



ASSEMBLY
13th session
Agenda item 20

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4th session
Agenda item 19

SUPPFUND/A.4/17

ADMINISTRATIVE COUNCIL
23rd session
Agenda item 17

71FUND/AC.23/15

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 2009 the 1971 Fund and the Supplementary Fund should pay a flat management fee of £210 000 and £50 000 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 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 (documents 92FUND/A/ES.9/28, paragraph 10.3, 71FUND/AC.16/15, paragraph 5.3 and SUPPFUND/A.1/39, paragraph 14.2).
- 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.

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- 1.3 It was decided that in view of the likely changes to 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.
- 1.4 For the last three financial years (2006 - 2008) the governing bodies have approved the Director's proposal for the management fees to be set based on the approach set out in paragraph 1.2 above, namely on the number of working days which the staff as a whole during each year would devote to tasks relating to the 1971 Fund and the Supplementary Fund respectively. For the years 2006 and 2007 the management fees were set on the basis of 20 working days for the 1971 Fund and five working days for the Supplementary Fund and for 2008 15 working days for the 1971 Fund and 3.5 working days for the Supplementary Fund.
- 1.5 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 (document 92FUND/A.12/8, Annex III, paragraphs 46 and 47).
- 1.6 The Director proposes that the management fees for 2009 be set based on the same number of estimated working days which the staff as a whole during 2009 would devote to tasks relating to the 1971 Fund and the Supplementary Fund as in 2008 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 2009 is expected to be at a similar level as in 2008, focusing on the settlement of old incidents. As for the Supplementary Fund, (provided it is not involved in any incident), the work during 2009 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 2009 (excluding External Auditor's fees) totalling £3 661 225 for 2009 (£3 584 000 for 2008) and 261 working days during the year. The daily costs of running the joint Secretariat would then be some £14 028 (£13 732 for 2008). Using this approach, the 1971 Fund should pay a management fee of some £210 420 (15 x £14 028) and the Supplementary Fund a fee of some £49 098 (3.5 x £14 028).
- 1.8 The Director therefore proposes that the 1971 Fund and Supplementary Fund should pay to the 1992 Fund management fees for 2009 identical to those for 2008 namely, £210 000 and £50 000, respectively.

2 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 2009; and
 - (b) in particular, to consider the Director's proposal that for 2009, the 1971 Fund and the Supplementary Fund should pay a management fee of £210 000 and £50 000 respectively to the 1992 Fund, as set out in paragraph 1.8.
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