



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
FUNDS

Agenda item: 9	IOPC/OCT11/9/1	
Original: ENGLISH	1 September 2011	
1992 Fund Assembly	92A16	•
1992 Fund Executive Committee	92EC53	•
Supplementary Fund Assembly	SA7	•
1971 Fund Administrative Council	71AC27	•

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

### Note by the Director

<b>Summary:</b>	The costs of running the joint Secretariat have to be shared between the 1992 Fund, the Supplementary Fund and the 1971 Fund. It is proposed that for 2012, the Supplementary Fund and the 1971 Fund should pay a flat management fee of £59 500 and £255 000 respectively to the 1992 Fund.
<b>Action to be taken:</b>	<u>1992 Fund Assembly, Supplementary Fund Assembly and 1971 Fund Administrative Council:</u>  Decide on the apportionment between the three Organisations of the costs for the administration of the joint Secretariat.

### 1 The Issue

- 1.1 At their March 2005 sessions, the governing bodies of the 1992 Fund, the Supplementary Fund and the 1971 Fund decided that the distribution of the costs of running the joint Secretariat should be made by means of the Supplementary Fund and the 1971 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 Supplementary Fund and the 1971 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 Supplementary Fund and 1971 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 Supplementary Fund and the 1971 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 Supplementary Fund and 1971 Fund for administering the joint Secretariat since the financial year 2006.

<b>Management fees</b>				
	<b>Supplementary Fund</b>		<b>1971 Fund</b>	
<b>Financial Year</b>	<b>Number of working days</b>	<b>Management Fee</b>	<b>Number of working days</b>	<b>Management Fee</b>
2006	5	70 000	20	275 000
2007	5	70 000	20	275 000
2008	3.5	50 000	15	210 000
2009	3.5	50 000	15	210 000
2010	3.5	52 500	15	225 000
2011	3.5	56 000	15	240 000

- 1.6 The Director proposes that the management fees for 2012 be set based on the same number of estimated working days which the staff as a whole during 2012 would devote to tasks relating to the Supplementary Fund and the 1971 Fund as in 2008-2011, ie 3.5 working days for the Supplementary Fund and 15 working days for the 1971 Fund. As regards the Supplementary Fund (provided it is not involved in any incident), the work during 2012 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. The work to be carried out for the 1971 Fund in 2012 is expected to be at a similar level to 2011, focusing on the settlement of old incidents.
- 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 2012 (excluding External Auditor's fees) totalling £4 607 510 (£4 162 520 for 2011) and 261 working days during the year. The daily costs of running the joint Secretariat would then be some £17 653 (£15 948 for 2011). Using a daily cost of £17 000, the Supplementary Fund should pay a management fee of £59 500 (3.5 x £17 000) and the 1971 Fund a fee of £255 000 (15 x £17 000).
- 1.8 The Director therefore proposes that the Supplementary Fund and 1971 Fund should pay to the 1992 Fund management fees for 2012 of £59 500 and £255 000 respectively compared to £56 000 and £240 000, respectively, for 2011.

## **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:

- (a) to consider the apportionment of joint administrative costs between the 1992 Fund, the Supplementary Fund and the 1971 Fund for the period 1 January to 31 December 2012; and
- (b) in particular, to consider the Director's proposal that for 2012, the Supplementary Fund and the 1971 Fund should pay management fees of £59 500 and £255 000, respectively, to the 1992 Fund, as set out in paragraph 1.8.