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RESOURCE MANAGEMENT

(e) Budget considerations for 2015

Note by the Secretary-General

SUMMARY

Executive summary: This document updates the overview of the Organization's budget prospects for 2015 in document C 113/4(c) which was presented to the Council at its December session in 2014

Strategic direction: 4

High-level action: 4.0.1

Planned output: 4.0.1.1

Action to be taken: Paragraph 37

Related documents: A 28/19(c), A 28/19(c)/Add.1, resolution A.1063(28), C 113/4(c) and C 113/WP.2

Introduction

1 The Secretary-General's preliminary assessment of budget prospects for 2015 was presented in document C 113/4(c) to the 113th session of the Council on the basis of the expenditure trend during the first three quarters of 2014. The Council noted that the forecast outturn of budget execution would be kept within the approved appropriation for 2015. This document presents an updated review of the budget prospects on the basis of the first three months' expenditure of 2015.

2 It will be recalled that the total appropriation of the **regular budget** for the current biennium was set at £64.3 million, representing 3.4% above the previous biennium of £62.2 million. In annual terms, the appropriation for 2014 was approved on the basis of a Zero Nominal Growth (ZNG) budget of £31.69 million, while the appropriation for 2015, of £32.62 million, reflected Zero Real Growth (ZRG) of 2.9% on the 2014 appropriation. Table 1 shows the approved appropriations and the corresponding assessments for 2014 and 2015, after taking into account other offsetting income as decided by resolution A.1063(28). The biennial assessment of £60.23 million represents 94% of the biennial appropriation after subtracting a total of £4.07 million for other income and reimbursements expected during the current biennium.

Table 1
Regular budget appropriations and assessments for 2014 and 2015

	2014		2015		2014-2015 Total	
	£'000	Annual changes	£'000	Annual changes	£'000	Biennial changes
Appropriation (i)	31,686	0.0%	32,618	2.9%	64,304	3.4%
Other offsetting income (ii)	1,570	3.6%	2,502	59.4%	4,072	34.4%
Assessment (iii=i-ii)	30,116	-0.2%	30,116	0.0%	60,232	1.8%

3 In addition to the approval of the regular budget, the Assembly also approved, in resolution A.1063(28), the budget for the **other budgetary Funds** of the Organization, as shown in table 2 below, amounting to £25.77 million for the biennium, representing a reduction of 3.4% on the last biennium's budget. However, as C 113 approved a revised budget for 2015 for the Headquarters Capital Fund, as presented in document C 113/WP.2, to urgently address the requirement for an overall replacement of the sound and simultaneous interpretation system in the Main Hall and in Committee Rooms 9 and 10, the revised budget total under other Funds of the Organization for 2015 has increased by 14.5% on the 2014 total.

Table 2
Appropriations of the other Funds of the Organization for 2014 and 2015

	2014		2015		2014-2015 Total	
	£'000	Annual changes	£'000	Annual changes	£'000	Biennial changes
Trading Fund	5,824	-6.0%	5,944	2.1%	11,768	-4.8%
Headquarters Capital Fund - A.1063(28)	930	-22.1%	950	2.2%	1,880	-18.7%
<i>Revised Headquarters Capital Fund - C 113/WP.2</i>	930	-22.1%	2,840	205.4%	3,770	63.1%
Termination Benefit Fund	844	-13.9%	997	18.1%	1,841	3.7%
Training and Development Fund	136	-4.9%	141	3.7%	277	-1.4%
Technical Cooperation Fund	5,159	11.1%	4,841	-6.2%	10,000	0.6%
Total other Funds - A.1063(28)	12,893	-2.0%	12,873	-0.2%	25,766	-3.4%
<i>Revised Total other Funds - C 113/WP.2</i>	<i>12,893</i>	<i>-2.0%</i>	<i>14,763</i>	<i>14.5%</i>	<i>27,656</i>	<i>3.7%</i>

Review of pay and price factors

4 The Council will recall that the regular budget appropriations approved by the last Assembly comprise the costs of regular staff, short-term assistance of other personnel (including overtime, temporary assistance, consultancy, interpreters and external translators), official mission travel and the running costs of the Headquarters premises such as rent, rates and utilities. The actual expenditure outturn reflects movements in the external pay and price factors in the United Kingdom (UK) economy and in the salaries and allowance levels set by the International Civil Service Commission (ICSC) and approved by the General Assembly of the United Nations (UN).

Budgetary assumptions and actual movements

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

Table 3
Trends of economic indicators

	Assumption	Actual					
		2014				2105	
		2014-2015	Jan	May	Oct	Average	Jan
UK Average Weekly Earnings (AWE) ^{1/}	2.5	1.7	0.4	2.0	1.2	1.4	1.3
UK Average Retail Price Index (RPI) ^{2/}	2.5	2.8	2.4	2.3	2.4	1.1	0.9
USD/GBP exchange rate ^{3/}	1.55	1.65	1.68	1.62	1.65	1.52	1.48

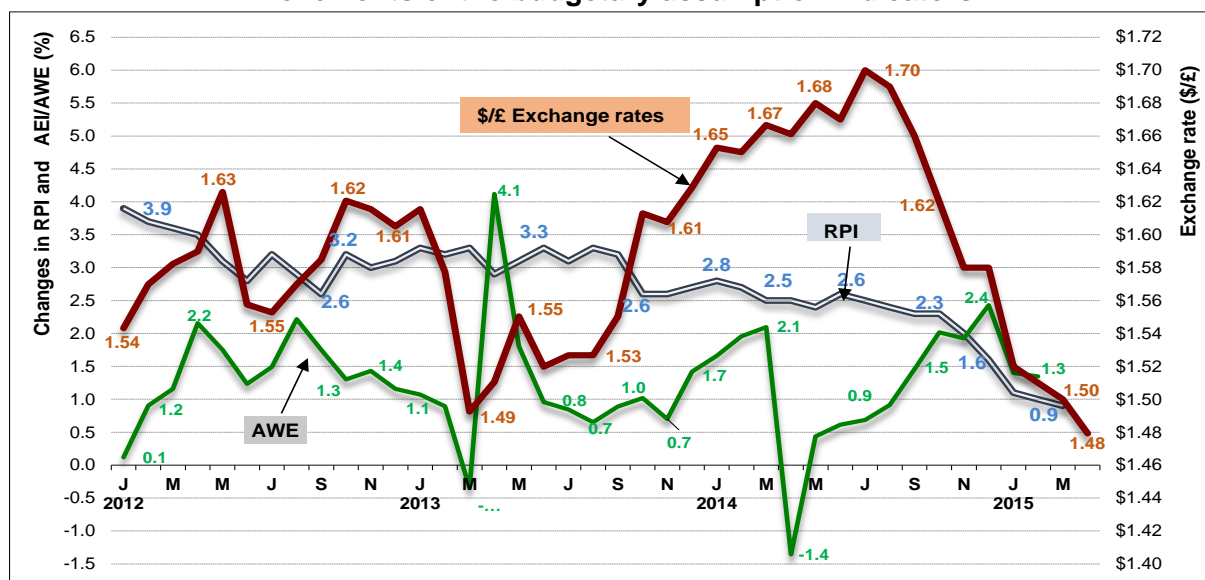
1/ 12-month percentage changes of total pay measured monthly for average weekly earnings per job in the UK. The latest figure used here was for February 2015.

2/ Annual inflation rate measured by 12-month percentage changes. The latest figure was for March 2015.

3/ United Nations operational exchange rates (1GBP expressed in USD), the latest of which was for April 2015.

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

Chart 1
Movements of the budgetary assumption indicators



6 The movement in the economic indices in the UK may be seen from the table and chart above: the annual inflation rate, measured in terms of Retail Price Index (RPI), stood at 0.9% for March 2015; whilst total pay (i.e. including bonuses), measured by Average Weekly Earnings (AWE), slowed down in February 2015 to 1.3%, compared with 2.4% in December 2014. The pound sterling value against the US dollar in the UN operational exchange rate, set by the UN Treasury Office, has shown a rapid drop since a peak in July 2014 of \$1.7 to \$1.48 in April 2015. The average exchange rate in 2014 was \$1.65 to the pound. Overall, the movement in the economic indicators in the UK show some deviation from the budgetary assumptions, as may be seen in table 3 above, and the impact thereof is detailed below.

Impact of exchange rate movement and ring-fencing results

7 It will be recalled that the budgetary shortfall or surplus arising from any difference between the UN operational rate of exchange and the US dollar rate against the pound sterling adopted for the calculation of appropriations is accounted for under the Working Capital Fund (WCF) in accordance with its terms of reference under resolution A.1039(27). Moreover, the Council, at its 112nd session in June 2014, endorsed the Secretary-General's proposal to set the financing capacity of the WCF at a minimum base of £1.5 million and that any depletion below such a level, as at the end of a financial year, should trigger action by the Council to replenish the WCF up to £2 million from any available reserves in the

Organization's various Funds. During 2014, the overall US dollar exchange rate was weaker (\$1.65 on average) than the budget rate of \$1.55 per pound sterling and thus a total of £227,952 accrued as currency exchange gains. The gains were credited to the WCF and, accordingly, the financing capacity of the Fund increased to £1.96 million as at 31 December 2014.

8 However, the US dollar value has been stronger in 2015 than the budget rate, as indicated in table 3 and chart 1 above, thereby incurring a currency exchange loss of £25,249 on US dollar expenditure over the first three months of 2015. Should the exchange rate remain at the average rate of the first four months of 2015 (\$1.50) for the remainder of the year, the accumulated exchange rate loss to be charged to the WCF would be some £118,600, leading to a decline of the financing capacity of the Fund to £1.84 million by the end of 2015, although still remaining above the replenishment trigger point of £1.5 million. The Secretary-General therefore considers that the Council does not need to take any action at this stage to replenish the WCF.

Cost-of-living adjustments and pensionable remuneration

9 On the basis of the methodology established by the ICSC, an annual cost-of-living adjustment for the London duty station was promulgated with a net effect of a 2.6% pay rise for staff in the Professional and higher categories from 1 February 2015. The post adjustment increase was almost compatible with the assumption made in the budget of 2.5%. In respect of pensionable remuneration, no change is expected for 2015 due to the continued freeze in post adjustment for New York, in order to lower the current net remuneration margin, between positions of the UN in New York and comparable positions of the US Federal civil service, to the midpoint (115) of the margin range of 110 to 120 approved by the UN General Assembly.

10 The Council may also wish to note that another important factor affecting the budget is the ICSC place-to-place cost-of-living survey for Professional and higher grade staff in all UN headquarters duty stations, including London. The survey was due to take place in the second half of this year but, as a result of the on-going review of the UN Common System Compensation package by the ICSC, it has been postponed to 2016.

11 As for staff in the General Service category, an interim salary scale adjustment under the 12-month rule was implemented in October 2014 with a 1.4% pay rise, based on the annual movements in the pay and price indices in the UK. The associated pensionable remuneration scale was also adjusted accordingly. The ICSC survey to compare the remuneration of General Service staff with those of the comparable UK sectors was last carried out in November 2006 and the resultant adjustment was implemented in July 2007. The new survey will be undertaken this year but any salary increase, which would be retrospective, is forecast to be minimal and absorbed within the approved budget for 2015, when considering the prevailing economic parameters in the UK economy as shown in table 3 above.

12 With regard to the foregoing considerations, the Council may recall that the Assembly, by means of resolution A.1063(28), set up a Special Contingency Account (SCA) with a provision of £2 million under the General Fund to address, without resorting to increases in Member States' assessments, the funding of any excess in the budget that might be incurred by significant pay rises beyond the 2.5% assumption embedded in the budget for staff costs. Taking into account the review of possible changes in remuneration noted above, use of the SCA in 2015 is not deemed necessary at this time.

13 Also in connection with the SCA, the Council may wish to note that the Organization received an external audit query regarding the need to establish operational guidelines for the management of the SCA (see document C 114/4(b)/1), in particular, with respect to the source of funding; its appropriate thresholds; whether monies in the SCA can be invested and how income derived from investments shall be classified; and replenishment mechanisms if used for other purposes. The Organization has not yet had need to resort to the SCA to cover unforeseen and unbudgeted staff cost increases but, should any significant depletion of the initial funding base of £2 million in the SCA prove necessary, the Secretary-General will of course seek guidance from the Council and its approval of additional funding sources and methods, depending on the prevailing status of reserves in the Organization's other Funds, notably the availability of regular budget surpluses and the feasibility of allocating a portion of the Trading Fund surplus through the review and revision of its current surplus distribution formula.

Overview of the expenditure and forecast position of the regular budget for 2015

14 The Council will note from table 4 below, which sets out the expenditure status as at the end of the first quarter of this year and its forecast position for 2015 by expenditure group, that overall expenditure is forecast to be on course, with some efficiency savings of £1.5 million in the approved regular budget for 2015.

Table 4
Forecast of the regular budget outturn by expenditure group as at 31 March 2015

2014 Outturn (£'000)	Objects of expenditure	2015 Appropriations (£'000)	2015 Expenditure (£ '000)			Forecast year-end balance
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)	
21,535	Staff costs*	24,518	5,356	18,176	23,532	986
1,558	Other personnel**	1,922	397	1,262	1,659	263
246	Official missions	308	44	238	282	26
4,608	General operating expenses	5,090	943	3,931	4,874	216
768	Funds replenishment	780	0	780	780	0
28,715	Total	32,618	6,740	24,387	31,127	1,491

* These reflect staff turnover of £300,000 for the 2015 budget

** This includes overtime, temporary assistance, consultancy and meetings personnel (interpreters and external translators)

Staff complement and post management

15 The prospective savings in the regular budget for 2014 shown in table 4 above are mainly attributable to underspends in staff costs resulting from a longer than expected time-lapse in filling a number of vacant posts arising from the retirement or separation of staff. As at 31 March 2015, 32 posts were vacant in the regular budget, comprising 11 Professionals and 21 General Service posts, and efforts have been made to expedite the recruitment process for those posts in line with the Secretary-General's succession and evolution plan. Indeed, as at 30 April 2015, no less than 22 of those posts are at various stages of the recruitment process, having been previously advertised. It may be noted that, while further prospective savings in staff costs may arise because eight Professional and four GS staff are due to retire this year, every effort is being made to minimize the time-lapse.

16 It should also be noted that the prospective savings are partly the result of the ongoing review and reform initiative which requires the Secretariat to critically assess the need for every vacant post; to transfer or redeploy posts in line with changes and imbalances in workload within and across divisions; to call for secondees and Associate Professional Officers (APOs) from interested Member States, IGOs and NGOs (the number of

APOs/secondees totalled 11, as at 1 April 2015, from seven Member States¹); to enforce the policy on no extension of contracts beyond normal retirement age; to reclassify every post to its original grade or less when it is vacated by an incumbent with a personal promotion; and, where applicable, to apportion to donor-financed projects the regular budget staff costs associated with their delivery.

Other personnel

17 The budget for other personnel in table 4 above includes the costs of temporary assistance, overtime, consultants and meetings personnel (translators and interpreters). As costs under this component can be controlled, efficiency steps have been taken in the context of the review and reform initiative. General Service staff continue to be given compensatory time off for their overtime work, rather than cash payments at 150% of their hourly rates. Furthermore, continuing efforts have been made to rein in temporary assistance costs by ensuring consistency in the grade and step applicable for temporary appointments, across the Secretariat. Furthermore, the interpreter-serviced meetings will remain unchanged at 15.4 meeting weeks, as approved for 2015, but cost-cutting efforts will be continued through the early, effective and efficient arrangement of services for meetings logistics and personnel.

Official mission travel

18 The implementation of strengthened economy measures for official mission travel, which include forward planning, advance flight/hotel reservation, use of restricted economy class tickets and limited participation in international forums, where feasible, will be continued as in the previous years and as reflected in the new Travel Manual. Where practicable, every effort will be made to use video- or tele-conferencing facilities instead of undertaking missions outside London. Overall, expenditure on official missions will be monitored closely and the annual provision is now estimated to generate £26,000 of savings on the approved budget.

General operating expenses

19 Table 4 above indicates that expenditure on general operating expenses is on course and will not only remain within the approved appropriations but also achieve a considerable underspend of funds following economy measures that have been taken through strict controls on the use of late night taxi services during meeting sessions; market testing and tendering for utilities; review of ICT provision; review of the purchase/subscription plan for periodicals, books and magazines; and review of the purchasing of non-urgent equipment/furniture. Moreover, additional ways of reducing the use of paper in the production of meeting documents have been sought by the shift to PaperSmart practices as well as the introduction of an electronic document management system (e-Docs), and the use of a new intranet to enhance paperless working practices throughout the Secretariat as noted in C 114/3/1.

20 In this context, the Council may wish to note that considerable efforts have been made to reduce the Organization's overall carbon footprint and progress has been made possible also through the refurbishment of the Headquarters building. However, there remain carbon emissions that could not be reduced and, accordingly, the Secretary-General has decided these should be offset through the purchase of carbon credits, under a standard UN system agreement with UNFCCC, in line with the policy goals of a "Carbon-Neutral UN". The initial payment will cover historic emissions from 2008 through 2014, totalling 29,212 emissions and thereafter, the purchase of carbon credits will be made on an annual basis to

¹ Angola (1), China (2), Denmark (1), Germany (2), Japan (1), Republic of Korea (2) and Turkey (2).

offset the emissions the Organization has not been able to eliminate. The price of carbon credits has dropped significantly and currently stands at some \$0.16 per emission. Accordingly, the total payment for the historic emissions should not exceed \$4,700 for the seven-year period. Although future costs may vary depending on the fluctuation of the market, UNFCCC itself does not expect any significant rise in the medium-term and therefore annual offsetting costs from now on are expected to be no more than \$1,000 for the Organization. Since most of the Organization's non-eliminated emissions are derived from the operation of IMO's premises, the costs are charged to the general operating expenses.

Funds replenishment

21 The line item provision of £780,000 in the regular budget for Funds replenishment will be carried out according to schedule when the treasury situation improves. The provision addresses the sustained contribution of monies to the Headquarters Capital Fund (£117,100) for capital investments and to the Termination Benefit Fund (£692,900) for the After Service Health Insurance (ASHI) costs, accrued annual leave and repatriation benefits.

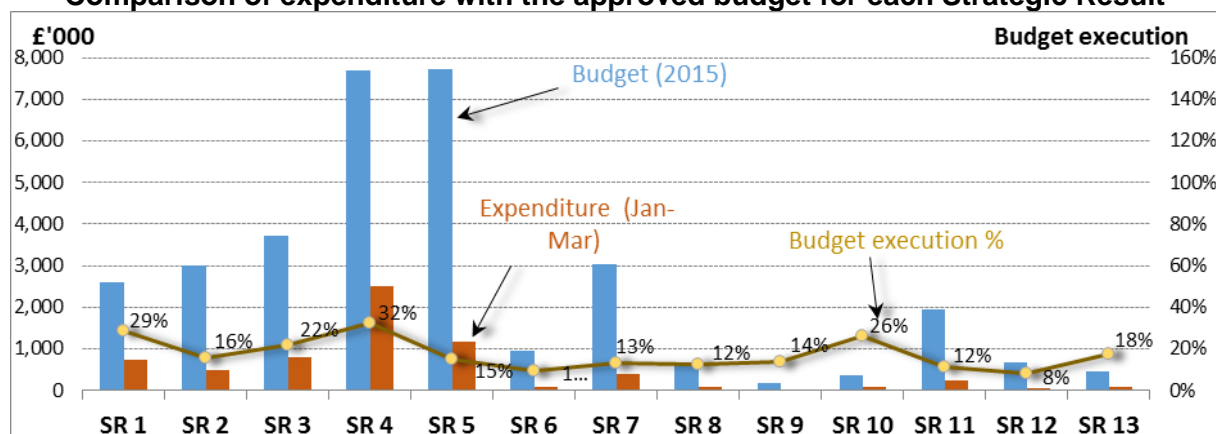
Expenditure details by Strategic Result

22 A summary of expenditure for each strategic result, which is set out in table 5 below, shows that total expenditure for the first quarter amounted to £6.74 million, representing 21% of the approved budget for 2015. As can be seen in chart 2, which illustrates the comparison of expenditure with the approved budget for each strategic result, most strategic results show a budget execution rate of less than 20%, save for SRs 1, 3, 4 and 10, but are expected to rise with the progress of meetings scheduled for the remaining months of the year.

Table 5
Expenditure details of each Strategic Result as at 31 March 2015

2014 outturn (£'000)	Strategic Results		Approved budget 2015 (a)	Expenditure		Balance £ c=a-b)
				Jan-Mar (b)	% (b/a)	
2,979	SR 1	Enhanced status as a primary international maritime forum	2,584	737	29%	1,847
2,370	SR 2	Enhanced global compliance and uniform implementation	2,994	475	16%	2,519
4,124	SR 3	Strengthened capacity-building	3,718	806	22%	2,912
7,320	SR 4	Enhanced governance, management and administration	7,703	2,503	32%	5,200
5,589	SR 5	Enhanced safety of human life at sea	7,714	1,175	15%	6,539
636	SR 6	Enhanced security of the maritime transport network	950	91	10%	859
2,378	SR 7	Reduced adverse impact on the environment	3,021	399	13%	2,622
491	SR 8	Ensured efficiency of shipping	630	78	12%	552
165	SR 9	Increased attention to SIDS and LDCs	186	26	14%	160
322	SR 10	Goal-based standards applied	352	92	26%	260
1,619	SR 11	Raised profile of the safety, security and environmental records of shipping	1,936	223	12%	1,713
373	SR 12	Enhanced quality of shipping	665	53	8%	612
349	SR 13	Enhanced environmental awareness	465	82	18%	383
		Staff turnover	(300)	0		(300)
28,715	TOTAL		32,618	6,740	21%	25,878

Chart 2
Comparison of expenditure with the approved budget for each Strategic Result



Status of the Trading Fund for 2015

23 As at 31 March 2015, the income generated under the Trading Fund amounted to £4.3 million, which comprised £4 million from publication sales and £0.3 million from catering and other miscellaneous income, as set out in table 6 below. Overall income projected for the year is some 6% above the 2014 outturn, which is attributable mainly to the planned marketing of various new editions (SOLAS 2014 edition, ISM Codes, Performance Standards and the IMDG Code and its supplement). On the other hand, catering sales, which reached some £0.6 million last year, is forecast to increase thanks to expected growths in function arrangements, in particular, during the forthcoming Assembly session.

Table 6
Status of the Trading Fund for 2015

2014 Outturn £'000	Statement	2015 Appropriation £'000	Prospective status for 2015 (£'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
10,801	Publication sales	10,506	3,997	7,422	11,419
559	Catering	663	116	544	660
363	Interest earnings/ miscellaneous income	336	188	184	372
11,723	Income (a)	11,505	4,301	8,150	12,451
1,532	Publishing personnel	1,731	332	1,196	1,528
2,283	Publishing operating expenses	2,506	337	2,011	2,348
496	Reimbursement/support costs	551	87	417	504
4,311	Publication costs subtotal	4,787	756	3,624	4,380
448	Catering personnel	432	90	370	460
618	Catering operating expenses	592	135	525	660
139	Reimbursement/support costs	133	29	116	145
1,205	Catering costs subtotal	1,157	254	1,011	1,265
5,516	Expenditure (b)	5,944	1,010	4,635	5,645
6,207	Net income for the year (c=a-b)	5,561	3,291	3,515	6,806

24 In respect of Trading Fund expenditure, maximum economies are being sought, wherever possible, both in the delivery of commercial services as well as in negotiations with external suppliers. Total expenditure is projected at £5.6 million for 2015, which represents 45% of total forecast income, resulting in an in-year surplus of £6.8 million, as can be seen in table 6 above. The 2014 and 2015 surpluses will be distributed, as shown in table 7 below, in accordance with the distribution formula in resolution A.1063(28), namely, 80% to the Technical Cooperation Fund (of which 5% will be ring-fenced as a surplus allocation to the World Maritime University to support its finances, until such time as the Council recommends other measures for the future sustainable funding of the

University), 12.5% to the Headquarters Capital Fund, 1.5% to the Training and Development Fund, 1% to the Termination Benefit Fund and 5% to reduce the Member States' assessments for the regular budget.

Table 7
Distribution of Trading Fund surpluses

	In-year surplus amount	Technical Cooperation Fund		Headquarters Capital Fund	Training and Development Fund	Termination Benefit Fund	Reduction in Member States' assessments
		80%	(WMU support)				
	100%	80%		12.5%	1.5%	1.0%	5.0%
Actual distribution of 2014 surplus	£6,207,174	£4,965,739	£248,287	£775,897	£93,107	£62,072	£310,359
Prospective distribution of 2015 surplus	£6,806,000	£5,444,800	£272,240	£850,750	£102,090	£68,060	£340,300

Status of the Headquarters Capital Fund for 2015

25 The overall resource requirement for this year under the Headquarters Capital Fund, is projected to remain within the revised budget, as shown in table 8 below, on the basis of the outturn as at 31 March 2015. As reported earlier to the Council, the refurbishment of escalators and lifts has been largely completed, other than the one for delivery of goods. The Organization bears 20% of the total costs of £1.5 million in accordance with the Lease Agreement with the Host Government.

Table 8
Status of the Headquarters Capital Fund for 2015

2014 Outturn £'000	Expenditure statement	2015 Appropriation £'000	Prospective status for 2015 (£'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
76	Major building repairs	2,100	52	2,018	2,070
5	Equipment/furniture/vehicles	20	0	15	15
383	IT/IS and SAP system	720	3	695	698
464	Expenditure total	2,840	55	2,728	2,783

26 As foreshadowed in paragraph 3 above, a new capital programme for this year includes the work plan for the overall replacement of the sound and simultaneous interpretation system in the Main Hall and in Committee Rooms 9 and 10 of the IMO Headquarters building, the total cost of which is estimated at some £2 million. In this connection, the Council, at its 113th session, approved an increase in the 2015 expenditure budget under the Headquarters Capital Fund authorized in resolution A.1063(28), from £0.95 million to £2.84 million as shown in table 2, through transfers of underspends in the Organization's other Funds and without increasing the assessment on Member States for 2015. The Secretary-General reviewed the status of various Funds as at 31 December 2014 and decided to transfer the required additional funds of £1.89 million from the regular budget underspend in 2014.

27 The Council may also wish to note that the United Kingdom Government is generously contributing £800,000 towards the total cost of the project. On behalf of the IMO membership, the Secretary-General has written to the host Government to thank it for this significant input which facilitates the Organization's standard-setting deliberations.

28 The specifications and the requirements for the installation of the new sound system have been prepared with the expertise of an external consultant and tenders have been invited from prospective suppliers with the bid closing by mid-May 2015. The target

completion date for the replacement aspects is July/August for the two Committee Rooms and September for the Main Hall. Other capital investments for the year are at an initial stage and these include, in particular, an upgrade of the ICT infrastructure and of the Organization's SAP system and the replacement of obsolete servers.

Status of the Termination Benefit Fund for 2015

29 Table 9 below, which shows the status of the Termination Benefit Fund as at 31 March 2015, indicates that projected expenditure is containable within the approved budget. This is mainly attributable to successful negotiations with IMO's medical insurance provider, Cigna (previously known as Vanbreda), as the insurance premiums for this year have been kept at 2014 levels with expanded coverage (such as an increase in dental treatment cover; biennial medical check-ups for retirees and their dependents; and an increase in the daily rate for hospital accommodation in certain countries). Termination and repatriation payments are based on the age profile of staff reaching retirement during 2015 but, should there be any unexpected separations or terminations, the associated costs might incur some overruns.

Table 9
Status of the Termination Benefit Fund for 2015

2014 Outturn £'000	Expenditure statement	2015 Appropriation £'000	Prospective status for 2015 (£'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
260	Termination and repatriation	400	3	384	387
560	After-service health insurance (ASHI)	582	179	416	596
12	Replacement of long-term sick leave	15	1	3	4
832	Expenditure total	997	183	803	987

Status of the Training and Development Fund for 2015

30 Staff learning and development needs are assessed in advance through discussion with supervisors and a number of annual courses are identified and published accordingly. Various training programmes for personal development and ICT proficiency will thus be undertaken through a special arrangement with commercial training providers, while other needs will be met through the use of in-house expertise. An induction programme for translators is planned as usual for delivery towards the end of the year.

Table 10
Status of the Training and Development Fund for 2015

2014 Outturn £'000	Expenditure statement	2015 Appropriation £'000	Prospective status for 2015 (£'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
70	Performance/HR management	93	1	75	76
36	Language training	39	12	26	38
5	Induction programme	9	0	8	8
111	Expenditure total	141	13	109	122

Status of the Technical Cooperation Fund for 2015

31 The Technical Cooperation Fund (TCF) budgets for the current biennium are split by geographical regions and were approved by the Assembly in resolution A.1063(28) to comply with IPSAS reporting requirements. As may be seen in table 11 below, the Fund's actual outturn for the first quarter of the year, in support of the Organization's Integrated Technical Cooperation Programme (ITCP), is low overall but, taking into account the preparations needed to ensure implementation of the ITCP activities and commitments incurred during the first quarter, the delivery is forecast to reach £4.03 million by the end of the year.

Table 11
Status of the Technical Cooperation Fund for 2015

2014 Outturn £'000	Programmed Region	2015 Appropriation £'000	Prospective status for 2015 (£'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
807	Africa	1,214	69	902	971
219	Arab States/Mediterranean	364	6	285	291
257	Asia	448	41	317	358
69	Pacific Islands	207	5	161	166
90	CIS/Eastern Europe	130	-	104	104
281	Latin America	345	11	299	311
309	Caribbean	335	20	282	302
1,477	Global programmes	1,798	31	1,497	1,528
3,510	Expenditure total	4,841	183	3,847	4,030

Status of extra-budgetary programmes

32 As reported previously to the Council, extra-budgetary activities and resources, in conjunction with the major contribution made by the Technical Cooperation Fund, play a fundamental role in promoting the strategic objectives of the Organization as well as the successful implementation of IMO's regulatory instruments by Member States. During the first quarter of this year, seven Member States² contributed their interest earnings under the Contributions Incentive Scheme, totalling £47,800, towards the Organization's TC activities and other IMO Funds. As one of the major projects (the Djibouti Code of Conduct Programme) was largely completed in the early part of this year, extra-budgetary programme expenditure for 2015 is expected to be lower than the outturn in 2014, as may be seen in table 12 below. However, two new projects are in the pipeline with funds from the European Union (EU): one deals with capacity building for climate change mitigation in the maritime industry, with €10 million funding over 42 months; and the other is a €1 million project for a new instrument contributing to stability and peace action in West and Central Africa in support of the EU Gulf of Guinea strategy. Contributions received in the first quarter of this year came from Transport Canada (\$0.74 million) to support various projects (Globallast research and development; GESAMP; OPRC/HNS Courses; Study on optimization of ship energy consumption, etc.) and the UK Government (\$0.25 million) for the ITCP and other IMO activities. The Governments of the Philippines and Oman also donated funds for ITCP and maritime security workshops.

Table 12
Status of extra-budgetary programmes for 2015

2014 Outturn US\$'000	Programmed Region	2015 Budget* US\$'000	Prospective status for 2015 (US\$'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
1,458	Africa	1,250	69	886	955
1,047	Arab States/Mediterranean	681	136	508	644
293	Asia	521	70	237	306
97	CIS/Eastern Europe	-	-	-	-
7,302	Global programmes	7,882	1,408	3,908	5,316
10,197	Expenditure total	10,334	1,684	5,538	7,223

* The expenditure budget for 2015 is based on the Programme Implementation Documents (PIDs) formulated/revised by 31 March 2015.

² Barbados, Belgium, France, Iraq, Papua New Guinea, Poland and Republic of Korea

Budgetary transfers in 2015

33 On the basis of the review of the status of the regular budget for 2015, significant budget transfers between Strategic Results do not appear necessary until the year-end, when actual expenditure in 2015 is fully accounted for. Nevertheless, in order to be prepared for unforeseen circumstances, the Secretary-General seeks the Council's authorization, in accordance with the Organization's Financial Regulations and Financial Rules, to make, whenever necessary, timely transfers between Strategic Results in the regular budget to the extent that balances are available to cover or reduce deficits in each Strategic Result appropriation balance.

34 The Council may wish to note that outstanding commitments on goods and services in 2014 to be delivered in 2015 amount to £1.75 million under all of the IMO Funds, as stated in Note 7 of the Organization's financial accounts for 2014 (document C 114/4(b)). In accordance with IPSAS, the associated budgets and funds will be carried forward to 2015 as and when the commitments are due for liquidation.

Summary

35 Table 13 summarizes the forecast expenditure status of all budgetary Funds (other than donor/trust Funds) for 2015, showing that total expenditure will amount to £44.7 million by the end of the year, representing an increase of 14% on the 2014 outturn of £39.1 million. Overall savings are expected to be £2.7 million, representing 5.7% of the total approved budget.

Table 13
Summary of the budget prospects for 2015

	2014		2015		
	Expenditure	Budget	Projection	Balance (£'000)	
	Outturn	(a)	(b)	(c=a-b)	c/a (%)
Regular budget	28,715	32,618	31,127	1,491	4.6%
Trading Fund	5,516	5,944	5,645	299	5.0%
Headquarters Capital Fund	464	2,840	2,783	57	2.0%
Termination Benefit Fund	832	997	987	10	1.0%
Training and Development Fund	111	141	122	19	13.5%
Technical Cooperation Fund	3,510	4,841	4,030	811	16.8%
Expenditure total	39,148	47,381	44,694	2,687	5.7%

36 In light of the review above and in the absence of any unforeseen expenditure, the Secretary-General is confident that the outturn expenditure for 2015 is attainable within the approved appropriation of the regular budget and other budgetary Funds. Nevertheless, he will continue to monitor closely the budgetary status, the implementation of economy and austerity measures, and any potential to generate further savings in the various budgets, without thereby compromising the ability to deliver on the Organization's planned programme of work. The Secretary-General's updated review of the prospective status of the budgets for 2015 will be presented, taking into account any changes and developments in the prevailing economic and financial circumstances, to the Council at its twenty-eighth extraordinary session in November 2015.

Action requested of the Council

- 37 The Council is invited to:
- .1 note the external pay and price factors review (paragraphs 4 to 6, table 3 and chart 1);
 - .2 note the impact of the exchange rate movement and ring-fenced results through the WCF (paragraphs 7 and 8);
 - .3 note the forecast outturn level of the regular budget expenditure for 2015, assessed to be kept within the approved appropriation for 2015 (paragraphs 9 to 22, tables 4 and 5 and chart 2); note the Secretary-General's intention to seek the Council's guidance on any additional funding sources and methods should any significant depletion of the initial funding base of £2 million in the SCA be deemed necessary (paragraph 13), and also note the Secretary-General's initiative to offset the Organization's historic carbon emissions from 2008 to 2014 as well as future emissions that cannot be otherwise eliminated (paragraph 20);
 - .4 note the income and expenditure outturn and forecast in the Trading Fund and the consequential in-year surplus distribution (paragraphs 23 and 24 and tables 6 and 7);
 - .5 note the expenditure status of the Headquarters Capital Fund, in particular, the status of the project to replace the sound and simultaneous interpretation systems, and the project's financing and schedule of works (paragraphs 25 to 28 and table 8);
 - .6 note the expenditure status of the Termination Benefit Fund (paragraph 29 and table 9); the Training and Development Fund (paragraph 30 and table 10); and the Technical Cooperation Fund (paragraph 31 and table 11);
 - .7 note various donations for extra-budgetary programmes and their expenditure status (paragraph 32 and table 12);
 - .8 authorize the Secretary-General to make, as and when necessary, timely transfers between Strategic Results to the extent that balances are available to cover or reduce deficits in Strategic Results appropriation balances, in accordance with the Organization's Financial Regulations and Financial Rules (paragraph 33);
 - .9 note that a total of £1.75 million is recognized under all of the IMO Funds as outstanding commitments from 2014 to be delivered in 2015, for which the associated budgets and funds will be carried forward to 2015 as and when the commitments are due for liquidation (paragraph 34); and
 - .10 note the summary and the Secretary-General's conclusion and his plan to present an updated review of budgetary prospects to C/ES.28 (paragraphs 35 and 36 and table 13).