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## RESOURCE MANAGEMENT

### (e) Budget considerations for 2012 and 2013

#### Note by the Secretary-General

#### SUMMARY

*Executive summary:* This document provides a review of the budgetary assumptions used in preparing the 2012-2013 budget and an assessment of the budget prospects for 2012 and 2013 on the basis of the expenditure incurred during the period 1 January to 31 March 2012

*Strategic direction:* 4

*High-level action:* 4.0.1

*Planned output:* 4.0.1.2 and 4.0.1.3

*Action to be taken:* Paragraph 37

*Related documents:* A 27/16(c), A 27/16(c)/Add.1 and resolution A.1039(27)

#### Introduction

1 By resolution A.1039(27), the Assembly, at its twenty-seventh regular session, approved a budget for the 2012-2013 biennium of £88.9m, which included appropriations for the regular budget and other budgetary Funds of the Organization. By means of the same resolution, the Assembly authorized the Council, at its 108th and 109th sessions, to review the approved budget and, if necessary, to approve any transfers between strategic results, including appropriate recalculation of the budget estimates and assessment figures, in the light of the prevailing budgetary and exchange rate situation; and also instructed the Council to identify any potential programme and budgetary cost-savings in the approved budget.

2 The total appropriation of the regular budget for the 2012-2013 biennium was set at £62,206k, representing 1.7 per cent above the previous biennium 2010-2011 of £61,151k. In annual terms, the appropriation for 2012 of £30,520k was approved at 1.1 per cent below the approved appropriation for 2011, while the appropriation for 2013 of £31,686k was set at 3.8 per cent above the 2012 appropriation. Table 1 shows the approved appropriations and the corresponding assessments for 2012 and 2013 after taking into account other offsetting income as decided by resolution A.1039(27). The biennial assessment of £59,177k represents 95 per cent of the biennial appropriation after subtracting a total of £3,029k for other incomes and reimbursements expected for the current biennium.

**Table 1**  
**Regular budget appropriations and assessments for 2012 and 2013**

	2012		2013		2012-2013 Total	
	£'000	yoy changes	£'000	yoy changes	£'000	Biennial changes
<b>Appropriation (i)</b>	<b>30,520</b>	-1.1%	<b>31,686</b>	3.8%	<b>62,206</b>	1.7%
Other offsetting income (ii)	1,513	-2.6%	1,516	0.2%	3,029	-26.0%
<b>Assessment (iii=i-ii)</b>	<b>29,007</b>	-1.0%	<b>30,170</b>	4.0%	<b>59,177</b>	3.7%

3 In addition to the approval of the regular budget, the Assembly also approved the budget for the other budgetary Funds of the Organization as shown in table 2 below. Total approved budgets of those budgetary Funds of the Organization, other than the assessed regular budget, amount to £26,671k for the biennium, representing 2.8 per cent above those for the last biennium. The total volume of those budgetary Funds appropriations is less than one half (43%) of the regular budget amount of £62,206k.

**Table 2**  
**Appropriations of the other Funds of the Organization for 2012 and 2013**

	2012		2013		2012-2013 Total	
	£'000	yoy changes	£'000	yoy changes	£'000	Biennial changes
Trading Fund	6,168	5.5%	6,195	0.4%	12,363	6.5%
Headquarters Capital Fund	1,118	-33.6%	1,194	6.8%	2,312	-31.9%
Termination Benefit Fund	796	-6.5%	980	23.1%	1,776	2.9%
Training and Development Fund	138	14.4%	143	3.6%	281	17.1%
Technical Co-operation Fund	5,294	12.1%	4,645	-12.3%	9,939	10.6%
<b>Total other Funds</b>	<b>13,514</b>	<b>2.2%</b>	<b>13,157</b>	<b>-2.6%</b>	<b>26,671</b>	<b>2.8%</b>

### Review of pay and price factors

4 The Council will recall that the regular budget appropriations approved by the last Assembly comprises 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 movements 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 2012-2013	Actual						
		2011					2012	
		Jan	Apr	Jul	Oct	Average	Jan	Latest
UK Average Earnings Index (AEI/ AWE) <sup>1/</sup>	2.5	2.3	2.2	1.8	2.0	2.0	1.0	1.7
UK Average Retail Price Index (RPI) <sup>2/</sup>	3.5	5.1	5.2	5.0	5.4	5.2	3.9	3.6
USD/GBP exchange rate <sup>3/</sup>	1.65	1.543	1.603	1.597	1.570	1.597	1.543	1.590

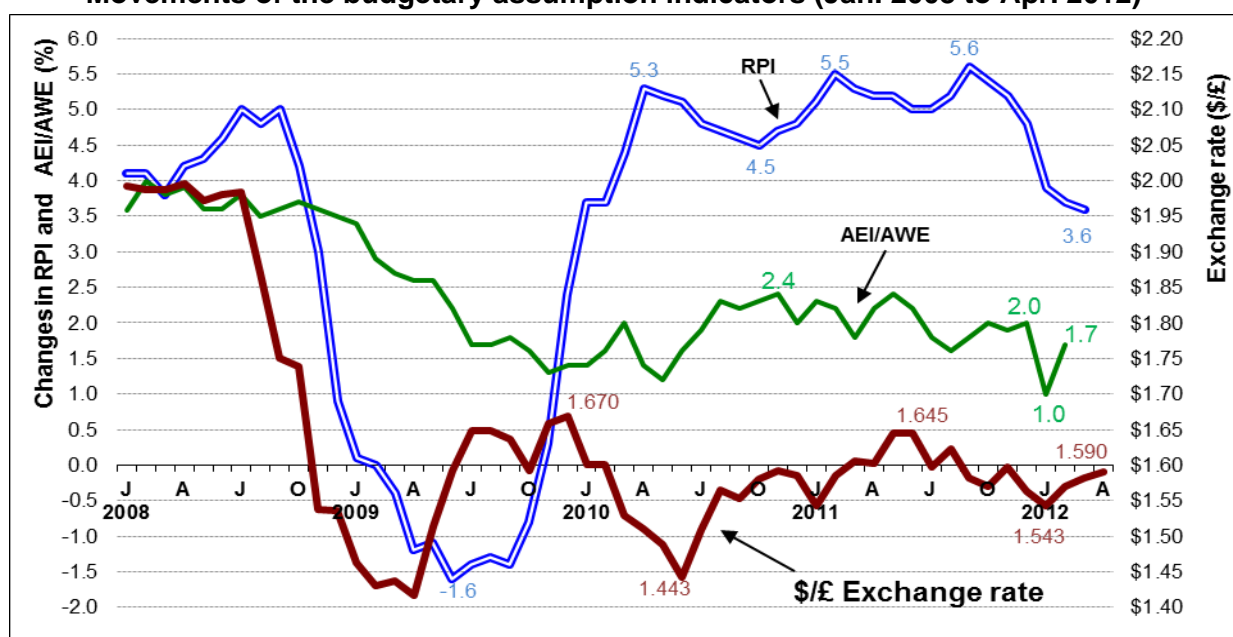
1/ 12-month percentage change in regular pay (excluding bonuses), which was changed from Average Earnings Index (AEI) to Average Weekly Earnings (AWE) in August 2010. The latest figure used here was for February 2012.

2/ Annual inflation rate measured by 12-month percentage changes. The latest figure was for March 2012.

3/ United Nations operational exchange rates (1GBP expressed in USD), the latest of which was for April 2012.

\* 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. 2008 to Apr. 2012)**



6 The volatile movements in the economic indices in the UK in recent months can be seen from the table and chart above: the annual inflation rate measured in terms of Retail Price Index (RPI) has been dropping from the highest in September 2011 of 5.6 per cent to 3.6 per cent in March 2012; whilst the regular pay (i.e. excluding bonuses) measured by the Average Weekly Earnings (AWE) has turned upwards recently, to 1.7 per cent in the year to February 2012 after recording the lowest of 1.0 per cent to January of this year. The pound sterling value against the US dollar measured in the UN operational exchange rate is also recovering from the recent lowest point of US\$1.543 per pound in January 2012 to reach US\$1.59 in April 2012. Overall, these latest indicators are moving towards the budgetary assumption figures, although there are still some gaps.

### **Cost-of-living adjustments and pensionable remuneration**

7 Due to the continued high level of UK inflation in 2011, which experienced 5.2 per cent on average, the ICSC, triggered by its 5 per cent rule, promulgated changes in the cost-of-living index for the London duty station in December last year, which resulted in a 6.2 per cent take-home pay increase for staff in the Professional and higher categories. As the increase was much earlier and higher than the month (April 2012) and percentage (2%) assumed in the budget calculation for 2012, the knock-on impact of the increase in post adjustment multiplier is estimated to incur unforeseen and non-discretionary additional staff

costs of £523k for 2012 and £680k for 2013. In respect of the pensionable remuneration (PR) for the Professional and higher categories, no change is expected for this biennium as new pensionable remuneration scales, which had been frozen for three years, were promulgated in August 2011.

8 The ICSC has recently introduced a new methodology for the General Service salary survey. In order to provide adequate time for a thorough understanding of the new methodology by organizations and their staff, the routine salary survey for London, which was due last year, has been postponed until 2015. Consequently, an interim salary scale adjustment, under the 12-month rule, based on the annual movements in the pay and price indices in the UK, will be implemented, which could entail an anticipated 2.4 per cent increase in salary scales as of October in 2012, if the movement of the RPI and AWE remains at the latest level seen in table 3 above. The associated PR scale, which is calculated from the net to gross relationships in the scale levels, will be adjusted accordingly.

### Overview of the expenditure and forecast position of the regular budget for 2012

9 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 2012 by expenditure groups, that the overall expenditure by the end of the year is forecast to be on course, leading to some efficiency savings in the order of £0.31m in total, equivalent to 1 per cent of the approved budget for 2012.

**Table 4**  
**Forecast of the regular budget outturn by expenditure group as at 31 March 2012**

2011 Outturn (£'000)	Objects of expenditure	2012 Appropriations	2012 Expenditure (£ '000)			Year-end balance forecast
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)	
20,383	Staff costs*	22,700	5,218	16,762	21,980	720
2,182	Other personnel**	1,727	392	1,944	2,336	-609
263	Official missions	351	45	253	298	53
4,692	General operating expenses	4,985	1,033	3,806	4,839	146
784	Funds replenishment	757	757	0	757	0
<b>28,304</b>	<b>Total</b>	<b>30,520</b>	<b>7,445</b>	<b>22,765</b>	<b>30,210</b>	<b>310</b>

\* These reflected staff turnover of £300k for the 2012 budget

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

### Staff complement and post management

10 The prospective savings in the regular budget for 2012 are mainly attributable to an underspend in Staff costs resulting from a number of posts being kept vacant as a measure decided by the Secretary-General to offset the more-than-expected cost increase noted in paragraph 7 above. The regular budget staff complement approved for the current biennium by the Assembly in resolution A.1039(27) was reduced by one post, compared with the complement for the last biennium, to 298, comprising 147 posts for the Professional and higher categories and 151 posts for the General Service category. However, the Council will recall that the staff cost budget included 156 work months (equivalent to 13 posts) unbudgeted for 2012, which represents 4.4 per cent of the total complement. In addition, as the staff costs budget already reflected a lapse factor (staff turnover) set at £300k per year, the actual unbudgeted work months to be maintained during 2012 therefore increase to 182, comprising 54 Professional and 128 General Service work months, resulting in a total unbudgeted level of 5.1 per cent. In this context and in order to address the additional costs arising from the change in the cost-of-living index, the Secretary-General immediately imposed a freeze on recruitment to vacant posts during the period January to March 2012.

The work months thus maintained vacant for the first quarter of the year in the regular budget totalled 147 work months (40 Professional and 107 General Service work months) which included unbudgeted posts. Further to this measure, the Secretary-General and the senior management subsequently reviewed not only the then current vacant posts but also further prospective vacant posts arising in 2012 from the separation or retirement of staff members and decided that at least an additional 91 work months, comprising 37 Professional and 54 General Service work months, can be frozen through non-recruitment, while another 196 vacant work months (31 Professional and 165 General Service work months) may be filled, for the time being, not by new regular staff but by temporary assistance or consultancy services to deliver the Organization's work programme without any undue delay. The costs of such temporary assistance and consultancy services are nevertheless fully offset by the savings from the budgeted vacant posts and that is why the year-end forecast expenditure, under the Other personnel heading, shows some overruns as can be noted in table 4 above.

11 It should be noted that the Secretary-General, whilst carrying out the review of the current and anticipated vacancies, has additionally decided to: assess from scratch the necessity of every vacant post; transfer or redeploy posts in line with changes and imbalances in workload within and across Divisions; call for secondees and Associate Professional Officers (APOs) from interested Member States, IGOs and NGOs; make full use of interns and work-experience students to the extent practical; enforce the existing policy on no contract extensions beyond normal retirement age; reclassify every post to its original grade or less when it is vacated by an incumbent with a personal promotion; and apportion the regular budget staff costs in the delivery of donor-financed projects, where practicable.

#### ***Other personnel***

12 The budget of Other personnel in table 4 above also included the costs of temporary translators and interpreters for the Organization's meetings. From 1 July 2012, the freelance interpreters' daily rate of fees is set under a newly agreed UN-system-wide methodology, which is linked to the UN salary scale and post adjustment system. The new methodology is expected to yield, when the scale and post adjustment index of January 2012 are applied, a daily rate for London of £411.5, which is some 40 per cent higher than the current daily rate applicable for London. The actual costs of interpreters will vary depending on the outcome of the Council's considerations of the policy decision on options for interpretation arrangements, as presented in document C 108/3/4. The interpreter-serviced meetings approved for 2012 will remain unchanged at 17.6 meeting weeks, including a three-day diplomatic conference. The logistical support costs for the Diplomatic Conference for the Adoption of an Agreement on the Implementation of the 1993 Protocol relating to the 1977 Torremolinos Convention on the Safety of Fishing Vessels, which will be held in Cape Town in October this year, will be funded by the Government of South Africa with the Organization only bearing the costs of linguistic services (interpreters and translators).

13 To save further in Other personnel costs, the General Service staff will be given compensatory time off for their overtime work rather than cash payments made at 150 per cent of their hourly rates. Furthermore, continuing efforts will be made to rein in temporary assistance costs by ensuring consistency, in the grade and step applicable for temporary appointments, across the Organization.

#### ***Official mission travel***

14 With a view to strengthening existing economy measures for official mission travel, which include forward mission planning, advance flight/hotel reservation, use of restricted economy class tickets and limited participation in international fora, where feasible, the possibility of using British Airways group fares as another cost cutting measure will be

examined to respond to rapid increases in airport taxes, fares and fuel surcharges arising from recent overall market conditions. Every effort has been made and will continue to be made to use videoconferencing facilities, as far as practicable, instead of undertaking missions outside London. Overall, expenditure on official missions will be monitored closely and the annual provision is now set to generate a 15 per cent saving (£53k) on the approved budget.

### ***General operating expenses***

15 General operating expenses include expenditure on the Headquarters premises (rents, rates, utilities and maintenance), office consumables and services (communications, minor equipment, IT maintenance, medical, library, meetings general expenses, etc.) and ancillary provisions (public information, shared costs for jointly financed UN bodies, etc.). Table 4 above shows the prospective year-end economies in this heading of £146k, which are expected from the cost-saving and austerity measures decided by the senior management through strict controls of use of late night taxi services during meeting sessions; market testing and tendering for utilities; review of ICT provision; review of purchase/subscription plan for periodicals, books and magazines; suspension of the purchasing of non-urgent equipment/furniture; and restricting the use of escalators and shortening the sensors' time triggers for lighting and heating/ventilation. Moreover, additional ways of reducing the size, format and quantity of meeting documents are being explored in order to generate savings in translation and printing costs. In this respect, the following two measures are now presented to the Council for approval, on a trial basis during the period July to December 2012:

- .1 the reports of various groups (working, drafting, correspondence, etc.) should be reformatted to contain only their participants, terms of reference and summary of decisions and recommendations, with a detailed account of their discussions being confined to an English-only annex that will not be translated; and
- .2 all Committees should have, in their reports, a new section entitled "Action requested of other IMO bodies" to facilitate subsequent cross-referencing by other IMO bodies and thereby avoid the unnecessary reproduction and translation (or even re-translation) of existing texts.

### ***Funds replenishment***

16 The line item provision (£757k) in the regular budget for Funds replenishment was fully transferred in the first quarter of the year to address the sustained contribution of funds to the Headquarters Capital Fund (£165k) and the Organization's liabilities in compliance with International Public Sector Accounting Standards (IPSAS), comprised of After Service Health Insurance (ASHI) costs, accrued annual leave and repatriation benefits (£592k).

### ***Impact of exchange rates movement and ring-fencing results***

17 The Council will recall that the Assembly, at its twenty-seventh session, was informed by the Secretary-General that, to make the currency exchange effect neutral on the budget for the 2012-2013 biennium, the currency exchange assumption was set at the same rate (i.e. US\$1.65 per pound) as applied to the budgets of the 2010-2011 biennium, whilst ring-fencing the dollar associated expenditure at that rate. As noted in paragraph 6 above, the movement in the actual rate of exchange has been below the budget rate, which resulted in an actual exchange rate loss of £48k accumulated for the first quarter of the year on the ring-fenced amounts for US dollar expenditure. Should the exchange rate remain at the

average rate of the first quarter (that is US\$1.565 per pound, which is some 5 per cent lower than the budget rate of US\$1.65) for the rest of the year, a total exchange rate loss of £192k would be incurred when compared with the costs budgeted under the exchange rate of \$1.65. The budgetary shortfall will then be charged to the Working Capital Fund as the terms of reference of the Fund were widened by means of resolution A.1039(27) to accommodate such currency losses (and gains) in the regular budget.

### Expenditure details by Strategic Result

18 A summary of expenditure for each strategic result, which is set out in table 5 below, shows that the total expenditure for the first quarter has amounted to £7.45m, representing 24 per cent of the approved budget for 2012. As can be seen in chart 2, which illustrates the comparison of the expenditure with the approved budget for each strategic result, most of those strategic results show a budget execution rate of more than 20 per cent, indicating a delivery on course for the first three months of the year, whilst other strategic results remain to be delivered in later months of the year.

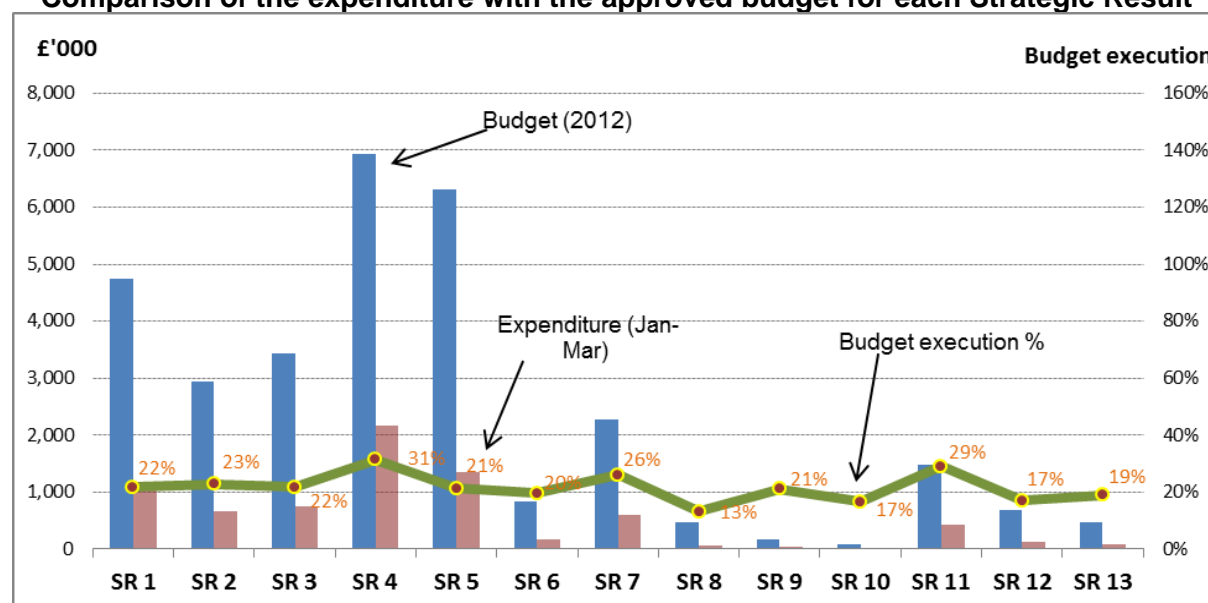
**Table 5**  
**Expenditure details of each Strategic Result as at 31 March 2012**

2011 Outturns	Strategic Results	2012 Budgets	2012 (Jan-Mar) Total	Staff costs	Other personnel	Mission	General operating expenses*
3,616	SR 1 Primary international maritime forum	4,744	1,025	676	58	24	267
2,688	SR 2 Global compliance & uniform implementation	2,936	671	467	36	1	167
2,163	SR 3 Strengthened capacity-building	3,433	744	564	24	4	152
8,712	SR 4 Governance, management & administration	6,935	2,171	1,563	132	2	474
5,431	SR 5 Safety of human life at sea	6,320	1,340	881	86	4	369
924	SR 6 Security of the maritime transport network	838	164	122	0	2	40
1,622	SR 7 Reduced adverse impact on the environment	2,266	587	395	41	0	151
537	SR 8 Efficiency of shipping	478	63	43	0	0	20
219	SR 9 Increased attention to SIDS and LDCs	162	34	27	0	0	7
56	SR 10 Goal-based standards applied	84	14	11	0	0	3
1,499	SR 11 Raised profile of the shipping records	1,488	430	334	3	7	86
510	SR 12 Quality of shipping	674	115	77	7	1	30
327	SR 13 Environmental awareness	462	87	58	5	0	24
	Staff turnover	-300					
<b>28,304</b>	<b>TOTAL</b>	<b>30,520</b>	<b>7,445</b>	<b>5,218</b>	<b>392</b>	<b>45</b>	<b>1,790</b>

\* Including Funds replenishment

**Chart 2**

### Comparison of the expenditure with the approved budget for each Strategic Result



## Status of the Trading Fund for 2012

19 As of 31 March 2012, the income generated under the Trading Fund amounted to £3.23m, which comprised publication sales of £3.04m and catering sales and other miscellaneous income of £0.19m, as set out in table 6 below. The overall income by the end of the year is projected to reach a level slightly above the outturn in 2011. The projected income is 10 per cent above the target set for 2012, which is mainly attributable to: a new edition of the IMDG Code to be published at the end of 2012; continuing sales of the 2011 editions of MARPOL, the GMDSS Handbook and STCW and SOLAS (and amendments); and other new titles<sup>1</sup> due in 2012. On the other hand, catering sales, which reached some £0.7m last year due to increased function income derived from the Assembly session, are at present expected to reach a level normal in the first year of the biennium of some £0.6m.

**Table 6**  
**Status of the Trading Fund for 2012**

2011 Outturn £'000	Statement	2012 Appropriation £'000	Prospective status for 2012 (£'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
10,720	Publication sales	10,525	3,040	7,961	11,001
664	Catering	618	89	521	610
340	Interest earnings/ miscellaneous income	314	101	229	330
<b>11,724</b>	<b>Income (a)</b>	<b>11,457</b>	<b>3,230</b>	<b>8,711</b>	<b>11,941</b>
1,580	Publishing personnel	1,624	387	1,221	1,608
2,329	Publishing operating expenses	2,706	295	2,349	2,644
510	Reimbursement/support costs	569	89	464	553
<b>4,419</b>	<b>Publication costs subtotal</b>	<b>4,899</b>	<b>771</b>	<b>4,034</b>	<b>4,805</b>
429	Catering personnel	459	98	372	470
579	Catering operating expenses	669	114	520	634
131	Reimbursement/support costs	141	28	116	144
<b>1,139</b>	<b>Catering costs subtotal</b>	<b>1,269</b>	<b>240</b>	<b>1,008</b>	<b>1,248</b>
<b>5,558</b>	<b>Expenditure (b)</b>	<b>6,168</b>	<b>1,011</b>	<b>5,042</b>	<b>6,053</b>
<b>6,166</b>	<b>Net income for the year (c=a-b)</b>	<b>5,289</b>	<b>2,219</b>	<b>3,669</b>	<b>5,888</b>

**Table 7**  
**Distribution of Trading Fund surpluses**

	In-year surplus amount	Technical Co-operation Fund	Headquarters Capital Fund	Training and Development Fund	Trading Fund reserves
	100%	80% (WMU support)	10%	1.5%	8.5%
2011 surplus distribution	£6,165,802 (Actual)	£4,932,642 (£246,632)	£616,580	£92,487	£524,093
2012 surplus distribution	£5,888,000 (Estimates)	£4,710,400 (£235,520)	£588,800	£88,320	£500,480

20 In respect of expenditure, as in previous years, the publishing and catering services have been closely monitored and constrained to achieve, wherever possible, maximum economies both in the operation of the services as well as in negotiation with external suppliers. The total expenditure is projected at £6.05m for 2012, which represents 50 per cent of the total income, resulting in an in-year surplus of £5.89m, as can be seen in table 6 above, which is 4.5 per cent less than the 2011 surplus of £6.17m. The 2011 and 2012 surpluses will be distributed, as shown in table 7 above, in accordance with the revised distribution formula approved by the Assembly in resolution A.1039(27), namely, 80 per cent

<sup>1</sup> These include: Procedures for Port State Control, the FTP Code and the Guide to the ISPS Code.



to the Technical Co-operation Fund (of which 5% will be ring-fenced as a surplus allocation to support the finances of the World Maritime University until such time as the Council recommends other measures for the future sustainable funding of the University), 10 per cent to the Headquarters Capital Fund and 1.5 per cent to the Training and Development Fund. The remaining 8.5 per cent will be kept as reserves under the Trading Fund.

### Status of the Headquarters Capital Fund for 2012

21 The provision under the Headquarters Capital Fund is to meet the capital expenditure necessary for the efficient operation of the Organization, and for fulfilling the Organization's liabilities under the terms of the Lease Agreement with the Host Government for the Headquarters building. The overall resource requirement for this year, as shown in table 8 below on the basis of the outturn as at 31 March 2012, is projected to generate some underspends of £164k, representing 15 per cent of the approved budget, since the need to replace or complete refurbishment of lifts and escalators is expected to be postponed to 2013. Other capital investment is on course as planned, in particular the upgrade of the ICT infrastructure and replacement of obsolete servers.

**Table 8**  
**Status of the Headquarters Capital Fund for 2012**

2011 Outturn £'000	Expenditure statement	2012 Appropriation £'000	Prospective status for 2012 (£'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
858	Major building repairs	135		75	75
29	Equipment/furniture/vehicles	30	2	18	20
502	IT/IS and SAP system	953	36	823	859
<b>1,389</b>	<b>Expenditure total</b>	<b>1,118</b>	<b>38</b>	<b>916</b>	<b>954</b>

### Status of the Termination Benefit Fund for 2012

22 The Termination Benefit Fund meets the costs associated with payments to eligible staff of termination and separation benefits; post-retirement benefits; and also covers the additional costs of temporary staff to replace staff members on long-term sick leave. Table 9 below, which shows the status of the Termination Benefit Fund as at 31 March 2012, indicates that the overall expenditure will be within the approved budget. However, the ASHI costs would exceed the budget due to increases in insurance premiums as well as the number of retirees in recent years. The forecast termination and repatriation amount relates to the repatriation grants/travel/shipment of staff members separated or retired from the Organization, the full payment of which takes place usually between six months and one year after actual retirement/separation.

**Table 9**  
**Status of the Termination Benefit Fund for 2012**

2011 Outturn £'000	Expenditure statement	2012 Appropriation £'000	Prospective status for 2012 (£'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
276	Termination and repatriation	318	16	254	270
448	After-service health insurance (ASHI)	448	172	345	517
4	Replacement of long-term sick leave	30	0	8	8
<b>728</b>	<b>Expenditure total</b>	<b>796</b>	<b>188</b>	<b>607</b>	<b>795</b>

## Status of the Training and Development Fund for 2012

23 The Training and Development Fund covers the costs associated with staff training, in line with the emphasis placed on establishing a strengthened system of performance management and on the basis of a survey of training demand, as identified by line managers. Various training programmes in respect of human resource development and IT/IS proficiency have commenced through a special arrangement with commercial training providers. Due to the limited availability of funds, staff development needs are assessed in advance through discussion with supervisors and a number of courses have also been established this year to address urgent demands such as SAP refresher courses. The induction programme for translators is planned for delivery towards the end of the year. As can be seen in table 10 below, the overall expenditure of the Fund for 2012 is forecast to almost use up the allocated resources.

**Table 10**  
**Status of the Training and Development Fund for 2012**

2011 Outturn £'000	Expenditure statement	2012 Appropriation £'000	Prospective status for 2012 (£'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
80	Performance/language	104	30	83	113
27	SAP and IT training	25		10	10
11	Induction programme for translators	9	0	9	9
<b>118</b>	<b>Expenditure total</b>	<b>138</b>	<b>30</b>	<b>102</b>	<b>132</b>

## Status of the Technical Co-operation Fund for 2012

24 The actual outturn (£448k) for the first quarter of the year under the Technical Co-operation Fund was less than 10 per cent of the budget, as can be seen in table 11 below. However, taking into account the preparations needed to ensure implementation of the Organization's Integrated Technical Co-operation Programme (ITCP) and commitments made towards that end during the period, overall delivery is expected to pick up through the year to almost the same level as achieved in 2011 of some £4.6m. It should be noted that the financial grant to be provided to the World Maritime University, as presented in table 7 above, of £246,632, in accordance with resolution A. 1039(27), is no longer shown as a budgetary expenditure of the Technical Co-operation Fund but will be treated as a simple financial transfer with no effect on the budget outturn for 2012 given in table 11 below.

**Table 11**  
**Status of the Technical Co-operation Fund for 2012**

2011 Outturn £'000	Expenditure region	2012 Appropriation £'000	Prospective status for 2012 (£'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
1,127	Africa	1,417	123	1,079	1,202
190	Arab States/Mediterranean	335	6	252	258
367	Asia	483	65	329	394
105	Pacific Islands	226	12	197	209
155	CIS/Eastern Europe	227	0	198	198
275	Latin America	307	45	261	306
231	Caribbean	358	19	296	315
2,179	Global programmes	1,941	178	1,540	1,718
<b>4,629</b>	<b>Expenditure total</b>	<b>5,294</b>	<b>448</b>	<b>4,152</b>	<b>4,600</b>

## Status of extra-budgetary programmes

25 As reported previously to the Council, extra-budgetary activities and resources, in conjunction with the major contribution made by the Technical Co-operation Fund, are becoming increasingly important in promoting the strategic objectives of the Organization as well as the successful implementation of IMO's technical instruments by Member States. One donor project which is to commence this year is for the development of enhanced ship recycling standards in Bangladesh and will run for 3 to 5 years with a budget initially set at US\$5 to 6 million funded by Norway (NORAD). The Marine Electronic Highway (MEH) project, which commenced in 2008, financed jointly by the World Bank and the Republic of Korea with a total project value of US\$7.8m, will come to an end in September this year with the handing over of the MEH Data Centre IT System to the Government of Indonesia. On the other hand, among the concerns relating to donor-funded programmes are the current cash flow difficulties being experienced by UNEP, which are affecting the operation and therefore sustainability of REMPEC (the Regional Marine Pollution Emergency Response Centre for the Mediterranean Sea), which was established in 1976 in the framework of the Mediterranean Action Plan (MAP)/Barcelona Convention to address the prevention of, preparedness for and response to pollution from ships in the Mediterranean region. The Organization has closely monitored the situation and is currently in discussion with UNEP to sort out the issue.

**Table 12**  
**Status of extra-budgetary programmes for 2012**

2011 Outturn US\$'000	Expenditure region	2012 Budget* US\$'000	Prospective status for 2012 (£'000)		
			Actual (Jan-Mar)	Forecast (Apr-Dec)	Total (Jan-Dec)
2,660	Africa	5,234	436	2,614	3,050
2,675	Arab States/Mediterranean	5,009	636	1,909	2,545
1,296	Asia	892	228	685	913
45	Pacific Islands	30	0	0	0
21	CIS/Eastern Europe	14	2	7	9
3,183	Global programmes	3,869	318	2,383	2,701
<b>9,880</b>	<b>Expenditure total</b>	<b>15,048</b>	<b>1,620</b>	<b>7,598</b>	<b>9,218</b>

\* The expenditure budget for 2012 is based on the Programme Implementation Documents (PIDs) formulated/ revised by 31 March 2012.

## Budgetary transfers in 2012

26 On the basis of the review of the status of the regular budget for 2012, significant budget transfers between strategic results do not appear necessary until year-end when the actual expenditure for the year is fully accounted. 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 to the extent that balances are available to cover or reduce deficits in each strategic result appropriation balances.

27 In respect of the ITCP projects financed by the Technical Co-operation Fund, the Council may wish to note that, currently, it is planned to transfer to 2012 some of the 2011 budget due to activities postponed at the request of host countries, including outstanding commitments on goods and services and consultancy. Those outstanding commitments are dealt with in accordance with IPSAS and regulation 4.3 of the Organization's Financial Regulations.

### Preliminary consideration of the budgets for 2013

28 As noted in tables 1 and 2, the total of budgets approved for 2013 amount to £44,843k which comprise £31,686k for the regular budget, representing a 3.8 per cent increase on the 2012 regular budget, and £13,157k for other Funds of the Organization, representing a 2.6 per cent reduction on the corresponding budget for 2012.

#### Review of the regular budget for 2013

29 With continued austerity measures, limited effects of short-term efficiencies, and in the absence of any unforeseen expenditure demand, a potential saving in the regular budget for 2013 can be projected, on a preliminary basis, at no more than £129k, representing 0.4 per cent of the approved budget for 2013 (table 13). The reason for such a small saving is partly due to limited short-term tools to control fixed staff costs and partly to no further room for cuts in non-personnel costs, the budget of which was already reduced in comparison with last year's.

**Table 13**  
**Expenditure projection in the regular budget for 2013**

	2012	2013 Budget		Projection (b)	Balance (£'000)	
	Projection	(a)	%		(c=a-b)	c/a (%)
Staff costs	21,980	23,480	74%	22,921	559	2.4%
Other personnel	2,336	1,933	6%	2,593	-660	-34.1%
Mission travel	298	375	1%	318	57	15.2%
General operating expenses	4,839	5,098	16%	4,925	173	3.4%
Funds replenishment	757	800	3%	800	0	0.0%
<b>Total</b>	<b>30,210</b>	<b>31,686</b>	<b>100%</b>	<b>31,557</b>	<b>129</b>	<b>0.4%</b>

30 Salient features of the economic steps that the Secretary-General plans to achieve in 2013 are:

- .1 The overall approved budget for Staff costs was calculated at £23.5m, representing a 3.4 per cent increase on the 2012 staff costs budget, reflecting statutory increments, annual interim salary adjustments and other unavoidable costs increases (education grants and medical insurance costs). However, as noted in paragraph 7 above, the change in the post adjustment index, at a higher and earlier than expected rate and time, for staff in the Professional and higher categories, is assessed to have a knock-on impact of £680k to add to Staff costs for 2013. In addition, if the pay and price indices continue to move towards the budgetary assumptions as noted in paragraph 6, another interim cost-of-living adjustment will be triggered for both Professional and General Service staff categories. In this respect, to address those adverse budgetary impacts, the Secretary-General has reviewed the current and prospective vacant posts in 2013 and decided not only to further freeze recruitment to 83 work months (equivalent to 7 posts) in addition to the already unbudgeted 203 work months (including lapse factor of £300k for 2013), but also to postpone recruitment to 198 work months for which the use of temporary assistance will instead be allowed in order to facilitate the delivery of essential work programmes on time.
- .2 In respect of Other personnel costs, overruns are somewhat inevitable because of high rates of vacancy, resulting in a reliance on more overtime and temporary employment as noted above. Meetings personnel costs will

also increase, not only due to the increase in meeting weeks (from 17.6 to 18.4), but also to the full knock-on effect of the increase in interpreters' fees effective from 1 July 2012, which may be partly offset by the continuing practice of reducing the number of interpreter serviced plenary sessions, as far as practicable.

- .3 For official mission travel, and similar to 2012, some 15 per cent cuts in costs/mission plan are assumed for 2013.
- .4 Compared with the General operating expenses (GOE) budget for the last biennium, the GOE budget for the 2012-2013 biennium has already been cut by £283k (3%), reflecting agreed efficiency savings. The GOE budget increase in 2013 is 2 per cent above the corresponding 2012 budget but the potential for savings is, at this stage, limited to the continued application of the efficiency/austerity measures adopted in 2012, as noted in paragraph 15 above.
- .5 Funds replenishment provisions will be fully transferred as planned.
- .6 If the pound exchange rate remains at the average January-March 2012 rate (US\$1.565) for the whole of 2013, a total exchange rate loss of £202k would be incurred and would be charged to the Working Capital Fund.

### **Review of the Trading Fund budget for 2013**

31 With regard to the Trading Fund income and expenditure projections, it is envisaged that income may exceed the target by 3 per cent in 2013 but will be less, by 10 per cent, than that for 2012, mainly due to a fluctuation in demand for IMO publications, although the catering income is expected to increase owing to Assembly functions. Table 14 below sets out the overall income and expenditure prospects for 2013 seen as at 31 March 2012. A small saving of £91k in expenditure is expected mainly from operating expenses. The resultant in-year surplus is forecast to drop by 19 per cent (£1.13m) to £4.76m (representing 44 per cent of the income) compared with the 2012 projection of £5.89m.

**Table 14**  
**Income and expenditure projection of the Trading Fund for 2013**

TRF	2012	2013 Budget		Projection (b)	Balance (£'000)	
	Projection	(a)	%		(c=a-b)	c/a (%)
Publication sales	11,001	9,578	91%	9,901	-323	-3.4%
Catering income	610	664	6%	664	0	0.0%
Miscellaneous income	330	285	3%	297	-12	-4.2%
<b>Total income</b>	<b>11,941</b>	<b>10,527</b>	<b>100%</b>	<b>10,862</b>	<b>-335</b>	<b>-3.2%</b>
Publishing	4,252	4,317	70%	4,245	72	1.7%
Catering	1,104	1,165	19%	1,157	8	0.7%
Support costs	697	713	11%	702	11	1.5%
<b>Total expenditure (by service)</b>	<b>6,053</b>	<b>6,195</b>	<b>100%</b>	<b>6,104</b>	<b>91</b>	<b>1.5%</b>
<b>Cash surplus</b>	<b>5,888</b>	<b>4,332</b>		<b>4,758</b>	<b>-426</b>	<b>-9.8%</b>

### **Review of other budgets for 2013**

32 Table 15 below shows the forecast expenditure projections of the Headquarters Capital Fund, the Termination Benefit Fund, the Training and Development Fund and the Technical Co-operation Fund based on the expenditure trends under the Funds as at 31 March 2012.

**Table 15**  
**Expenditure projection in other budgets for 2013**

All	2012	2013 Budget		Projection	Balance (£'000)	
	Projection	(a)	%		(b)	(c=a-b)
Headquarters Capital Fund	954	1,194	17.2%	1,134	60	5.0%
Termination Benefit Fund	795	980	14.1%	871	109	11.1%
Training & Development Fund	132	143	2.0%	137	6	4.2%
Technical Co-operation Fund	4,600	4,645	66.7%	4,292	353	7.6%
<b>Total</b>	<b>6,481</b>	<b>6,962</b>	<b>100%</b>	<b>6,434</b>	<b>528</b>	<b>7.6%</b>

33 Some main features of the projections for those Funds include:

- .1 In the Headquarters Capital Fund, demand for major building repairs is expected to increase due to old lifts/escalators; the overdue replacement of the Secretary-General's vehicle will be made through some underspends in the equipment budget line; and continued savings will be sought in ICT and SAP investment;
- .2 On the basis of the staff age profile, indicating the separation/retirement of 16 staff members in 2013, ASHI costs are expected to incur slight overruns in the Termination Benefit Fund, but some savings are forecast in the costs of termination and repatriation;
- .3 If the planned programmes are fully delivered, only a small nominal saving is expected in the Training and Development Fund, when compared with the prospective outturn in 2012; and
- .4 The overall technical co-operation delivery for 2013 is forecast to decrease by 7 per cent to £4.3m compared with the 2012 projection, due to the ITCP budget allocation for 2013 being less by 12 per cent (£0.6m) than that for 2012.

## Summary

34 Projections for the 2012 expenditure of all budgetary Funds (other than donor/trust Funds) show some £1.29m overall savings, representing 2.9 per cent of the approved budget (table 16). The total projection of £42.7m in expenditure represents a 5 per cent (£2m) increase on the 2011 actual of some £40.7m.

**Table 16**  
**Summary of the budget prospects for 2012**

All	2011 Actual	2012 Budget		Projection	Balance (£'000)	
		(a)	%		(b)	(c=a-b)
Regular budget	28,304	30,520	69.3%	30,210	310	1.0%
Trading Fund	5,558	6,168	14.0%	6,053	115	1.9%
Headquarters Capital Fund	1,389	1,118	2.6%	954	164	14.7%
Termination Benefit Fund	728	796	1.8%	795	1	0.1%
Training & Development Fund	118	138	0.3%	132	6	4.3%
Technical Co-operation Fund	4,629	5,294	12.0%	4,600	694	13.1%
<b>Total</b>	<b>40,726</b>	<b>44,034</b>	<b>100%</b>	<b>42,744</b>	<b>1,290</b>	<b>2.9%</b>

35 The overall projection for 2013 expenditure totals some £44.1m, generating a saving of £0.75m (1.7%) on the approved budget (table 17). The projected expenditure represents a 3.2 per cent (£1.35m) increase on the 2012 projection of £42.7m.

**Table 17**  
**Summary of the budget prospects for 2013**

All	2012	2013 Budget		Projection (b)	Balance (£'000)	
	Projection	(a)	%		(c=a-b)	c/a (%)
Regular budget	30,210	31,686	70.6%	31,557	129	0.4%
Trading Fund	6,053	6,195	13.8%	6,104	91	1.5%
Headquarters Capital Fund	954	1,194	2.7%	1,134	60	5.0%
Termination Benefit Fund	795	980	2.2%	871	109	11.1%
Training & Development Fund	132	143	0.3%	137	6	4.2%
Technical Co-operation Fund	4,600	4,645	10.4%	4,292	353	7.6%
<b>Total</b>	<b>42,744</b>	<b>44,843</b>	<b>100%</b>	<b>44,095</b>	<b>748</b>	<b>1.7%</b>

36 In light of the above review and in the absence of any unforeseen expenditure, the Secretary-General is confident that the outturn expenditure for 2012 is attainable within the approved appropriation of the regular budget and other budgetary Funds. While this can be made possible through the suite of efficiency measures highlighted throughout this document, the greatest burden will fall on staff members through additional work, in spite of increased temporary support, the effects of which will have to be gauged later during the biennium. Accordingly, he will continue to closely monitor the budgetary status, the implementation of economy and austerity measures, and the potential to generate further savings in the various budgets without thereby compromising the ability to deliver on the Organization's agreed programme of work. The Secretary-General's updated review of the prospective status of the budgets for both 2012 and 2013, taking into account any changes and developments in the prevailing economic and financial circumstances, will be presented to the Council at its 109th session in November 2012.

### Action requested of the Council

37 The Council is invited to:

- .1 note the external pay and price factors review (paragraphs 4 to 8, table 3 and chart 1);
- .2 note the forecast outturn level of the regular budget expenditure for 2012, assessed to be kept within the approved appropriation for 2012 (paragraphs 9 to 18, tables 4 and 5 and chart 2);
- .3 approve the two proposed measures to reformat certain meeting reports in order to reduce translation and printing costs (paragraphs 15.1 and 15.2)
- .4 note the income and expenditure outturn and forecast in the Trading Fund and the consequential in-year surplus distribution (paragraphs 19 and 20 and tables 6 and 7);
- .5 note the expenditure status of the Headquarters Capital Fund (paragraph 21 and table 8); the Termination Benefit Fund (paragraph 22 and table 9); the Training and Development Fund (paragraph 23 and table 10); the Technical Co-operation Fund (paragraph 24 and table 11); and extra-budgetary programmes (paragraph 25 and table 12);

- .6 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 26);
  - .7 note the preliminary consideration of prospects for the regular budget for 2013 (paragraphs 29 and 30 and table 13);
  - .8 note the review of the Trading Fund budget for 2013 (paragraph 31 and table 14);
  - .9 note the review of other Funds budgets for 2013 (paragraphs 32 and 33 and table 15); and
  - .10 note the summary and the Secretary-General's conclusion and his intention to present an updated review of budgetary prospects to C 109 (paragraphs 34 to 36 and tables 16 and 17).
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