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92FUND/A.11/25
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2nd session
Agenda item 18

SUPPFUND/A.2/16

ADMINISTRATIVE COUNCIL
20th session
Agenda item 17

71FUND/AC.20/15

SHARING OF JOINT ADMINISTRATIVE COSTS BETWEEN THE 1992 FUND, THE 1971 FUND AND THE SUPPLEMENTARY FUND

Note by the Director

Summary:	The costs of running the joint Secretariat have to be shared between the 1992 Fund, the 1971 Fund and the Supplementary Fund. It is proposed that for 2007 the 1971 Fund and the Supplementary Fund should pay flat management fees of £275 000 and £70 000 respectively to the 1992 Fund.
Action to be taken:	Decide on the apportionment between the three Organisations of the costs for the administration of the joint Secretariat.

- 1 At their March 2005 sessions the governing bodies of the 1992 Fund, the 1971 Fund and the Supplementary Fund decided that the distribution of the costs of running the joint Secretariat should be made by means of the 1971 Fund and the Supplementary Fund paying flat management fees to the 1992 Fund (documents 92FUND/A/ES.9/28, paragraph 10.3, 71FUND/AC.16/15, paragraph 5.3 and SUPPFUND/A.1/39, paragraph 14.2).
- 2 At their sessions in October 2005 the governing bodies noted the Director's view that it would, with a few exceptions, be very difficult to identify the volume of work of individual staff members which should be attributed specifically to the Supplementary Fund or to the 1971 Fund without requiring all staff to maintain records of time spent on tasks relating to those Funds, which would have given rise to a considerable administrative burden. It was noted that the Director had instead tried to assess how many working days per year the staff as a whole would, during 2006, devote to tasks relating to the 1971 Fund and the Supplementary Fund, that he had arrived at 20 days for the 1971 Fund and five days for the Supplementary Fund and that he had apportioned the proposed administrative budget for 2006 on the basis of the daily costs of running the joint Secretariat. The governing bodies agreed with the approach taken by the Director and approved the Director's proposal that for 2006 the 1971 Fund and the Supplementary Fund should pay flat management fees of £275 000 and £70 000 respectively to the 1992 Fund

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(documents 92FUND/A.10/37, paragraph 28.4, 71FUND/AC.17/20, paragraph 18.4 and SUPPFUND/A/ES.1/21, paragraph 17.4).

- 3 It was decided that, in view of likely changes of the costs of running the joint Secretariat and the amount of work required by the Secretariat in the operation of the 1971 Fund and the Supplementary Fund, the management fees payable by those Funds should be reviewed annually.
- 4 In relation to the 2007 administrative budget the Director proposes that the management fees be set based on the same estimated number of working days which the staff as a whole during 2006 devoted to tasks relating to the 1971 Fund and the Supplementary Fund, ie 20 working days for the 1971 Fund and five working days for the Supplementary Fund. The work to be carried out for the 1971 Fund in 2007 is expected to remain at the same level as in 2006. As for the Supplementary Fund the work during 2007 will be limited to administrative tasks, eg in relation to any contribution income and in connection with the Supplementary Fund Assembly, as long as the Supplementary Fund is not involved in any incident. Should a major incident occur which does involve the Supplementary Fund, the governing bodies may wish to reassess the apportionment.
- 5 On the basis set out above the Director has calculated the total costs per working day for the entire Secretariat, based on the administrative budget for 2007 (excluding External Auditor's fees) totalling £3 530 250 for 2007 (£3 541 400 for 2006) and 261 working days during the year. The daily costs of running the joint Secretariat would then be some £13 525. Using this approach, the 1971 Fund should pay a management fee of some £270 500 (20 x £13,525) and the Supplementary Fund a fee of some £67 600 (5 x £13 525).
- 6 The Director therefore proposes that the 1971 Fund and Supplementary Fund should pay management fees to the 1992 Fund for 2007 for the same amounts as for 2006, ie £275 000 and £70 000 respectively.

7 **Action to be taken by the governing bodies**

The governing bodies are invited:

- (a) to consider the apportionment of joint administrative costs between the 1992 Fund, the 1971 Fund and the Supplementary Fund for the period 1 January to 31 December 2007; and
 - (b) in particular, to consider the Director's proposal that for 2007, the 1971 Fund and Supplementary Fund should pay management fees of £275 000 and £70 000 respectively to the 1992 Fund, as set out in paragraph 6.
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