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## **BUDGET FOR 1994**

### **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 1994 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.16/14.

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

3 Comparative figures for the 1992 actual expenditure, the 1992 budget appropriations and the 1993 budget appropriations are also given.

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

4 The Assembly is invited to consider for adoption the draft budget 1994 for the administrative expenses of the IOPC Fund.

\* \* \*

# ANNEX

## DRAFT BUDGET FOR 1994

### STATEMENT OF EXPENDITURE

	1992 actual expen- diture	1992 budget appro- priation	1993 budget appro- priation	1994 budget appro- priation
	£	£	£	£
<b>A <u>SECRETARIAT</u></b>				
<b>I <u>Personnel</u></b>				
(a) Salaries	283 386	329 040	332 390	407 660
(b) Separation and recruitment	-	-	51 500	42 640
(c) Staff benefits and allowances	90 347	101 960	112 310	152 760
(d) Home leave	8 702	10 000	4 000	4 000
	<u>382 435</u>	<u>441 000</u>	<u>500 200</u>	<u>607 060</u>
<b>II <u>General Services</u></b>				
(a) Rent of office accommodation (including common services, security services and rates)	43 505	42 000	66 000	69 350
(b) Office machines, including maintenance	12 280	15 000	13 000	17 000
(c) Furniture and other office equipment	6 653	8 000	2 000	4 000
(d) Office stationery and supplies	8 006	8 000	10 000	11 000
(e) Communications (telephone, telex, telefax, postage)	14 421	15 000	18 000	22 000
(f) Other supplies and services	17 305	14 000	18 000	21 000
(g) Representation (hospitality)	5 981	7 000	9 000	11 000
(h) Printing and publication	17 274	16 000	120 000	24 000
	<u>125 425</u>	<u>125 000</u>	<u>256 000</u>	<u>179 350</u>
<b>III <u>Meetings</u></b>				
(a) Session of Assembly and sessions of Executive Committee in autumn	21 796	21 000	30 000	16 800
(b) Further meetings (Assembly or Executive Committee, 3 sessions)	5 295	8 400	24 000	18 960
(c) Intersessional Working Group (2 sessions)	-	-	-	12 640
	<u>27 091</u>	<u>29 400</u>	<u>54 000</u>	<u>48 400</u>

	1992 actual expen- diture	1992 budget appro- priation	1993 budget appro- priation	1994 budget appro- priation
IV <u>Conferences and Travel</u>	£	£	£	£
(a) Conferences and seminars	22 457	15 000	17 000	20 000
(b) Mission	12 203	15 000	17 000	20 000
	<u>34 660</u>	<u>30 000</u>	<u>34 000</u>	<u>40 000</u>
V <u>Miscellaneous Expenditure</u>				
(a) External audit	13 600	10 700	15 000	18 000
(b) Payment to IMO for general services	4 000	4 000	5 000	5 200
(c) Consultants' fees	38 115	33 670	12 000	70 000
(d) Payment to IMO for translator	—	—	—	42 000
	<u>55 715</u>	<u>48 370</u>	<u>32 000</u>	<u>135 200</u>
TOTAL EXPENDITURE I - V	<u>625 326</u>	<u>673 770</u>	<u>876 200</u>	<u>1 010 010</u>

## B CLAIMS

(see document FUND/A.16/14 Assessment of Annual Contributions)

### STATEMENT OF INCOME - GENERAL FUND

	funds actually accumulated at 31.12.92	1992 budget estimate	1993 budget estimate	1994 budget estimate
I <u>Surplus Fund from Preceding Years</u>	8 743 736	3 502 309	7 866 952	5 218 952
II <u>Any Other Income</u>		<u>600 000</u>	<u>510 000</u>	<u>400 000</u>
TOTAL INCOME I & II		<u>4 102 309</u>	<u>8 376 952</u>	<u>5 618 952</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 1994.

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.16/14 (see under B below).

The estimates of the 1994 draft budget amount to £1 010 010. This figure exceeds the 1993 budget appropriation of £876 200 by £133 810. This increase falls mainly under Chapters I and V. As regards Chapter I (Personnel), the major part of the increase of £106 860 is a result of the decision by the Executive Committee to create a new post of Clerk-Secretary and of the Director's proposal to authorise him to employ one additional staff member in the professional category. The budgeted increase in Chapter V (Miscellaneous Expenditure), £103 200, relates to consultants' fees and the payment to IMO for the post of a translator.

The Director is aware of the fact that the Assembly has stressed the importance of keeping the administrative costs at the lowest possible level (document FUND/A.14/23, paragraph 14.2). He is, nevertheless, of the opinion that the proposed increases are necessary. The involvement of the IOPC Fund in several large incidents (HAVEN, AEGEAN SEA, BRAER and TAIKO MARU) has imposed a very heavy workload on the Secretariat, and these incidents will continue to result in significant work, at least during 1994. The increasing membership also means additional work for the Secretariat. The Director's proposals are aimed at giving the IOPC Fund sufficient resources so as to enable the Secretariat to carry out its functions efficiently and, in particular, to deal expeditiously with claims for compensation.

### **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 £607 060 for Personnel costs in 1994 exceeds the 1993 appropriation by £106 860. The increase is made up of £75 270 in respect of salaries and £40 450 in respect of staff benefits and allowances, whilst there is a reduction of £8 860 in respect of separation and recruitment.

Developments in the IOPC Fund's activities have led the Director to consider whether the present salary grades of the Finance/Personnel Officer and the Claims Officer adequately reflect their respective responsibilities.

The Finance/Personnel Officer was promoted from Grade P3 to Grade P4 with effect from 1 January 1992 and the post was reclassified at Grade P3/P4. The IOPC Fund's involvement in

several major incidents has resulted in the Finance/Personnel Officer assuming greatly increased responsibilities, in particular as regards the investment of the IOPC Fund's assets. It is therefore proposed that the present incumbent of this post, Mr S O Nte, who joined the IOPC Fund Secretariat in 1979, be promoted from Grade P4 to Grade P5, and that the post be reclassified at Grade P4/P5. The total cost for 1994 of the proposed promotion would be £5 410.

The present Claims Officer, Mrs S Broadley, joined the Secretariat in November 1991 as the first holder of this post. When the post was created it was classified at Grade P3/P4. The Director fixed Mrs Broadley's salary at Grade P3. Mrs Broadley has assumed significant responsibilities in dealing with claims arising out of the HAVEN, AEGEAN SEA and BRAER incidents. In the light of her proven ability, the Director proposes that Mrs Broadley be promoted from Grade P3 to P4. The total cost for 1994 of this promotion would be £3 990.

The Director considers that the grade of any future holder of these two posts should be determined on the basis of qualifications and experience.

At its 35th session, the Executive Committee approved the establishment of a new post of Clerk-Secretary with effect from 1 September 1993 and classified the post at Grade G4. The Committee also decided that the cost of the new post for 1993 should be financed out of the Major Claims Funds to be constituted for the AEGEAN SEA and the BRAER incidents (document FUND/EXC.35/10, paragraph 5.1). The Director proposes that, with effect from 1994, the post of Clerk-Secretary should be financed from the General Fund as a normal administrative expenditure. The cost increase for 1984 resulting from the creation of this new post is estimated at £15 000 for salaries and £4 250 for staff benefits and allowances.

The appropriation for separation and recruitment is due to the fact that the contract of the present Director expires on 31 December 1994, and provision has to be made in the event that his contract should not be renewed. The repatriation grant, travel expenses and removal costs, in accordance with Staff Rules VI.2, VII.6 and VII.9, are calculated at £26 640, £1 200 and £10 800. The recruitment expenses for a new Director would fall within the 1995 budget. It would be necessary, however, for him to come to London in 1994 in order to become acquainted with the work, and provision has therefore been made for an amount of £4 000 for this purpose.

In the 1993 budget, the appropriation for the salaries of staff in the Professional and higher categories included a 5% increase of the salary scales. However, no such increase took place. It is expected that there will be an increase in the salary scales of approximately 5% during 1994. In comparison with the 1993 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). 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 4%.

Notwithstanding the employment of a new Clerk-Secretary in 1993, it may be necessary to make continued use of temporary assistance. It is proposed that the appropriation for temporary assistance be maintained at the same level as for the past two years, viz £15 000.

During 1992 and 1993, there has been a great increase in the workload of the IOPC Fund's Secretariat, due mainly to the fact that the Fund has become involved in several major incidents concurrently. The extra work created by these incidents has only in part been carried out by experts and temporary staff, such as the staff at the local claims offices in La Coruña (Spain) and on Shetland (United Kingdom). In addition, the number of Member States has increased from 46 as at 1 January 1992 to 56 as at 10 August 1993. There are reasons to believe that many more States will become members of the Organisation in the near future.

Since the workload of the Secretariat depends mainly on the number of incidents involving the IOPC Fund, and the extent of the Fund's involvement, it is difficult to assess the demands on the

Secretariat during 1994 and beyond. The Director considers, however, that there will be a continuous heavy workload on the Secretariat and that it may therefore be necessary to employ one more professional staff member in 1994. The Director proposes, therefore, that he be authorised to employ one additional professional staff member, if he considers such employment necessary. He suggests that this post should be classified at Grade P3/P4, the point in the salary scale to be determined on the basis of the qualifications and experience of the incumbent, and that the duties of this staff member should be determined by the Director in the light of the needs of the Secretariat.

The creation of such a new post would result in a cost increase of £52 890 for a calendar year, out of which £41 070 represents salaries and £11 820 staff benefits and allowances. The Director proposes that provision is made in the 1994 budget to cover such costs for nine months, ie £39 660.

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

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

In line with current trends, the Director intends to take out a group life insurance and a group health insurance covering permanent disability for staff members, in order to improve their social security (cf. Staff Regulation 23(a)). The total cost for these insurance schemes is approximately £7 000 for 1994.

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

	1992 actual expen- diture £	1992 budget appro- priation £	1993 budget appro- priation £	1994 budget appro- priation £
Director (ASG)	66 714	74 570	74 570	78 510
Legal Officer (D1)	51 567	57 630	55 240	59 490
Finance/Personnel Officer (P4/P5)	39 532	42 350	43 700	52 790
Claims Officer (P3/P4)	31 251	39 880	34 470	41 460
Professional Officer (P3/P4)	-	-	-	30 800
Director's Secretary/Administrative Officer (P1)	26 194	25 570	29 100	31 610
Principal Clerk-Secretary (G7)	18 798	20 520	22 260	23 000
Principal Clerk-Secretary (G7)	17 786	19 590	21 280	22 000
Principal Clerk-Secretary (G6)	16 488	17 520	19 030	20 000
Clerk-Secretary (G4)	-	-	-	15 000
Messenger/Storekeeper (G4)	15 057	16 410	17 740	18 000
Temporary assistance	-	15 000	15 000	15 000
Home leave	8 702	10 000	4 000	4 000
Separation and recruitment	-	-	51 500	42 640
Staff benefits and allowances				
- Staff training	2 496	5 000	5 000	5 000
- Provident Fund, IOPC Fund contributions	52 619	58 240	59 760	78 250
- Education grant	13 665	11 600	18 000	18 000
- Accident, medical and national insurance	14 373	15 330	16 475	29 610
- Other benefits and allowances	7 193	11 790	13 075	21 900
	<u>382 435</u>	<u>441 000</u>	<u>500 200</u>	<u>607 060</u>

## II General Services

The appropriations under (a) to (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 £179 350 is less than the 1993 appropriation by £76 650. This decrease is due to the fact that the 1993 budget included an amount of £100 000 to cover the cost of printing the Official Records of the 1984 International Conference on Liability and Compensation for Damage in Connection with the Carriage of Certain Substances by Sea and the relevant documents relating to

the 1992 International Conference on the Revision of the 1969 Civil Liability Convention and the 1971 Fund Convention (cf document FUND/A.15/28, paragraph 29.3.2).

(a) Rent of office accommodation

A new ten year lease from 1 November 1992 regarding the IOPC Fund's offices in the IMO headquarters building on the Albert Embankment has been agreed with IMO.

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 new lease, the IOPC Fund pays 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 should be £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 occupied by the IOPC Fund's Secretariat from 1 September 1993 (including an office for the new Clerk-Secretary), ie twelve office rooms plus one storage room (2 787 sq ft), the rent will amount to £22 935. Should the Director, if so authorised by the Assembly, employ one additional professional staff member, this would result in an additional rent for one more office for nine months of approximately £2 000, and the Director proposes that the appropriation for rent should include this amount.

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, a management fee and a catering services fee. The service charges and rates were estimated at £30 500 in the 1992 budget and £36 715 in the 1993 budget. The actual cost for 1992 was £30 726. An amount of £44 415 has been included in the 1994 budget in respect of service charges and rates. The increase of £7 700 above the 1993 budget estimate is designed to cover the additional charges resulting from the extra office for the new Clerk-Secretary and a possible extra office for one more professional staff member.

(b) Office machines

This appropriation covers purchases, rental, maintenance and repairs of office machines. It has been considered more economical to rent some office machines (photocopier and one of two telefax machines) rather than buy them. The annual rental cost of these machines is £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 £7 000 for the acquisition of new office machines and the 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.

(d) Office stationery and supplies

In the 1993 Budget, this appropriation was increased by £2 000 to £10 000 in comparison with the 1990, 1991 and 1992 budgets. In 1992, the actual expenditure was £8 006. It has, therefore, been considered reasonable to make a provision of £11 000 for 1994.

(e) Communications

The appropriation for communications has been increased from the 1993 level of £18 000 to £22 000. 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 miscellaneous expenditure.

(g) Representation (hospitality)

This appropriation relates to 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. Since it is foreseen that more meetings will be held by IOPC Fund organs during 1994 than in previous years, as set out under III below, it is proposed that this appropriation be increased by £2 000.

(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.

As mentioned above, the appropriation for 1993 under this heading, £120 000, included an amount of £100 000 for a special publication. The balance of the 1993 appropriation was thus £20 000. An increase of £4 000 to £24 000 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 take place in one of the IMO conference rooms. In the budgets for the years up to 1992 provision was made for two meeting sessions, one of five days' duration for the ordinary annual sessions of the Assembly and Executive Committee in the 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 Executive Committee held three extra sessions in 1991, however, and one extra session in 1992. In the 1993 budget provision was made for two extra sessions, and two extra sessions of the Committee have already been held in 1993. In view of this development, it is considered appropriate to make provision for three extra sessions of two days of the Assembly or Executive Committee during 1994.

In document FUND/A.16/20, the Director has proposed that an Intersessional Working Group be set up to consider the general criteria to be applied by the IOPC Fund in respect of the admissibility of claims for compensation. Should the Assembly decide to set up such a Working Group, it would be necessary to provide funds in the budget to cover the costs of the Group's meetings. An appropriation of £12 640 has been included in the 1994 budget in respect of two meetings of two days duration of this Working Group.

In previous budgets, the costs for the translation of Assembly and Executive Committee documents into French have been included in the appropriations for the respective meetings. With effect from around 1 October 1993, the IOPC Fund will finance the post of an extra translator in IMO, in return for which the IMO French Translation Section will provide translation of Fund documents into French, up to an agreed volume. The cost of financing this post has been included in Chapter V (Miscellaneous Expenditure). As a result, the appropriations in the 1994 budget for the meetings of the Assembly and the Executive Committee are lower than in the 1993 budget.

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 due mainly to higher air fares.



**V      Miscellaneous Expenditure**

**(a)      External audit**

The fee for auditing the accounts for the 1993 financial period has been provisionally advised as £16 800 by the United Kingdom National Audit Office. An additional amount of £1 200 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 benefits from IMO's assistance in certain regards: the Common Services Section provides additional telephone, telex and telefax facilities; the Conference Section provides services before, during and after IOPC Fund meetings; 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.

With effect from the 1993 financial period, a rate of £5 000 per annum, subject to annual increases on the basis of the development of the United Kingdom Retail Price Index, has been agreed for general services rendered by IMO to the IOPC Fund.

**(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, for example 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 was increased from £8 000 in the 1992 budget to £12 000 in the 1993 budget.

At its 15th session, the Assembly approved a supplementary budget appropriation for 1992 of £25 670 in respect of consultants' fees, as proposed by the Director (document FUND/A.15/28, paragraph 29.3.1). The appropriation was intended, among other things, to cover legal fees incurred in connection with administrative proceedings in the Netherlands in which the IOPC Fund had become involved. These proceedings arose from a Dutch company having lodged an appeal before an Administrative Court in the Netherlands against the decision of the competent Ministry to report the company to the IOPC Fund as having received contributing oil. The total expenditure on consultants' fees in 1992 came to £38 115. As the legal proceedings in the Netherlands have not been concluded, it has been felt that the draft budget for 1994 should contain sufficient appropriation (say £25 000) to cover the costs of these proceedings.

In document FUND/A.16/11, the Assembly has been invited to consider whether it may wish to instruct the Director to commence the preparations for the entry into force of the 1992 Protocol to the Fund Convention and to carry out certain studies for this purpose. The Director has stated in the document that, in view of the small size of the IOPC Fund Secretariat, it would not be possible for the permanent staff of the Secretariat to carry out a study of all the relevant issues, and has indicated that it would be necessary to make use of consultants for part of this work. As set out in that document, the Director proposes to allocate an amount of £30 000 in the 1994 budget for the use of consultants for this purpose. It should be noted that, according to the Resolution adopted by the 1992 International Conference which adopted the 1992 Protocol to the Fund Convention, the costs incurred by the present IOPC Fund in connection with the preparations for the entry into force of that Protocol should be reimbursed to the present Fund by the "1992 Fund" when the latter is set up.

In the light of these considerations, it is proposed to include in the 1994 budget an appropriation for consultants' fees of £70 000.

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

**(d) Payment to IMO for Translator**

Under Agenda item 12, the Assembly is invited to consider the adoption of a supplementary budget appropriation for 1993, as a result of the decision taken by the Executive Committee in respect of the translation of IOPC Fund documents (document FUND/A.16/9). As mentioned in that document, the IOPC Fund will finance a translator employed by IMO.

The provision of £42 000 in the 1994 draft budget would cover the cost of this translator. As mentioned above, this arrangement with IMO will result in the IOPC Fund not having to pay for the translation of documents into French on a page by page basis.

**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.16/14). The total payments to be made during 1994 from the General Fund are estimated at £820 326. 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 1993		8 743 736
<u>Add</u>		
Annual Contributions receivable in 1993 for previous years	189 542	
Initial Contributions receivable in 1993 (India, Ireland and the Republic of Korea)	327 300	
Interest earned in 1993 (estimate)	510 000	
	<u>1 026 842</u>	<u>1 026 842</u>
		9 770 578
<u>Less</u>		
Administrative expenditure, Budget 1993	876 200	
General Claims expenditure in 1993 (see Annex I of FUND/A.16/14)	3 675 426	
	<u>4 551 626</u>	<u>4 551 626</u>
Surplus at 31 December 1993		<u>5 218 952</u>

**II Any Other Income**

It is estimated that interest will be earned in 1994 on an average principal of £8 million, generating a return of around £400 000 during the calendar year.