



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUNDS

Agenda item: 9	IOPC/OCT12/9/1	
Original: ENGLISH	9 August 2012	
1992 Fund Assembly	92A17	•
1992 Fund Executive Committee	92EC56	•
Supplementary Fund Assembly	SA8	•
1971 Fund Administrative Council	71AC29	•

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

Note by the Director

Summary:	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 2013, the Supplementary Fund and the 1971 Fund should pay a flat management fee of £33 000 and £247 500 respectively to the 1992 Fund.
Action to be taken:	<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.

Management fees				
	Supplementary Fund		1971 Fund	
Financial Year	Number of working days	Management Fee	Number of working days	Management Fee
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
2012	3.5	59 500	15	255 000

- 1.6 The Director proposes that the management fees for 2013 be set based on an estimate of two working days for the Supplementary Fund (reduced from 3.5 working days) and maintain 15 working days for the 1971 Fund which the staff as a whole during 2013 would devote to tasks relating to the respective Funds. As regards the Supplementary Fund (provided it is not involved in any incident), the work during 2013 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 2013 is expected to be at a similar level to 2012, 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 2013 (excluding External Auditor's fees) totalling £4 339 660 (£4 607 510 for 2012) and 261 working days during the year. The daily costs of running the joint Secretariat would then be some £16 627 (£17 653 for 2012). Using a daily cost of £16 500, the Supplementary Fund should pay a management fee of £33 000 (2 x £16 500) and the 1971 Fund a fee of £247 500 (15 x £16 500).
- 1.8 The Director therefore proposes that the Supplementary Fund and 1971 Fund should pay to the 1992 Fund management fees for 2013 of £33 000 and £247 500, respectively, compared to £59 500 and £255 000, respectively, for 2012.

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 2013; and
- (b) in particular, to consider the Director's proposal that for 2013, the Supplementary Fund and the 1971 Fund should pay management fees of £33 000 and £247 500, respectively, to the 1992 Fund, as set out in paragraph 1.8.