this effect is submitted by the Director to the Assembly (document FUND/A.15/11). The total payments to be made during 1993 from the General Fund are estimated at £855 351. This estimate only covers incidents in respect of which sufficient information was available at the time of drafting that document on which to base the assessment of amounts to be paid by the IOPC Fund.

**INCOME – GENERAL FUND**

**I Surplus Fund from Preceding Years**

The surplus is arrived at as follows:		£
Surplus at 1 January 1992		5 240 658
<u>Add</u>		
Annual Contributions receivable in 1992		4 900 000
Initial Contributions receivable in 1992		-
Interest earned in 1992 (estimate)		600 000
Recovery in respect of the AKARI incident		90 129
Recovery in respect of the AMAZZONE incident:		
(a) balance of the shipowner's limitation fund	35 743	
(b) out-of-court settlement of legal action	102 512	
	138 255	138 255
Recovery in respect of the KAZUEI MARU N°10 incident (estimate)		190 000
		11 159 042
<u>Less</u>		
Administrative expenditure, Budget 1992	648 100	
General Claims expenditure in 1992		
(see Annex I of document FUND/A.15/11)	2 643 990	
	3 292 090	3 292 090
Surplus at 31 December 1992		<u>7 866 952</u>

**II Any Other Income**

It is estimated that interest will be earned in 1993 on an average principal of £6 million, generating a return of around £510 000 during the calendar year.