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Agenda item 28

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SUPPFUND/A/ES.1/16

ADMINISTRATIVE COUNCIL
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Agenda item 18

71FUND/AC.17/16

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 2006 the 1971 Fund and the Supplementary Fund should pay a flat management fee 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 June 1996 sessions, the Assemblies of the 1992 and 1971 Funds agreed that the distribution of the costs of running the joint Secretariat of the 1992 Fund and 1971 Fund should be decided yearly by the Assemblies of the two Funds (documents 92FUND/A.1/34, paragraph 11.1 and 71FUND/A/ES.2/22, paragraph 9). For the period 1996-2002 the governing bodies of the Organisations decided that the costs should be distributed on a percentage basis, the percentages varying over this period.
- 2 At their October 2003 sessions, the governing bodies of the 1992 and 1971 Funds approved a proposal by the Director that the distribution of the costs should be made in a different way, namely that the 1971 Fund should pay a flat management fee set approximately at 10% of the joint administrative expenses (documents 92FUND/A.8/30, paragraph 24.1 and 71FUND/AC.12/22, paragraph 19.1). This fee was set at £325 000 for 2004 and 2005 (corresponding to approximately 10% of these expenses).
- 3 At their sessions in March 2005 the governing bodies of the 1992 Fund, the 1971 Fund and the Supplementary Fund decided that the Secretariat of the 1992 Fund should administer, in addition to the 1971 Fund, also the Supplementary Fund. It was agreed that the Supplementary Fund should pay a management fee to the 1992 Fund towards the costs of the joint Secretariat, which was initially set at £150 000 per annum (corresponding to approximately 5% of the administrative expenses of the Secretariat). For the period 3 March - 31 December 2005 the fee was set at £125 000, ie £150 000 per annum pro-rated for a ten month period from the date when the Supplementary Fund Protocol came into force, ie 3 March 2005. It was also agreed that the level

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of the fee should be reconsidered for later years in the light of experience in respect of the workload of the Supplementary Fund (documents 92FUND/A/ES.9/28, paragraphs 10.1 and 10.3, 71FUND/AC.16/15, paragraphs 5.1 and 5.3 and SUPPFUND/A.1/39, paragraphs 14.1 and 14.3).

- 4 At the March 2005 sessions it was suggested that in future a more detailed breakdown should be made of the actual expenses in respect of the Supplementary Fund. The Director undertook to provide more details of expenses which could be attributed specifically to the Supplementary Fund, but stated that it would be difficult to identify time spent by staff on Supplementary Fund matters.
- 5 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. In order to make it possible to establish this with some degree of accuracy, it would be necessary for all staff to maintain records of time spent on tasks relating specifically to the 1971 Fund and the Supplementary Fund. The Director takes the view that this would give rise to a considerable administrative burden. The Director has, instead, tried to assess how many working days per year the staff as a whole will during 2006 devote to tasks specifically relating to the 1971 Fund and the Supplementary Fund. In his view, it can be estimated that in 2006, 20 Secretariat working days will be spent on 1971 Fund matters and five working days on Supplementary Fund matters.
- 6 The Director has then calculated the total costs per working day for the entire Secretariat for 2006, based on the administrative budget totaling £3 541 400 (excluding External Auditor's fees) and 261 working days during the year. The daily costs of running the joint Secretariat would then be £13 600. Using this approach, the 1971 Fund should pay a management fee of £272 000 (20 x £13 600) and the Supplementary Fund a fee of £68 000 (5 x £13 600) or, in rounded figures, £275 000 and £70 000 respectively.
- 7 This method would give a management fee for the 1971 Fund for 2006 which would be some 15% lower than the fee for 2005. This is logical since the work to be carried out for the 1971 Fund continues to decrease. As for the Supplementary Fund, a fee of £70 000 would be significantly lower than the fee of £125 000 for ten months of 2005, which reflects the fact that the preparations in connection with the entry into force of the Supplementary Fund Protocol required a considerable amount of work by the Secretariat whereas there will be very little work specifically relating to the Supplementary Fund in 2006, except work in preparation for 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.

Action to be taken by the governing bodies

- 8 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 2006; and
 - (b) in particular, to consider the Director's proposal that for 2006 the 1971 Fund and Supplementary Fund should pay a management fee of £275 000 and £70 000 respectively to the 1992 Fund as set out in paragraph 6.
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