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RESOURCE MANAGEMENT

(e) Preliminary consideration of work programme and budget prospects for 2003

Note by the Secretary-General

SUMMARY

Executive summary: This document provides the Secretary-General's preliminary assessment of the Organization's 2003 work programme and budget prospects. It summarizes the forecast overall budgetary position for 2003 based on the expenditure during the first quarter of the year.

Action to be taken: Paragraph 10

Related documents: C 89/19(d)/Add.1 to Add.3, C 89/20 and Add.1

1 Introduction

1.1 This document provides the Secretary-General's preliminary consideration of the work programme and budget prospects for 2003 taking into account the latest available information on pay and price levels in the United Kingdom (UK) economy and changes to the remuneration levels of staff approved by the International Civil Service Commission (ICSC) and the General Assembly of the United Nations.

1.2 This report forms part of the reporting cycle on programme performance for the second year of the twenty-second biennium 2002-2003 together with the preliminary budget prospects for the second year of the biennium 2002-2003. A description of the expected results of 2003, in terms of programme delivery and implementation, will be presented as an addendum to this document.

1.3 It will be recalled that the Assembly at its twenty-second regular session in November 2001 approved the Organization's work programme and programme budget for the twenty-second financial period 2002-2003. Table 1 below displays the approved appropriations for 2003 as set out in Assembly resolution A.906(22).

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Table 1
Approved appropriation 2003

	2003
	£
Approved appropriation	21,122,700
Less estimated:	
TC support cost income	(274,200)
Direct/indirect costs to be reimbursed from the PF	(819,900)
Net appropriation	20,028,600
Less estimated:	
Miscellaneous income	(200,000)
Transfer from the PF	(400,000)
Net assessment	19,428,600

2 Revised appropriation

2.1 The revised appropriation for 2003, approved by the Council at its 89th session in November 2002 reflected the unforeseen increase in costs consequential upon the introduction of a new salary scale for Professional staff approved by the United Nations General Assembly at its 57th session in December 2002 and the revised distribution of the medical insurance premiums as decided by the Council at its 89th session in November 2002. Both changes have been implemented with effect from 1 January 2003.

2.2 Accordingly, the total revised appropriation for 2003 required a supplementary estimate to the original appropriation of £514,800. After taking account of forecast additional support cost income receivable from technical co-operation activities of £125,000, the total estimated funds required to maintain the assessment for 2003, as approved by the Assembly at its 22nd session, amount to £389,000. The Council noted that the supplementary requirement will be financed from the Organization's accumulated reserves and that the Secretary-General would report at its 90th session the final level of supplementary estimate required in the light of the decisions of the General Assembly concerning Professional remuneration levels.

2.3 Table 2 below sets out the revised appropriation for 2003; the original assessment at £19,428,600 remains unchanged.

Table 2
Revised approved appropriation

	2003
	£
Approved appropriation	21,122,700
Supplementary estimates	514,800
Revised appropriation	21,637,500
Less estimated:	
TC support cost income	(400,000)
Direct/indirect costs to be reimbursed from the PF	(819,900)
Net appropriation	20,417,600
Less:	
Miscellaneous income	(200,000)
Transfer from the PF	(400,000)
Transfer from the accumulated reserves of the GF	(389,000)
Net assessment	19,428,600

2.4 The appropriation for 2003 represents, as revised, an increase of 5.1% above the 2002 level. Table 3 below shows the appropriation voted, by Major Programme, and the assessment level after deducting the estimated miscellaneous income, technical co-operation support cost reimbursements and the approved transfer from the Printing Fund.

**TABLE 3
PROGRAMME APPROPRIATIONS 2003**

Major Programmes	£
General policy and direction	862,500
Maritime safety	1,906,200
Marine environment protection	1,502,200
Legal affairs	668,500
Facilitation of maritime traffic	195,900
Cross sectoral activities	698,700
Technical Co-operation and institutional development	1,715,000
Conference services	5,236,000
Administrative services	4,306,500
External relations and information services	886,700
Total estimated programme costs	17,978,200
General operating expenses and headquarters premises	3795,300
Estimated staff turnover (30 work-months)	(136,000)
Total gross appropriation	21,637,500
Less:	
Estimated direct/indirect costs recoverable from the Printing Fund	(819,900)
Reimbursement of Technical Co-operation support costs	(400,000)
Total net appropriation	20,417,600
Estimated miscellaneous income	(200,000)
Transfer from the Printing Fund	(400,000)
Transfer from the accumulated reserves of the General Fund	(389,000)
Net assessed	19,428,600

Gross appropriations

2.5 It will be recalled that following the External Auditor's report for 2001, and the Secretary-General's recommendation to the Intersessional Working Group on Accounts and Audit, the

Council decided that the presentation and voting of the Organization's appropriations should be set on a gross basis from 2004-2005. This requirement is reflected in Financial Regulation 103.1.

2.6 The essential difference in presenting the appropriations in gross terms is that the level of appropriations set on a gross basis exclude any compensatory offsetting receipts and or internal transfers; for example, the contribution received in respect of the support cost for executing technical co-operation projects and from the offsetting contribution transferred from the Printing Fund sales. Such estimated receipts are instead deducted from the gross appropriation to determine the assessment on Member States. To facilitate the comparison of the Secretary-General's Work Programme and Budget for 2004-2005, which will be in gross terms, Annex 1 presents the appropriations approved by the Assembly with the adjustment for the supplementary estimates in 2003 noted in paragraph 2.2 above on this revised basis.

3 Budgetary assumptions

3.1 The Council will recall that the appropriation voted to each Major Programme represents the direct costs of the programmes, which comprise staff costs, meetings, overtime, temporary assistance, travel and consultancies. The expenditure on salaries, benefits and allowances of staff forms the major proportion of the direct costs of programmes. The cost increases in these expenditure components are either inflation led and/or a product of the UN Common system for salaries, allowances and conditions of service.

3.2 Table 4 below sets out the budgetary assumptions included in the programme budget for the current biennium:

Table 4
Approved budgetary assumptions

UK Average earnings index (AEI)	4.3%
UK Average retail price index (RPI)	2.4%
£/\$ exchange rate	\$1.41 to £1

3.3 In accordance with the methodology prescribed by ICSC, budgetary assumptions of a 2% cost-of-living increase for Professional staff in July 2003 and an interim adjustment for General Service staff of a 3% increase in salary scales in October 2003 were included in the budget.

3.4 The actual inflation and average earnings data in the UK show that the RPI rose by 2.9% over the previous 12 months to 31 December 2002 and that the earnings growth, as measured by the AEI in the UK public sector, increased by 4.4% in 1 January 2003. The average United Nations operational rate of exchange for 2002 was \$1.49 to £1. The average operational rate of exchange for the first 3 months of 2003 was \$1.61 to £1 representing a continued appreciation of the £ Sterling against the US\$ which will provide some budgetary gains.

3.5 On the basis of this latest available information, the Secretary-General's preliminary assessment is that the prospective movements in external pay and price factors are within his budgetary assumptions.

4 Expenditure forecasts

4.1 The forecast expenditure for 2003 is based on the pay-bill disbursed as at 31 March 2003 and the projected staff resources level for the remainder of 2003 taking into account the current

recruitment programme. For the purpose of accountability and transparency of the use of staff resources, a summary of the budget and the prospective out-turn for 2003 in work-months terms is shown at Annex 2. The analysis shows the status of "staff-in-post", planned recruitment to the vacant posts and fixed-term contract positions as approved by the Assembly and the Council.

Professional staff costs

4.2 As reported in document C 90/17(a), the United Nations General Assembly at its fifty-seventh session in December 2002 approved the implementation of a new salary scale for Professional and higher staff with effect from 1 January 2003 which represents an average increase of 4.8% for Professional staff.

4.3 As far as post adjustment allowance is concerned, a 2% cost-of-living adjustment is estimated in accordance with the ICSC's "12 month rule" (which provides for annual cost-of-living increases based on increases in the UK) for Professional staff with effect from July 2003.

General Service staff costs

4.4 The Council, at its 88th session in June 2002, approved a revised salary scale for General Service staff with effect from 1 October 2001. This new salary scale is adjusted annually in accordance with the interim adjustment methodology approved by ICSC taking into account the average movement of RPI and AEI in the UK. In accordance with the above adjustment mechanism, an increase in the General Service salary scale of 2.2% was awarded with effect from 1 October 2002. On the basis of the available data on the external pay and price factors, it is forecast that the interim adjustment in 2003 will remain within the 3% estimated increase provided in the appropriation for 2003.

Benefits and allowances

4.5 The expenditure under these components include the Organization's contribution to the United Nations Joint Staff Pension Fund (UNJSPF). The contribution rate is not scheduled for revision and the two-thirds' share contributed by the Organization remains at 15.8% of pensionable remuneration. The Organization's medical insurance contribution is based on the contribution ratio adopted by the Council at its 89th session. It is forecast that the provision made in the appropriation for 2003 is sufficient to meet the forecast annual out-turn.

4.6 In accordance with the revised methodology approved by the thirty-fifth session of ICSC, a two-yearly review of the level of education grant has been carried out by ICSC, and the General Assembly at its fifty-seventh session approved the ICSC's recommended increase in the maximum education grant payable in the United Kingdom from £10,210 to £11,925. The provision for 2003 takes account of the estimated cost increases.

Overtime, temporary assistance, travel and consultancies

4.7 It should be noted that the management of these expenditure items is being progressively devolved to Programme Directors following the implementation of the reform programme recommended by the MANNET and approved by the Council. Programme Directors are required to monitor closely the status of programme budget appropriations and to take necessary steps to secure economies as far as practicable on these controllable expenditure items or to identify offsetting savings in order to prioritise certain programmes, if any, under their command. The planned replacement of the

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Organization's planning, accounting and budgetary control "legacy" systems will improve the current information flows.

Meetings

4.8 The Council at its 89th session noted that the approved appropriations for the Work Programme and Budget for 2003 included provision for 19.7 meeting weeks, and that the financing of a two-day stand-alone session of the Technical Co-operation Committee, to be held prior to the Council's 90th session, would be financed from the Organization's accumulated reserves. The Council also noted that following the recommendation of the MEPC at its 48th session, the Diplomatic Conference on Ballast Water Management, originally planned to be held in October 2003, was postponed to early March 2004.

4.9 The Council may also note that a 3-day extension of the Sub-Committee on Ship Design and Equipment, which was held in March 2003 has been financed by the Government of the United Kingdom.

Indirect costs

4.10 The forecast of expenditure on indirect costs, notably the procurement of goods, services and Headquarters maintenance, is expected to be at a level of out-turn similar to the appropriation for 2002. The total appropriation for 2003 for the indirect costs of the Organization amounts to £3,795,300: this is largely accounted for by the Organization's rent, rates, and maintenance of the Headquarters premises.

5 Reimbursements of technical co-operation programme support cost

5.1 The Organization receives variable percentages of the total project expenditure financed from the UNDP and its trust funds programmes as well as donor funds to offset the costs of administrative and technical backstopping of the projects. The amount of support cost levied on each project in detail is set out in Schedule 10 of document C 90/17(b). On the basis of project performance and delivery in 2002 which yielded support cost income of £394,474, the support cost income for 2003 is projected at £400,000.

6 Cost recovery from activities under the Printing Fund

6.1 It will be recalled that the Assembly at its twenty-first session decided that the attributed indirect costs of the Organization's Publishing Service should be borne by the Printing Fund as from the biennium 2002-2003.

6.2 Further, to improve the balance of the funding between the regular budget and the Printing Fund, the Assembly at its twenty-second session (resolution A.906(22)) decided that the Organization's direct expenditure on the Publishing Service, which is borne by the regular budget, should also be funded annually by a transfer from the Printing Fund. The Assembly decided that, in 2002-2003, 60% of the direct costs of the Publishing Service should be reimbursed from the Printing Fund. The annual reimbursement rate will be increased to 100% in 2004-2005 in accordance with the Assembly resolution A.906(22).

6.3 The forecast total estimated direct and indirect costs of the Publication Service recoverable from the Printing Fund amount to £819,900 for 2003. The status of the Printing Fund appropriations, including a forecast income and expenditure statement, will be presented to the Council in an addendum to this document.

7 Headquarters Capital Fund

7.1 The Secretary-General's initial work programme under the Headquarters Capital Fund for 2003 was presented to the Council in document C 89/19(d)/Add.3. The table at Annex 3 to this document provides up-to-date information on the capital investment programme during 2003.

8 Summary

8.1 Taking the above considerations into account, a summary of the prospective out-turn for 2003 by Major Programme is shown in Table 5 below:

Table 5

STATUS OF APPROPRIATIONS AS AT 31 MARCH 2003
(expressed in UK£)

2002 Outturn	MAJOR PROGRAMMES	APPROPRIATIONS 2003	FORECAST EXPENDITURE 2003			BALANCE OF APPROP.
			DISBURSEMENTS	ULOs	TOTAL	
697,876	1 General policy and direction	862,500	153,600	699,800	853,400	9,100
1,919,409	2 Maritime Safety	1,906,200	520,800	1,370,600	1,891,400	14,800
1,293,950	3 Marine Environment Protection	1,502,200	258,000	1,159,800	1,417,800	84,400
582,546	4 Legal Affairs	668,500	122,200	539,400	661,600	6,900
170,990	5 Facilitation of Maritime Traffic	195,900	64,700	134,000	198,700	(2,800)
515,889	6 Cross Sectoral Activities	698,700	116,600	530,700	647,300	51,400
1,624,718	7 TC and Institutional Development	1,715,000	374,200	1,251,500	1,625,700	89,300
4,570,054	8 Conference Services	5,236,000	1,117,000	3,814,200	4,931,200	304,800
3,991,649	9 Administrative Services	4,306,500	1,077,900	3,353,800	4,431,700	(125,200)
821,930	10 External Relations and Information Services	886,700	202,200	659,700	861,900	24,800
16,189,011	Total Programme Expenditure	17,978,200	4,007,200	13,513,500	17,520,700	457,500
3,730,937	General Operating Expenses and Headquarters Premises	3,795,300	627,600	3,224,200	3,851,800	(56,500)
-	Estimated staff turnover level	(136,000)	-	-	-	(136,000)
19,919,948	Total Appropriation/Expenditure	21,637,500	4,634,800	16,737,700	21,372,500	265,000
(802,900)	Less: Direct and indirect cost recovered from the Printing Fund	(819,900)	-	(819,900)	(819,900)	-
(394,474)	Reimbursement of Technical Co-operation support costs	(400,000)	-	(400,000)	(400,000)	0
18,722,574	Net Appropriation/Expenditure	20,417,600	4,634,800	15,517,800	20,152,600	265,000

9 Contribution income

9.1 As at 28 February 2003, the contributions received in respect of the current year's assessment from Member States amounted to £5,436,960 representing 28% of the 2003 total assessment of £19,428,600. The comparative figures for 2002 and 2001 were 33.5% and 26.8% respectively. On the basis of the contribution receipts from Member States in 2002 which have reached 98% of the assessed contributions, it is envisaged that the contribution receipts will reach a similar level in 2003.

9.2 The Secretary-General would like to thank Member States for the efforts to fulfil their financial obligations.

10 Action requested of the Council

10.1 The Council is invited to:

- .1 take note of the information contained in this document and subsequent addenda;
- .2 note the forecast out-turn level of expenditure for 2003 and, further to the approval given by the Council at its eighty-ninth session, authorize the Secretary-General to make transfers between Major Programmes to the extent that balances are available to cover or reduce deficits in programme appropriation balances;
- .3 note the authority given to the Secretary-General by the Assembly at its twenty-second session in resolution A.906(22) to draw, if necessary, on the Printing Fund, the Headquarters Capital Fund, the Technical Co-operation Fund and the Termination Benefit Fund monies to finance the approved regular budget programme appropriations; and
- .4 urge Member States to remit their assessed contributions promptly in accordance with the Organization's Financial Regulations and Rules.

ANNEX 1

1 Net appropriations

Table 1 below sets out the appropriations and the assessments for the biennia 2000-2001 and 2002-2003; approved by the Assembly at its 21st and 22nd sessions (re: A. 877(21) and A. 906(22)).

Table 1

	A 2000-2001	B 2002-2003 Original	B as % over A
	£	£	
Approved appropriations	37,060,600	41,702,300	12.5%
Less estimated:			
TC support cost income	(448,400)	(548,400)	22.3%
Direct/indirect costs to be reimbursed from the	-	(1,622,800)	
Net appropriations	36,612,200	39,531,100	8.0%
Less estimated:			
Miscellaneous income	(280,000)	(400,000)	42.9%
Transfer from the Printing Fund	(400,000)	(800,000)	100.0%
Net assessments	35,932,200	38,331,100	6.7%

2 Revised appropriations

2.1 Table 2 below shows the revised appropriations, taking into account the supplementary estimate approved by the Council at its 89th session and the prospective increased level of support cost income from technical co-operation.

Table 2
Biennium comparison

	A 2000-2001	B 2002-2003 Revised	B as % over A
	£	£	
Approved appropriations	37,060,600	41,702,300	12.5%
Supplementary estimate	440,300	514,800	16.9%
Revised appropriations	37,500,900	42,217,100	12.6%
Less estimated:			
TC support cost income	(448,400)	(674,200)	50.4%
Reimbursement from the PF	-	(1,622,800)	100
Net appropriations	37,052,500	39,920,100	7.7%
Less estimated:			
Miscellaneous income	(280,000)	(400,000)	42.9%
Transfer from the PF	(400,000)	(800,000)	100.0%
Transfer from the accumulated reserves	(440,300)	(389,000)	-11.7%
Net assessments	35,932,200	38,331,100	6.7%

3 Gross appropriations

3.1 On the basis of the Secretary-General's recommendation to the Intersessional Working Group on Accounts and Audit and in accordance with the Financial Regulation 103.1, the Council decided that the presentation and voting of the Organization's appropriations should be set on a gross basis from 2004-2005.

3.2 For the purpose of comparison, Table 3 below shows the presentation of the Organization's appropriations for the biennia 2000-2001 and 2002-2003 on a gross basis.

Table 3

	A 2000-2001	B 2002-2003	B as % over A
	£	£	
Revised appropriations (Gross)	37,500,900	42,217,100	12.6%
Less estimated:			
TC support cost income	(448,400)	(674,200)	50.4%
Reimbursement from the PF	-	(1,622,800)	100
Miscellaneous income	(280,000)	(400,000)	42.9%
Transfer from the PF	(400,000)	(800,000)	100.0%
Transfer from the accumulated reserves	(440,300)	(389,000)	-11.7%
Net assessments	35,932,200	38,331,100	6.7%

ANNEX 2

Human Resources by Division as at 1 March 2003

Division	A		B		(A-B) C		D		(C+D) E		F						(E-F) G		(B+G) H	
	Complement		Unbudgeted posts		Budgeted posts						Status of posts as at						Balance over budgeted posts		Total vacant posts	
					2003						01-Mar-03									
Regular budget	Prof	GS	Prof	GS	Established posts		Fixed-term		Total		Established/Fixed-term posts		To be filled		Total		Prof	GS	Prof	GS
Office of the Secretary-General 1/	48	60	0	-12	48	48	-	-	48	48	48	48	-	-	48	48	0	0	0	12
Maritime Safety	264	168	-12	-	252	168	-	24	252	192	228	156	12	36	240	192	12	0	24	0
Marine Environment Protection	156	60	-	-	156	60	-	36	156	96	132	96	24	-	156	96	0	0	0	0
Legal Affairs, External Relations & Information services	156	120	-12	-	144	120	-	-	144	120	156	120	-	-	156	120	-12	0	0	0
Administrative services	300	732	-24	-24	276	708	12	120	288	828	288	744	12	72	300	816	-12	12	12	36
Conference services	504	588	-12	-24	492	564	-	-	492	564	456	528	24	24	480	552	12	12	24	36
Technical Co-operation	96	120	-	-	96	120	-	12	96	132	96	132	-	-	96	132	0	0	0	0
Total	1,524	1,848	-60	-60	1,464	1,788	12	192	1,476	1,980	1,404	1,824	72	132	1,476	1,956	0	24	60	84

ANNEX 3

Headquarters Capital Fund

Work Programme 2000 - 2003

(expressed in sterling pounds)

Description	2000	2001	2002		2003	
Balance brought forward	1,418,948	1,163,216		1,115,079		990,010
Interests earnings and other misc income	111,173	102,150		105,702		80,000
Transfers from other Funds	400,000	400,000		1,200,000		2,900,000
Balance available	1,930,121	1,665,366		2,420,781		3,970,010
Less: expenditure	Actual	Actual	Planned	Out-turn	Planned	as at 31/3/2003
Major building repairs:						
Security/Fire alarm systems renovation			58,000		25,000	
Offices renovations	9,812	12,500	50,000	15,938	125,000	
Main roof			7,000		10,000	
External/Internal vertical surfaces					10,000	
Lifts/Escalators		4,335		3,064	20,000	2,736
Carpet replacement				24,086	70,000	5,885
Engineering services		83,989	24,000	11,153	20,000	
Electrical services	59,048	14,208	27,000	11,883	100,000	
Chiller replacement - air condition system			-	374,755	50,000	
	68,860	115,032	166,000	440,879	430,000	8,621
Digital printing equipment - IMO documentation Interpretation system	127,194 20,687					-
Review of financial/administrative processes	-	-	-	383,539	-	-
Improving information technology						
Replacement/Upgrading hardware/network servers	201,147	96,438	200,000	109,695	150,000	8,388
Software development	169,447	123,857	100,000	96,040	-	-
Internal/Local Network upgrades	36,380	41,197	20,000	319,363	85,000	8,219
Telecommunication		10,000		9,374	-	-
Personal desk top computers	75,636	74,789	50,000	3,697	120,000	139,372
	482,610	346,281	370,000	538,169	355,000	155,979
Replacement of furniture and equipment						
Furniture	54,999	38,411	10,000	43,287	30,000	
Official vehicle		32,283	15,000	5,698		
Photocopy machines	12,555	18,280	60,000	19,199	150,000	
	67,554	88,974	85,000	68,184	180,000	-
Interim solution for 2003 to 2005						
Total estimated software development	-	-	-	-	200,000	14,630
	766,905	550,287	621,000	1,430,771	1,165,000	179,230
Balance carried forward	1,163,216	1,115,079		990,010		3,790,780

1/ 20% IMO share balance being financed by UK Government

2/ Final instalment under the lease purchase agreement

Resource transfers/others	2000	2001	2002	2003
General Fund cash surplus	400,000	400,000	500,000	2,900,000
Printing Fund cash surplus			700,000	
	400,000	400,000	1,200,000	2,900,000