

 <p>INTERNATIONAL OIL POLLUTION COMPENSATION FUNDS</p>	Agenda item: 9		IOPC/OCT10/9/1	
	Original: ENGLISH		1 September 2010	
	1992 Fund Assembly		92A15	•
	1992 Fund Executive Committee		92EC49	
	Supplementary Fund Assembly		SA6	•
1971 Fund Administrative Council		71AC25	•	

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 2011, the 1971 Fund and the Supplementary Fund should pay a flat management fee of £240 000 and £56 000 respectively to the 1992 Fund.
Action to be taken:	<p><u>1992 Fund Assembly, Supplementary Fund Assembly and 1971 Fund Administrative Council:</u></p> <p>Decide on the apportionment between the three Organisations of the costs for the administration of the joint Secretariat.</p>

1 The Issue

- 1.1 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.
- 1.2 At their sessions in October 2005, the governing bodies noted that, in the Director's view, 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 devote to tasks relating to the 1971 Fund and the Supplementary Fund, in order to apportion the administrative budget on the basis of the daily costs of running the joint Secretariat. The governing bodies agreed with the approach taken by the Director.
- 1.3 The External Auditor in his Report on the 1992 Fund's 2006 Financial Statements noted that the management fees payable to the 1992 Fund by the 1971 Fund and Supplementary Fund were based on the Director's best estimates. The External Auditor recognised also that the current apportionment of fees is carried out on a reasonable basis and noted that the fees were agreed by the governing bodies of all three Funds.
- 1.4 The governing bodies also decided that in view of the likely changes to 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.

- 1.5 The table below summarises the management fees approved by the governing bodies to be paid to the 1992 Fund by the 1971 Fund and Supplementary Fund for administering the joint Secretariat since the financial year 2006.

Management fees				
	1971 Fund		Supplementary Fund	
Financial Year	Number of working days	Management Fee	Number of working days	Management Fee
2006	20	275 000	5	70 000
2007	20	275 000	5	70 000
2008	15	210 000	3.5	50 000
2009	15	210 000	3.5	50 000
2010	15	225 000	3.5	52 500

- 1.6 The Director proposes that the management fees for 2011 be set based on the same number of estimated working days which the staff as a whole during 2011 would devote to tasks relating to the 1971 Fund and the Supplementary Fund as in 2008-2010, ie 15 working days for the 1971 Fund and 3.5 working days for the Supplementary Fund. The work to be carried out for the 1971 Fund in 2011 is expected to be at a similar level to 2010, focusing on the settlement of old incidents. As for the Supplementary Fund (provided it is not involved in any incident), the work during 2011 will be limited to administrative tasks, eg in connection with the Supplementary Fund Assembly. Should a major incident occur which does involve the Supplementary Fund, the governing bodies may wish to reassess the apportionment.
- 1.7 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 2011 (excluding External Auditor's fees) totalling £4 088 020 (£3 957 050 for 2010) and 261 working days during the year. The daily costs of running the joint Secretariat would then be some £15 663 (£15 073 for 2010). Using a daily cost of £16 000, the 1971 Fund should pay a management fee of £240 000 (15 x £16 000) and the Supplementary Fund a fee of £56 000 (3.5 x £16 000).
- 1.8 The Director therefore proposes that the 1971 Fund and Supplementary Fund should pay to the 1992 Fund management fees for 2011 of £240 000 and £56 000 respectively compared to £225 000 and £52 500, respectively, for 2010.

2 Action to be taken

1992 Fund Assembly, Supplementary Fund Assembly and 1971 Fund Administrative Council

The 1992 Fund Assembly, Supplementary Fund Assembly and 1971 Fund Administrative Council are invited:

- 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 2011; and
 - in particular, to consider the Director's proposal that for 2011, the 1971 Fund and the Supplementary Fund should pay management fees of £240 000 and £56 000, respectively, to the 1992 Fund, as set out in paragraph 1.8.
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