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RESOURCE MANAGEMENT

(e) Budget considerations for 2009

Note by the Secretary-General

SUMMARY

<i>Executive summary:</i>	This document provides a forecast of the overall year-end status, seen as at 31 March 2009, of the Organization's budget for 2009. The document also summarizes the status of the Organization's various Funds.
<i>Strategic direction:</i>	4.1
<i>High-level action:</i>	4.1.1
<i>Planned output:</i>	4.1.1.1
<i>Action to be taken:</i>	Paragraph 25
<i>Related documents:</i>	C 101/5(c), C 101/D and resolution A.991(25)

Introduction

1 The Secretary-General's preliminary overview of the programme budget prospects for 2009 was presented to the 101st session of the Council (document: C 101/5(c)) based on the expenditure trends during the first three quarters of 2008. The Council noted that the appropriation for 2009 might need to be supplemented to address the consequential effects from the decision of the International Civil Service Commission (ICSC) to make adjustments related to the cost-of-living of staff at the London duty station, which was over and above the budgetary assumptions and that the Secretary-General would submit his latest budgetary assessment and his recommendations to the Council at the 102nd session. In accordance with resolution A.991(25), this document presents an updated review of the budget prospects for 2009 on the basis of the expenditure incurred in the first three months to 31 March 2009.

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Review of pay and price factors

2 The Council will recall that the appropriation voted to each Major Programme comprises staff costs, short-term assistance (which includes overtime, temporary assistance and consultancy), meetings, official mission travel and general operating expenses. The actual expenditure outturn reflects either movements in the external pay and price factors in the United Kingdom economy or in the salaries and allowance levels set by the ICSC and approved by the General Assembly of the United Nations (UN).

Budgetary assumptions and actual movements

3 The approved budget for the current biennium took into account forecast movements of the economic indices in the United Kingdom economy and currency fluctuations between the pound sterling and the United States (US) dollar. Table 1 below summarizes the latest available indices on the United Kingdom economy published by the Office for National Statistics of the United Kingdom Government and the actual movements of the UN operational rate of exchange; and Chart 1 illustrates the longer-term movement of the indicators.

Table 1
Trends of economic indicators

	Assumption 2008-2009	Actual						
		2008					2009	
		Jan	Apr	Jul	Oct	Average	Jan	Latest [♣]
UK Average Earnings Index (AEI) ^{1/}	3.5	3.6	3.9	3.8	3.7	3.7	3.4	2.9
UK Average Retail Price Index (RPI) ^{2/}	3.0	4.1	4.2	5.0	4.2	4.0	0.1	-0.4
USD/GBP exchange rate ^{3/}	1.97	1.992	1.996	1.984	1.739	1.86	1.462	1.416

1/ 12-month percentage change in regular pay (excluding bonuses) *

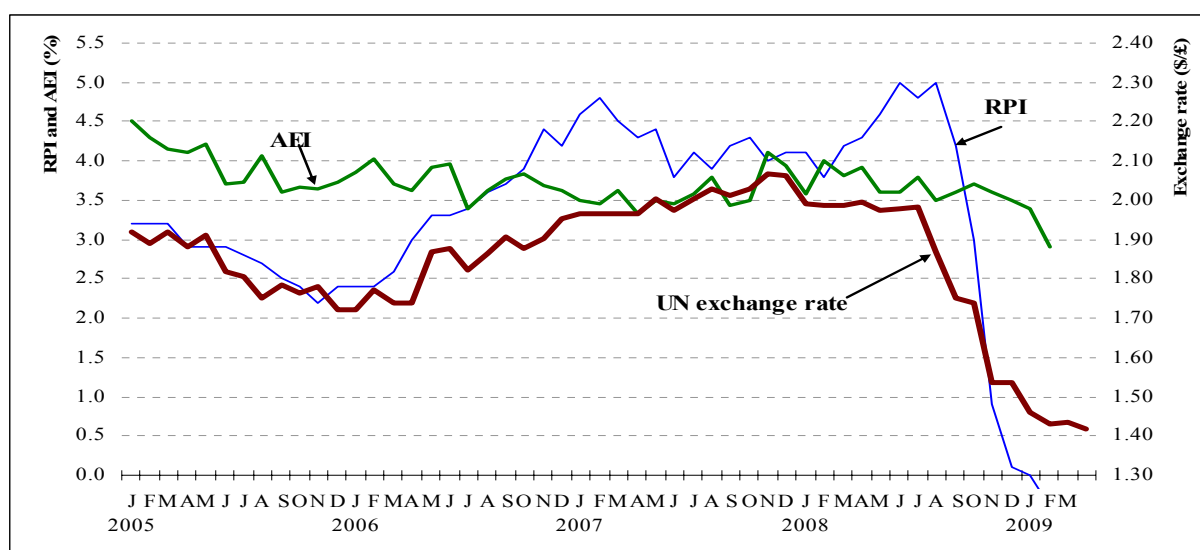
2/ Annual inflation rate - 12-month percentage change *

3/ United Nations operational exchange rates (1GBP expressed in USD)

♣ The latest available 2009 figures at the time of this report are give for February for AEI, March for RPI and April for exchange rate

* Source of AEI and RPI: UK Office for National Statistics (AEI and RPI are updated monthly)

Chart 1
Movements of the budgetary assumption indicators (Jan 2005 to Mar 2009)



4 From the table and chart above, it can be seen that overall economic indices in 2008 moved, in most months, above the assumed levels but the situation changed rapidly during the last quarter of 2008. The annual inflation rate this year in the United Kingdom, considered in terms of Retail Price Index (RPI)¹, has shown a steep decline from the peak in September 2008 to the current minus 0.4% level recorded for March 2009, which is far below the budgetary assumption of 3%. Regular pay, excluding bonuses, measured by the Average Earnings Index (AEI), rose by 2.9% in the year to February 2009, down from the January rate of 3.4%. The April UN operational exchange rate of US\$1.416 against the US dollar was a new low, and represented a 39% appreciation of the dollar currency compared with the budget rate of US\$1.97. The recent movements of those indices are anticipated, if not reversed, to generate an unfavourable impact on the Organization's budgetary position, which is described in the following paragraphs.

Cost-of-living adjustments

5 The major part of the Organization's expenditure relates to staff costs. The factors affecting changes in the costs are either inflation-led or arise from the recommendations of ICSC, approved, as necessary, by the UN General Assembly for application throughout the UN common system.

6 The basic emoluments of Professional staff include the net base salary and post adjustment. The base salary is established in US dollars on a global scale for application to all Professional staff in the UN common system, regardless of place of duty station; and the post adjustment is variable according to the duty station and is designed to maintain equality of purchasing power of a given salary at all duty stations by offsetting differences in the cost-of-living, taking account of changes in the rate of exchange between the US dollar and local currencies. In this context, the ICSC, following its annual review, which considered, among others, the expenditure factors based on the ICSC's 2008 housing survey for London and the sharp depreciation of the pound sterling against the US dollar, has revised the cost-of-living index applicable for London effective from March 2009, resulting in a 14.9% increase in salaries for the Professional staff. This unbudgeted costs increase is forecast to require additional funds of approximately £1.2m for the rest of the year. As far as the interim salary adjustments for the General Service staff is concerned, an upward adjustment of some 1.4% is expected to take place in October 2009, on the basis of current month-to-month movements of the economic indices noted in paragraph 4.

Status of, and prospects for, the regular programme budget

Overview of expenditure and the forecast budget position for 2009

7 A summary of actual expenditure (not including commitments) by Major Programme for the first quarter of 2009 is set out at Table 2 below, together with the forecast outturn by the end of the year, which indicates an overrun of approximately £1m (3.7%) in expenditure over the approved appropriation for 2009. The expenditure for the Organization's six Major Programmes, which includes direct costs of personnel, meetings and mission travel, as shown by object of expenditure in Table 3, is expected to overspend by £537.4k and the indirect programme (shown below as Major Programme 7) is anticipated to incur an overrun of £491.7k, notably in Headquarters premises.

¹ The RPI is commonly used in the United Kingdom labour market, in conjunction with the Average Earnings Index, for the determination of annual salary levels. The RPI's drop to a negative figure is mainly due to the effect of reduced mortgage interest payments. The RPI, measured without mortgage interest payments, was 2.2% in March 2009, down from 2.5% in February. On the other hand, the Consumer Price Index (CPI), which mainly concentrates on the movements in prices of goods and services fell from 3.2% in February to 2.9% in March 2009. The CPI is used for international comparisons in the United Kingdom economy and is thus applied within the UN Common System for the measurement of cost-of-living for the Professional staff based at the London duty station.

Table 2
Status of regular budget appropriation by Major Programme
as at 31 March 2009

2008 Outturn	Major Programmes	2009 Appropriations	2009 Expenditure			Year-end balance forecast
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total	
2,896.0	1. Governance, direction and management	3,176.6	643.8	2,562.1	3,205.9	-29.3
1,386.5	2. Capacity building and TC	1,496.4	358.2	1,170.6	1,528.8	-32.4
3,391.4	3. Resource management	3,793.6	856.8	2,943.1	3,799.9	-6.3
5,935.9	4. Technical and legal work	6,298.6	1,690.4	4,832.6	6,523.0	-224.4
5,335.6	5. International meetings	5,968.0	1,355.4	4,629.5	5,984.9	-16.9
1,665.9	6. External relations and information	1,816.4	375.6	1,468.9	1,844.5	-28.1
*	Staff turnover	-200.0	-	-	-	-200.0
20,611.4	Direct programme total (a)	22,349.6	5,280.2	17,606.8	22,887.0	-537.4
		100%			102.4%	-2.4%
5,462.3	7. Indirect programme (b)	5,520.4	873.8	5,138.3	6,012.1	-491.7
		100%			108.9%	-8.9%
26,073.7	Total (a+b)	27,870.0	6,154.0	22,745.1	28,899.1	-1,029.1
		100%			103.7%	-3.7%

* Staff turnover in 2008 was planned at £200,000 and was absorbed in the staff costs outturn

Table 3
Status of the regular budget appropriation by object of expenditure
as at 31 March 2009

2008 Outturn	Objects of expenditure	2009 Appropriations	2009 Expenditure			Year-end balance forecast
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total	
17,990.8	Staff costs	20,268.5	4,625.3	15,369.1	20,174.4	94.1
1,307.6	Short-term assistance**	650.8	280.9	1,059.9	1,160.8	-510.0
*	Staff turnover	-200.0	-	-	-	-200.0
19,298.3	Personnel costs in net (a)	20,719.3	4,906.2	16,429.0	21,335.2	-615.9
1,078.6	Meetings (b)	1,276.7	307.1	944.1	1,251.2	25.5
234.5	Official missions (c)	353.6	66.8	233.7	300.6	53.0
2,991.5	Headquarters premises	3,011.0	497.2	2,827.7	3,324.9	-313.9
1,526.5	Office consumables and services ***	1,595.4	303.7	1,468.9	1,772.6	-177.2
165.0	Capital investment programme	165.0	-	165.0	165.0	-
779.4	Ancillary provision****	749.0	72.9	676.8	749.7	-0.7
5,462.3	Indirect programmes sub-total (d)	5,520.4	873.8	5,138.3	6,012.1	-491.7
26,073.7	Total (a+b+c+d)	27,870.0	6,154.0	22,745.1	28,899.1	-1,029.1

* Staff turnover in 2009 has been planned at £200,000 and will be absorbed in the staff costs outturn during 2009

** This includes overtime, temporary assistance and consultancy

*** Catering costs are included in this heading

**** This comprises costs of after-service health insurance, recruitment costs, External Audit and cost sharing for jointly financed UN common services such as ICSC, JIU, UNJSPF, UNSSD and other ad hoc activities including IPSAS implementation

8 From Table 3 above, the Council will note that the overall personnel costs for the year are forecast to overspend by £615.9k, a figure which takes account of the net effects of staff costs savings on vacant posts. In order to negate, to the extent possible, the consequential budgetary burden of the staff costs increase arising from the unbudgeted cost-of-living adjustment as noted in paragraph 6 above, the Secretary-General, and senior staff, will seek to exert the maximum economy in the delivery of the Organization's work programmes. One such economy measure is his decision to freeze recruitment to vacant posts with immediate effect, as from April 2009, although maintaining the vacancy level will necessitate some reliance on short-term personnel

(such as overtime work, temporary assistance and consultancies) in order to avoid any adverse effects in the delivery of the approved work programmes for the biennium. The net effect of the recruitment freeze is currently assessed to bring an overall saving of some £0.6m.

9 The forecast expenditure for meetings includes the direct costs of servicing the main² sessions of the Council, MSC, MEPC, LEG, sub-committees and LC, totalling 19.6 meeting-weeks for 2009, which includes an additional one week for a sub-committee session (COMSAR 13), as endorsed by the Council at its 101st session, with funding from the unspent FAL budget in 2008. The revised meeting-weeks for 2009 are set out in Table 4. All meetings are to be held in the Headquarters premises, except a diplomatic conference for the Safe and Environmentally Sound Recycling of Ships being held in Hong Kong, China, with financial support from the hosting government for the meeting venue and other logistical requirements over and above the provision in the regular budget. Notwithstanding the addition of the unbudgeted sub-committee session in the 2009 meetings programme, it is expected that a small efficiency saving can be generated through tight control of expenditure items.

Table 4
Revised meetings programme for 2009

	Approved meeting-weeks			Revised meeting-weeks		
	2008	2009	2008-2009	2008	2009	2008-2009
ASSEMBLY	0.0	2.0	2.0	0.0	2.0	2.0
COUNCIL	2.0	1.4	3.4	2.0	1.4	3.4
MSC, MEPC	5.2	2.6	7.8	5.2	2.6	7.8
TC Committee	0.6	0.6	1.2	0.6	0.6	1.2
Sub-committees	9.0	7.0	16.0	9.0	8.0	17.0
Legal Committee	1.0	2.0	3.0	1.0	2.0	3.0
Facilitation Committee	1.0	1.0	2.0	0.0	1.0	1.0
London Convention	1.0	1.0	2.0	1.0	1.0	2.0
Diplomatic Conferences	0.0	1.0	1.0	0.0	1.0	1.0
Total	19.8	18.6	38.4	18.8	19.6	38.4

10 Some economy measures (forward mission planning, advance reservation and use of restricted economy class tickets, where appropriate) have also been taken to restrict the annual expenditure within the budget for official missions so that the effect of the increases in air fares and daily subsistence allowances can be offset. As shown in Table 3, a modest level of efficiency saving is expected from the measures.

11 The projected budget overrun set out in Table 3 is not only ascribable to the unbudgeted staff costs increase but also to cost changes in operating expenses (Indirect programmes). Of the £1m overrun, broadly 50% is incurred in direct programmes and the other half in indirect programmes. Headquarters premises expenditure will incur an overrun of £314k because of price rises in the cost of utilities (in particular, gas and electricity). The estimated overrun in office consumables and services is mainly due to costs increases in document printing, minor equipment provision and communications.

Budgetary transfers and supplementary budgets

12 To address the prospective overrun in the 2009 budget, as foreshadowed in document C 101/5(c), the Secretary-General seeks the Council's endorsement of his decision to transfer the unspent 2008 budget balance of £725,592 to the 2009 budget in accordance with the

² The meetings for various intersessional working groups are not included in the cost estimation.

Organization's Financial Regulations (regulation 4.4³), which is expected to make up for approximately 70% of the projected shortfall in the appropriation, as shown in Table 5. For the remaining 30% (some £300k), the Secretary-General will continue exercising stringent efforts to achieve further efficiency savings from elsewhere without hampering the implementation of the Organization's key programmes. He will present his updated assessment on this matter to the Council's extraordinary session in November 2009 on the basis of both prevailing expenditure trends and more offsetting funds achievable from other economy measures. In the event that, despite these efforts, additional funds are required, the Council's approval will be sought, in accordance with the Financial Regulations (regulation 3.8⁴), for a supplementary budget, possibly to be financed from the Organization's accumulated reserves, so that no change will be made in respect of the 2009 assessment level set for Member States.

Table 5
Revised appropriations for 2009

Major Programmes	2008	2009 Appropriations		2009 Forecast expenditure (d)	Year-end balance forecast (e=c-d)
	Unspent*	Original	Revised		
	(a)	(b)	(c=a+b)		
1. Governance, direction and management	160,871	3,176,600	3,337,471	3,205,900	131,571
2. Capacity building and TC	73,772	1,496,400	1,570,172	1,528,800	41,372
3. Resource management	66,632	3,793,600	3,860,232	3,799,900	60,332
4. Technical and legal work	72,843	6,298,600	6,371,443	6,523,000	-151,557
5. International meetings	446,702	5,968,000	6,414,702	5,984,900	429,802
6. External relations and information	93,953	1,816,400	1,910,353	1,844,500	65,853
Staff turnover	-200,000	-200,000	-400,000	-	-400,000
Direct programme total (a)	714,773	22,349,600	23,064,373	22,887,000	177,373
7. Indirect programme (b)	10,819	5,520,400	5,531,219	6,012,100	-480,881
Total (a+b)	725,592	27,870,000	28,595,592	28,899,100	-303,508

* The unobligated balance figures of the 2008 budget are based on the audited financial statement III, which reflected transfers between Major Programmes in 2008.

13 Insofar as the position of individual Major Programmes is concerned, as shown in Table 5, it seems inevitable that transfers between Major Programmes will be required to make up for the shortfall in the respective budgets to cover the annual expenditure driven by the current staff profiles. The Secretary-General seeks the Council's authorization, in accordance with the Organization's Financial Regulations (regulation 3.6(b)⁵), to make, whenever necessary, timely transfers between Major Programmes to the extent that balances are available to cover or reduce deficits in the revised programme appropriation.

³ Regulation 4.4: The Secretary-General may make transfers from one programme to another within the same major programme of the budget. Transfers from one major programme to another major programme must have prior authorization of the Council. At the end of the first calendar year of a financial period, the Secretary-General may proceed, without prior concurrence of the Council, to transfer any uncommitted balances of appropriations to the same major programme in the second calendar year, provided that such transfers do not exceed 10 per cent of the smaller amount of the two annual appropriations for the major programme concerned. The latter transfers should be limited to the total amount of the uncommitted balances of appropriations and may not lead to a total amount of appropriations for a financial period in excess of the amount approved by the Assembly. All transfer must be reported to the next session of the Council.

⁴ Supplementary programme budget proposals may be submitted by the Secretary-General whenever necessary. The Secretary-General shall prepare supplementary programme budget proposals in a form consistent with the approved programme budget and shall submit such proposals to the Council for approval.

⁵ Regulation 3.6(b): The Council may authorize transfers between major programmes of the budget and to the same major programmes in the second calendar year, provided that the transfers do not result in a total amount of expenditure in excess of the appropriations authorized by the Assembly for a financial period.

Forecast of the prospective year-end status of the General Fund

14 Table 6 below sets out the forecast financial position for 2009 and displays the prospective outturn of the Organization's accumulated surplus at the end of the year under the General Fund, on the basis of an anticipated total contribution receipt rate of 98%⁶ in 2009. Taking into account the 2009 forecast expenditure level of £28,899.1k (as shown in Tables 2 and 3 above) and an estimated income of £27,349.2k, it is anticipated that the Organization may realize an in-year cash deficit of £1,549.9k for 2009. However, together with the accumulated surplus from previous periods, transfers and estimated arrears in contributions from prior years, it is estimated that a prospective accumulated cash surplus of £2,729.1k may be realized at the end of 2009.

Table 6
Status of the General Fund for 2009

2008 Outturn £'000	Statement	2009 Original appropriation	Status for 2009		Total £'000
			Actual (Jan-Mar)	Forecast (Apr-Dec)	
23,908.9	Assessed contribution	25,436.1	14,514.8	10,412.6	24,927.4
500.0	Transfers from reserves and other Funds	500.0	500.0	0.0	500.0
253.2	TC support cost income	200.0	50.7	221.6	272.3
987.0	Reimbursement from the Printing Fund	1,012.9	0.0	1,012.9	1,012.9
1,784.0	Interest earnings and miscellaneous income	721.0	179.4	457.2	636.6
27,433.1	Income total (a)	27,870.0	15,244.9	12,104.3	27,349.2
20,611.4	Direct programme costs	22,349.6	5,280.2	17,606.8	22,887.0
5,462.3	Indirect costs including capital investment	5,520.4	873.8	5,138.3	6,012.1
26,073.7	Expenditure total (b)	27,870.0	6,154.0	22,745.1	28,899.1
1,359.4	Cash surplus income over expenditure (c=a-b)	0.0	9,090.9	-10,640.8	-1,549.9
5,257.7 *	Accumulated surplus from prior years (d)		5,179.4	0.0	5,179.4
1,920.0	Less: Transfers to other Funds (e)		0.0	0.0	0.0
482.3	Outstanding contribution for the year (f)		10,921.3	-10,412.6	508.7
5,179.4	Year-end Fund balance (g=c+d-e+f)		25,191.6	-21,053.4	4,138.2
814.4	Less: Arrears from previous years (h)		950.4	-50.0	900.4
482.3	Less: Arrears from the current year (i)		10,921.3	-10,412.6	508.7
3,882.7	Cash available at year end (j=g-h-i)		13,319.9	-10,590.8	2,729.1

* This figure reflects the 2007 year-end surplus (£5,102.6k) and the prior period adjustment/savings (£155.2k) made in 2008

Status of other Funds of the Organization

15 The following paragraphs set out the status of the other Funds of the Organization, namely, the Printing Fund, the Headquarters Capital Fund, the Termination Benefit Fund, the Training and Development Fund and the Technical Co-operation Fund.

The Printing Fund

16 As at 31 March 2009, the income generated from the sale of IMO publications amounted to £2,447.6k (Table 7 refers), representing approximately 31% of the target sales for 2009 of £7,828k. On the basis of the income trend and the new titles planned for release during the rest of 2009 (such as IMDG Code for Windows; IMSBC Codes; Revised MARPOL Annex VI and NO_x Code; the IMDG Code and the IMDG Code Supplement), the total sales are expected to reach some £8.5m by the end of the year. Chart 2 compares the monthly and cumulative trends in sales in 2009 with those in 2007 and 2008.

⁶ The receipt rate for 2008 was 98.02%.

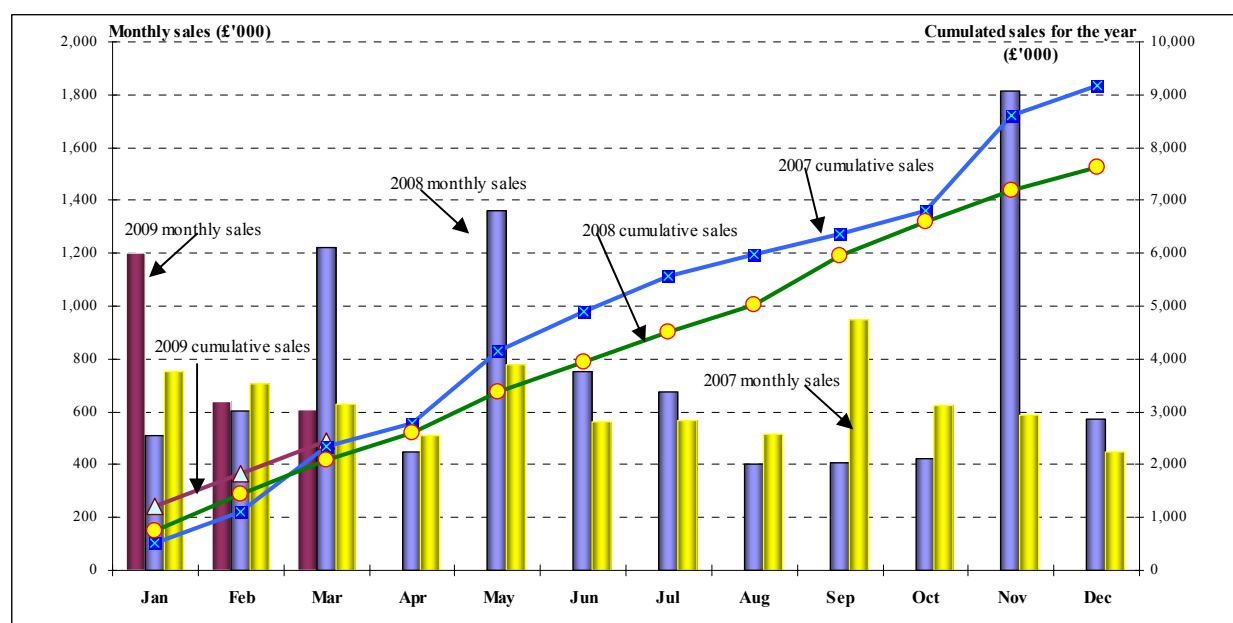
Table 7
Status of the Printing Fund for 2009

2008 Outturn £'000	Statement	2009 Appropriation £'000	Status for 2009		Total £'000
			Actual (Jan-Mar)	Forecast (Apr-Dec)	
9,186.2 *	Publication sales	7,828.0	2,447.6	6,062.4	8,510.0
608.9	Interest earnings/ miscellaneous income	430.0	81.3	195.1	276.4
9,795.1	Income (a)	8,258.0	2,528.9	6,257.5	8,786.4
880.3	Personnel	1,041.5	241.0	727.8	968.8
79.7	Official missions/promotions	51.4	20.8	30.6	51.4
1,194.9	Contract-out (printing)	1,052.1	252.5	979.5	1,232.0
656.8	Operating expenses	939.1	80.7	930.4	1,011.1
987.0	Reimbursement to the regular budget	1,012.9	0.0	1,012.9	1,012.9
114.2	Others (Model courses, etc.)	149.5	14.9	111.5	126.4
3,912.9	Expenditure (b)	4,246.5	609.9	3,792.7	4,402.6
5,882.2	Net income for the year (c=a-b)	4,011.5	1,919.0	2,464.8	4,383.8
7,075.9 **	Accumulated surplus-prior years (d)	4,774.7	6,320.8	-	6,320.8
6,637.3	Less: Transfers to other Funds (e)	4,845.9	4,085.3	2,296.9	6,382.2
6,320.8	Year-end fund balance (f=c+d-e)	3,940.3	4,154.5	167.9	4,322.4

* Freight/postage revenues are included in the miscellaneous income

**2008 figure took account of prior period adjustments and savings

Chart 2
Monthly and cumulative trends in sales



17 In respect of expenditure, a slight overrun (£156.1k = £4,246.5k - £4,402.6k) is forecast mainly due to inevitable costs incurred in improving the sales environment through the internet, which is the main source of the sales. The prospective outturn expenditure for this year includes the costs of some £300k for replacing the current Customer Relations Management (CRM) module in SAP by a more user-friendly one with higher efficiency. The replacement was recommended by external consultants (Deloitte) in the process of implementing the HR/Payroll introduction in SAP. The required funds will be met initially by efficiency savings expected from careful market testing and negotiations, as well as the staggering of recruitment to the vacant posts. However, notwithstanding these efforts, if an overrun is unavoidable, the Secretary-General will seek the endorsement of the Council at its 25th extraordinary session for the transfer of the uncommitted 2008 budget balance of £159.3k to the 2009 budget.

18 The overall income and expenditure position for 2009, provided at Table 7 above, is forecast to generate a net income of some £4.4m, representing a 9% level higher than the indicative net income presented in resolution A.991(25). The Council will note that the year-end fund balance for 2009 is forecast to reach £4.3m. In respect of the transfers from the in-year surplus realized in 2008, Table 8 below sets out the amounts available for distribution in 2009 to the various Funds of the Organization, which represent a 35% increase over the indicative amounts available for transfers given by the Assembly in resolution A.991(25). However, it should be noted that the initial sum available for distribution will be £5,722.9k, which does not include the 2008 budgetary surplus (uncommitted 2008 budget balance) of £159.3k as this may need to be transferred to 2009 to make up for any prospective shortfall, as indicated in the previous paragraph. The withheld amount will be distributed later fully, or partly, depending on the extent of any efficiency savings gained during the rest of the year.

Table 8
Transfers of in-year surpluses of the Printing Fund

	Indicative A. 991(25) (a)	Full calculated distribution (b)	Initial distribution (c=b-d)	Withheld distribution ♣ (d)	Addition (e=b-a)
In-year surpluses of the previous year (a):100%	£4,345,900	£5,882,263.0	£5,722,954.0	£159,309.0	£1,536,363.0
Allocation to TCF (b = a * 75%)	3,259,400	4,411,697.3	4,292,215.5	£119,481.8	1,152,297.3
Allocation to HQCF (c = a * 15%)	651,900	882,339.5	858,443.1	£23,896.4	230,439.5
Allocation to TBF (d = a * 8.5%)	369,400	499,992.3	486,451.1	£13,541.2	130,592.3
Allocation to TDF (e = a * 1.5%)	65,200	88,233.9	85,844.3	£2,389.6	23,033.9

♣ The uncommitted balance of the 2008 budget, which may need to be transferred to the 2009 budget to make up for any prospective budgetary shortfall in the Printing Fund

The Headquarters Capital Fund

19 The expenditure under the Headquarters Capital Fund is expected to reach some £2.7m for 2009, which includes the payment⁷ to the United Kingdom Government of the Organization's liability of £0.5m associated with the Headquarters refurbishment project. Other major expenditure relates to the costs for the SAP system (overall upgrade including the reflection of IPSAS requirements; and implementation of SAP HR and Payroll including hosting and support). In addition to the recruitment of a Project Manager for the successful delivery of the work, a Task Force Team, comprising various key members of staff, has been established for the delivery of the works throughout the year. As can be seen in Table 9 below, the overall costs for SAP this year are forecast at some £1.67m, which is approximately £1.2m above the budget approved for 2009. In this respect, it will be recalled that the Council, at its 101st session, approved the transfer to 2009 of any uncommitted balance of the 2008 budget under the Headquarters Capital Fund (paragraph 5(c).2(vii) of document C 101/D refers) to cover the costs of the works, including IPSAS/SAP implementation, that will be delivered in 2009. As the uncommitted balance being transferred to 2009 amounts to £1,004.7k, the remaining shortfall in the 2009 budget of £134.5k will need to be financed through further cut-backs under other expenditure headings. If this proves not to be possible, the Secretary-General will seek the Council's concurrence, at its 25th extraordinary session, of the financing of any shortfall from the accumulated reserves of the Fund, which is currently projected to stand at £2,490.6k at the end of the year.

⁷ The payment has been spread over two biennia, which equates to a contribution by the Organization of £1,250k for 2008; £500k for 2009 and £1,600k over the next biennium.

Table 9
Status of the Headquarters Capital Fund for 2009

2008 Outturn £'000	Statement	2009 Appropriation £'000	Status for 2009		Total £'000
			Actual (Jan-Mar)	Forecast (Apr-Dec)	
3,115.6	Transfers from other Funds	816.9	875.5	171.8	1,047.3
685.6	Interest earnings/ miscellaneous income	110.6	34.5	82.7	117.1
3,801.2	Income (a)	927.5	910.0	254.5	1,164.4
1,097.7 *	Major building repairs	75.0	0.0	35.0	35.0
1,250.0	Refurbishment repayment	500.0	500.0	0.0	500.0
36.3	Major equipment/vehicle/ furniture	26.6	0.0	50.8	50.8
351.3	Improving information technology	507.0	15.6	434.4	450.0
100.4	SAP upgrade/ HR and Payroll	453.0	21.3	1,643.7	1,665.0
2,835.7	Expenditure (b)	1,561.6	536.9	2,163.9	2,700.8
965.5	Net income for the year (c=a-b)	-634.1	373.1	-1,909.4	-1,536.4
3,061.5 **	Accumulated surplus- prior years (d)	2,870.2	4,027.0	-	4,027.0
4,027.0	Year-end fund balance (e=c+d)	2,236.1	4,400.0	-1,909.4	2,490.6

* The 2008 figure is related to HQs relocation expenses financed by the UK Government

** The 2008 figure has taken into account the prior period adjustment and savings

The Termination Benefit Fund

20 Table 10 below displays the status of the Termination Benefit Fund as at 31 March 2009, indicating the forecast total expenditure of £683.3k, which includes the increasing costs of the premium settlement for after-service health insurance (ASHI). The main replenishments to the Fund approved by the Assembly at its 25th session are transfers of 8.5% of in-year surplus of the Printing Fund of approximately £0.5m (Table 8 refers – based on full distribution) and £418k from the regular budget for ASHI provision. Taking into account the prospective income and expenditure, the year-end fund balance is forecast at approximately £2m, which is far short of the Organization's liabilities, estimated at some £18.9m in respect of accrued annual leave, repatriation benefits and ASHI costs, all of which are required to be disclosed in the Organization's financial statements in compliance with IPSAS. To begin to address these liabilities, the Secretary-General has made appropriate recommendations in his budget proposal for the next biennium in document C 102/8 for the transfer of some available surplus from the General Fund.

Table 10
Status of the Termination Benefit Fund for 2009

2008 Outturn £'000	Statement	2009 Appropriation £'000	Status for 2009		Total £'000
			Actual (Jan-Mar)	Forecast (Apr-Dec)	
1,812.2	Transfers from other Funds	787.4	820.6	97.4	918.0
100.9	Interest earnings/ miscellaneous income	63.1	15.1	36.2	51.3
1,913.1	Income (a)	850.5	835.7	133.6	969.3
282.9	Repatriation and termination indemnity	228.0	20.1	205.2	225.3
1.1	Replacement of long-term sick leave	47.8	1.0	7.0	8.0
443.0 *	After-service health insurance (ASHI)	415.0	102.2	347.8	450.0
727.0	Expenditure (b)	690.8	123.3	560.0	683.3
1,186.1	Net income for the year (c=a-b)	159.7	712.4	-426.4	286.0
533.9 **	Accumulated surplus- prior years (d)	1,732.9	1,720.0	-	1,720.0
1,720.0	Year-end fund balance (e=c+d)	1,892.6	2,432.4	-426.4	2,006.0

* In accordance with resolution A.991(25), the ASHI cost and accrued annual leave payment are accounted for under TBF for the 2008-2009 biennium.

** The 2008 figure has taken into account the prior period adjustment and savings.

The Training and Development Fund

21 The expenditure under the Training and Development Fund is forecast at £88.9k for 2009, slightly below the approved budget of £91.6k. The programme for staff development for this year includes a wide selection of courses (such as training on staff management and communication skills; target setting and personnel improvements; financial matters including budget management; proficiency in various IT software applications; meeting skills; delivering excellence in customer relationships; problem solving and decision-making), which are being conducted at IMO Headquarters using external trainers. The management has also launched an external study scheme which provides limited financial support to staff members seeking to further their professional development in the interest of the Organization.

Table 11
Status of the Training and Development Fund for 2009

2008 Outturn £'000	Statement	2009 Appropriation £'000	Status for 2009		Total £'000
			Actual (Jan-Mar)	Forecast (Apr-Dec)	
69.6	Transfers from other Funds	65.2	71.1	17.1	88.2
17.2	Interest earnings/ miscellaneous income	10.0	1.4	3.4	4.8
86.8	Income (a)	75.2	72.5	20.5	93.0
71.6	Human resource management	26.9	2.3	76.2	78.5
4.0	Financial and budgetary management	16.0	0.0	0.0	0.0
12.7	SAP/IT related	37.7	0.0	4.0	4.0
	Induction programme for translators	11.0	0.1	6.3	6.4
88.3	Expenditure (b)	91.6	2.4	86.5	88.9
-1.5	Net income for the year (c=a-b)	-16.4	70.1	-66.0	4.1
255.9 *	Accumulated surplus- prior years (d)	268.3	254.4	-	254.4
254.4	Year-end fund balance (e=c+d)	251.9	324.5	-66.0	258.5

* The 2008 figure has taken into account the prior period adjustment and savings

The Technical Co-operation Fund

Table 12
Status of the Technical Co-operation Fund for 2009

2008 Outturn £'000	Statement	2009 Budget * £'000	Status for 2009		Total £'000
			Actual (Jan-Mar)	Forecast (Apr-Dec)	
3,478.0	Transfers from other Funds	3,259.3	2,236.1	2,175.6	4,411.7
	Incentive earnings donation	0.0			
741.3	Interest earnings/ miscellaneous income	228.1	3.8	180.0	183.8
4,219.2	Income (a)	3,487.4	2,239.9	2,355.6	4,595.5
735.2	Project personnel	914.0	123.0	713.4	836.4
576.4	Official missions	1,099.9	102.5	509.5	612.0
1,248.2	Group training and fellowship	1,715.0	107.8	1,240.2	1,348.0
34.3	Sub-contracts	564.1	0.0	60.0	60.0
67.1	Equipment/publications	195.3	20.3	51.8	72.1
18.9	Sundry	69.1	0.7	20.8	21.5
2,680.1	Expenditure (b)	4,557.4	354.3	2,595.7	2,950.0
1,539.1	Net income for the year (c=a-b)	-1,070.0	1,885.6	-240.1	1,645.5
3,310.6 **	Accumulated surplus- prior years (d)	3,405.7	4,849.7	-	4,849.7
4,849.7	Year-end fund balance (e=c+d)	2,335.7	6,735.3	-240.1	6,495.2

*The expenditure budget for 2009 is based on the Programme Implementation Documents (PIDs) formulated and revised by 31 March 2009.

** The 2008 figure has taken into account the prior period adjustment and savings

22 The overall expenditure under the Technical Co-operation Fund for the Organization's Integrated Technical Co-operation Programme (ITCP) is forecast to increase by 10% from the outturn in 2008 to approximately £3.0m for 2009. New funds, amounting to £4.6m, which come mainly from the surplus of the Printing Fund (based on the full distribution) and representing a 9% increase over the 2008 income, are expected to add to the Fund. As a result, as shown in Table 12 above, the year-end balance of the Fund, which includes the accumulated surplus from prior years, is projected to increase to approximately £6.5m, representing a 34% increase when compared with the fund balance of £4.8m realized at the end of 2008.

Status of extra-budgetary programmes

23 Table 13 below shows the financial delivery of extra-budgetary programmes⁸ which amounted to approximately US\$1m as at 31 March 2009 and is forecast to reach US\$8.3m by the end of the year, representing 13% increase over the 2008 outturn. Although the PEMSEA project, which was one of the biggest donor projects, was closed in September 2008, the Organization will conduct the usual East Asian Seas (EAS) Congress in Manila, the Philippines, later this year. Most (more than 80% based on the budget for 2009) of the extra-budgetary programmes relate to environmental protection activities, whereas the safety and security programmes accounted for not more than 15%.

Table 13
Status of extra-budgetary programmes for 2009

2008 Outturn US\$'000	Statement	2009 Plan * US\$'000	Status for 2009		Total US\$'000
			Actual (Jan-Mar)	Forecast (Apr-Dec)	
10,493.8	Remittances	9,500.0	1,765.0	5,435.0	7,200.0
710.9	Interest earnings/ miscellaneous income	180.0	7.1	152.9	160.0
11,204.7	Income (a)	9,680.0	1,772.1	5,587.9	7,360.0
3,349.9	Project personnel	4,474.3	606.4	2,843.6	3,450.0
1,283.3	Official missions	2,836.1	95.9	1,219.1	1,315.0
1,447.0	Group training and fellowship	2,430.4	133.1	1,602.9	1,736.0
463.4	Sub-contracts	502.4	32.5	444.5	477.0
772.3	Equipment/publications	2,007.2	60.4	750.6	811.0
-332.2	Sundry	565.2	7.5	112.5	120.0
381.6	Support costs	839.9	73.2	319.8	393.0
7,365.3	Expenditure (b)	13,655.5	1,009.0	7,293.0	8,302.0
3,839.4	Net income for the year (c=a-b)	-3,975.5	763.1	-1,705.1	-942.0
13,594.4	Accumulated surplus- prior years (d)	17,433.8	17,433.8	-	17,433.8
17,433.8	Year-end fund balance (e=c+d)	13,458.3	18,196.9	-1,705.1	16,491.8

*The expenditure budget for 2009 is based on the Programme Implementation Documents (PIDs) formulated and revised by 31 March 2009.

Summary

24 In view of the forecast overrun in the regular budget, the Printing Fund and the Headquarters Capital Fund due to unavoidable pay/price and work/volume changes, it may prove to be problematic to fully deliver the work programmes within the approved appropriations. Nevertheless, the Secretary-General and senior management will exert their best efforts to contain the overall expenditure, if not within the 2009 appropriation, at least within the current 2008-2009 biennial budget, through taking stringent economy measures under the controllable expenditure items, wherever possible. A further update on the detailed status report will be provided to the Council at its 25th extraordinary session in November 2009.

⁸ The composition of donor-funded projects includes funding from governments/agencies; organizations/industries; multi-trust funds; and self-financing. Major organizations funding came from UNDP/GEF, World Bank and the European Commission followed by the industries, such as AMER Petroleum, ITOPI and Union of Greek Shipowners. Self-financing programmes include GESAMP (Ballast Water) and Voluntary IMO Member State Audit Scheme, whereas multi trust fund programmes include GESAMP, Model Courses Development, International Maritime Security Trust, Search and Rescue (SAR) and Research and Development (R&D).

Action requested of the Council

25 The Council is invited to:

- .1 note the forecast expenditure in the regular budget for 2009, including forecast overruns in the approved appropriation for 2009 (paragraphs 7 to 11 and Tables 2 and 3);
- .2 endorse the Secretary-General's decision to transfer to 2009 the unspent balance of £725,592 in the regular budget for 2008, in accordance with the Organization's Financial Regulations, to partly address the projected shortfall in the 2009 budget (paragraph 12 and Table 5);
- .3 note that, to offset the remaining overrun not covered by the above transfer, the Secretary-General may propose, in accordance with the Financial Regulations, to the 25th extraordinary session of the Council, a supplementary budget financed from the Organization's accumulated reserves (paragraph 12);
- .4 authorize the Secretary-General to make, as and when necessary, timely transfers between Major Programmes to the extent that balances are available to cover or reduce deficits in programme appropriation balances, in accordance with the Organization's Financial Regulations (paragraph 13);
- .5 note the forecast year-end cash surplus of the General Fund (paragraph 14 and Table 6);
- .6 note the forecast revenue and prospective overspend in the Printing Fund due to the costs for improving the publication sales environment, for which the Secretary-General may seek the Council's endorsement, at its 25th extraordinary session, of a transfer of the unused 2008 budget balance to 2009 (paragraphs 16 and 17, Table 7 and Chart 2);
- .7 approve the temporary withholding from the distribution of the balance of the 2008 expenditure budget under the Printing Fund in order that any shortfall in the 2009 Printing Fund budget can be offset by the transfer of the 2008 budgetary surplus, in accordance with the Organization's Financial Regulations (paragraph 18 and Table 8);
- .8 note the forecast financial status of the Headquarters Capital Fund which, notwithstanding the transfer of the uncommitted 2008 budget balance approved by the Council at its 101st session, may still overrun, and that the Secretary-General may propose, in accordance with the Organization's Financial Regulations, to the 25th extraordinary session of the Council, the financing of any shortfall from the accumulated reserves of the Fund, if further cut-backs and savings are not possible (paragraph 19 and Table 9); and
- .9 note the forecast financial status of: the Termination Benefit Fund (paragraph 20 and Table 10); the Training and Development Fund (paragraph 21 and Table 11); the Technical Co-operation Fund (paragraph 22 and Table 12); and extra-budgetary programmes (paragraph 23 and Table 13).