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RESOURCE MANAGEMENT

(e) Budget considerations for 2016

Note by the Secretary-General

SUMMARY

Executive summary: This document provides a review of the budgetary assumptions used in preparing the 2016-2017 budget and an assessment of the budget prospects for 2016 on the basis of the expenditure incurred during the period 1 January to 30 April 2016

Strategic direction: 4

High-level action: 4.0.1

Output: 4.0.1.4

Action to be taken: Paragraph 37

Related documents: A 29/17(c), A 29/17(c)/add.1, resolutions A.1098(29) and A.1100(29)

Introduction

1 It will be recalled that, by resolution A.1100(29), the Assembly, at its twenty-ninth regular session, approved a budget for 2016 of £45.8 million in total, 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 to review, at its relevant sessions, 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 requested the Secretary-General to ensure proper application of the approved budget while endeavouring to effect the maximum economies in it.

2 The appropriation of the regular budget for 2016 was set at zero nominal growth, maintaining the 2015 level of £32.6 million (see table 1). On the other hand, the approved budget for the Organization's other budgetary Funds was reduced by 10.5% to £13.2 million in total, which was mainly attributable to a reduction in the Headquarters Capital Fund programmes.

Table 1
Approved budgets for 2016 as compared with those for 2015

	2015	2016	Annual changes	
	£'000	£'000	£'000	(%)
Regular budget (i)	32,618	32,618	0	0.0%
Other Funds total (ii)	14,763	13,217	-1,546	-10.5%
Trading Fund	5,944	5,983	39	0.7%
Headquarters Capital Fund	2,840	950	-1,890	-66.5%
Termination Benefit Fund	997	1,019	22	2.2%
Training and Development Fund	141	115	-26	-18.4%
Technical Cooperation Fund	4,841	5,150	309	6.4%
TOTAL (i + ii)	47,381	45,835	-1,546	-3.3%

Review of pay and price factors

3 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

4 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 2 below summarizes the latest available indices on the UK economy published by the UK Government Office for National Statistics and the actual movements of the UN operational rate of exchange, while chart 1 illustrates the longer-term movement of the indicators.

Chart 1
Recent movements of the budgetary assumption indicators

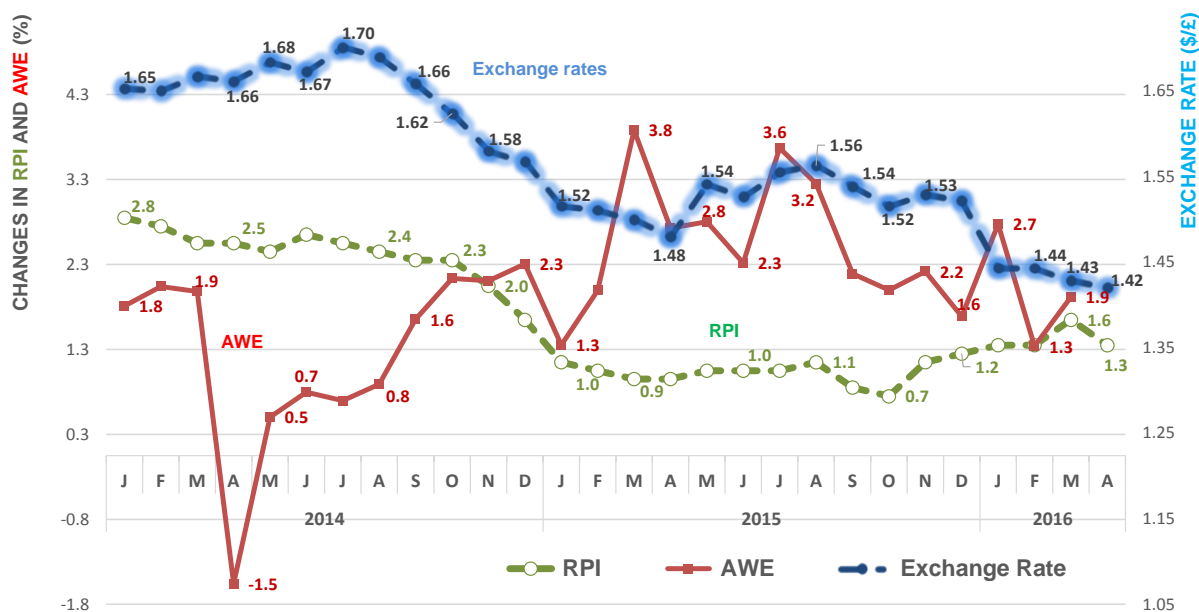


Table 2
Trends of economic indicators

All values in %	Assumption	2016				2016	
	2016-2017	Jan	Feb	Mar	Latest Rate*	Average	Range
UK Average Weekly Earnings (AWE) changes 1/	2.0	2.7	1.3	1.9	1.9	2.0	1.3 - 2.7
UK Average Retail Price Index (RPI) changes 2/	2.0	1.3	1.3	1.6	1.3	1.4	1.3 - 1.6
USD/GBP exchange rate 3/	1.50	1.44	1.44	1.43	1.46	1.44	1.42 - 1.46

1/ 12-month percentage changes of total pay measured monthly for average weekly earnings per job in the UK.

2/ Annual inflation rates – 12-month percentage changes.

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

* Latest rates: March for AWE, April for RPI and May for exchange rate

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

5 The movements in the economic indices in the UK in recent months may be seen from the table and chart above. The annual inflation rate measured in terms of Retail Price Index (RPI) was 1.3% for the month of April 2016, which declined from 1.6% for March but overall remained the same as for the first two months of the year. On the other hand, the annual change in total pay measured by the Average Weekly Earnings (AWE) Index increased to 1.9% for March from 1.3% shown in February although it did not reach the 2.7% shown in January this year. Meanwhile, the pound sterling value against the US dollar has fluctuated between 1.42 and 1.46 with an average of 1.44 for the past five months to May 2016, representing 4% below the assumed budget rate of 1.5.

Impact of exchange rate movement and ring-fencing results

6 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 112th 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 that should trigger action by the Council to replenish the WCF up to £2 million from any available reserves in the Organization's various Funds.

7 The US dollar value has been stronger in 2016 than the budget rate, as indicated in table 2 and chart 1 above, thereby incurring a currency exchange loss of £57,900 on US dollar expenditure over the first four months of 2016. Should the exchange rate remain at such levels for the remainder of the year, the estimated accumulated exchange rate loss to be charged to the WCF would be roughly £228,000, leading to a decline of the resources available in the Fund to £1.6 million by the end of 2016, although 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, an update of which will be provided to C 117 this December.

Cost-of-living adjustments and pensionable remuneration

8 The United Nations General Assembly (UNGA) adopted the ICSC recommendation to introduce a new base salary scale for staff in the Professional and higher categories effective 1 January 2016. That change has resulted in an increase in base salaries of 1.08% but with no budgetary effect on the actual take-home pay, because the applicable post adjustment multiplier was instead decreased, on a no-gain/no-loss basis, to offset the change in the base salary scale.

9 In respect of pensionable remuneration, no change is expected for 2016. This is 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 UNGA. The average value of the margin over the last five years is 117.2.

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 five-year cycle survey was due to be carried out in the second half of last year but was delayed to September 2016, due to the ongoing review by the ICSC in 2015 of the UN common system compensation package. The survey result will be known later this year and, if the consequential budgetary impact is assessed to be greater than the approved budget for this biennium, notwithstanding the Secretary-General's every effort to accommodate the resulting increase in staff costs, any overrun will be financed by the Special Contingency Account (SCA) of the Organization. The SCA was set up in 2014 by the Assembly by means of resolution A.1063(28) 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 assumption embedded in the budget for staff costs.

11 As for staff in the General Service (GS) category, a new methodology for the General Service salary survey was introduced in 2015 and the survey outcome has provided a 3.5% pay increase since October 2015, which was 1.5% points above the assumption made in the budget for 2016 of 2%. In addition, an interim salary scale adjustment under the 12-month review rule will be implemented in October 2016, based on the annual movements in the pay and price indices in the UK. The associated pensionable remuneration scale will also be adjusted accordingly.

12 In respect of the implementation of the UN common system compensation package (see documents C 116/5(a) and C 116/5(a)/1), which was approved by the UNGA in December 2015 based on the recommendations of the ICSC, the Council may wish to note that the package will come into force in three phases commencing on 1 July 2016. The first phase change is related to the entitlements regarding assignment and repatriation but their budgetary impact on the Organization is very nominal in the short-term. However, over the years, some savings could be generated, as the payment of repatriation grants requires a five-year minimum service and, for repatriation shipment costs, there will be a lump sum option, payable at 70% of actual costs. The second stage relates to the introduction in January 2017 of a unified base salary scale for all staff and a resulting pensionable remuneration scale, together with the establishment of a dependent spouse and single parent allowance, while the third phase, in the summer of 2017, will introduce a new education grant scheme for the school year 2017/2018. A budgetary impact analysis of these measures will be carried out when all related implementation details are promulgated.

Overview of the expenditure and forecast position of the regular budget for 2016

13 The Council will note from table 3 below, which sets out the expenditure status for the first four months of this year and the forecast position for 2016 by expenditure group, that overall expenditure is forecast to be on course, with some potential efficiency savings of £1.27 million in the approved regular budget for 2016.

Table 3
Forecast of the regular budget outturn by expenditure group as at 30 April 2016

2015 Outturn (£'000)	Objects of expenditure	2016 Appropriations (£'000)	2016 Expenditure (£ '000)		Total (Jan-Dec)
			Actual (Jan-Apr)	Forecast (May-Dec)	
22,372	Staff costs*	24,362	6,977	16,338	23,315
1,660	Other personnel**	1,607	576	1,103	1,679
195	Official missions	590	97	345	442
4,786	General operating expenses	5,089	1,658	3,281	4,939
780	Funds replenishment	970	0	970	970
29,793	Total	32,618	9,308	22,037	31,345

* These reflect staff turnover of £300,000 for the 2016 budget

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

Staff complement and post management

14 Prospective savings in staff costs of approximately £1 million in the regular budget shown in table 3 above are mainly attributable to a longer than expected time-lapse in filling a number of vacant posts arising from the retirement or separation of staff. For the first four months of the year, 159 work-months were vacant in total in the regular budget, comprising 47 in the Professional category and 112 in the GS category. As at 1 May 2016, the vacant posts in the regular budget totalled 37, comprising 10 Professional and 27 GS posts. A number of those posts are at various stages of the recruitment process, having been previously advertised under the efforts made to expedite the corresponding recruitment process. It may be noted that further prospective savings may arise from the seven Professional and three GS posts whose incumbents are due to retire this year, but every effort is being made to minimize the time-lapse in line with the Organization's succession and evolution plans.

15 It should also be noted that the prospective savings are partly thanks to the result of continued utilization of secondees and Junior Professional Officers (JPOs) from interested Member States (the number of secondees/JPOs totalled 10, as at 1 May 2016, from five Member States¹). Savings are also expected partly from: the strict enforcement of the policy on no extension of contracts beyond mandatory retirement age; reclassification of every post when it is vacated; and, where applicable, apportionment to donor-financed projects of the regular budget staff costs associated with their delivery.

Other personnel

16 The budget for other personnel in table 3 above includes the costs of temporary assistance, overtime, consultants and meetings personnel (external translators and interpreters). As costs under this component can be controlled, efficiency steps have been taken. Firstly, overtime work of the GS staff continues to give rise to compensatory time off rather than cash payments. Secondly, continuing efforts have been made to rein in temporary assistance costs by ensuring consistency in the applicable grade and step. In addition, cost-cutting efforts are being made through the early, effective and efficient arrangement of logistic services for meetings, which has increased to 16.8 meeting weeks for 2016, from 15.4 weeks in 2015.

Official mission travel

17 Provision for official mission travel, which is to enable the Organization to play a full and effective part in global initiatives on relevant issues, has significantly increased for 2016,

¹ Germany (1), Japan (2), Malaysia (1), Republic of Korea (2) and Turkey (4)

as may be seen in table 3 above. For the most part, this reflects a programme/volume change to address the new resource requirement for auditors' travel under the mandatory Member State Audit Scheme, which alone adds £300,000 to the 2016 budget based on 25 audits a year, with average costs of £11,000 per audit plus an additional £25,000 for follow-up audits. Currently, 19 audits have been confirmed for this year, with no follow-up audits. The projected expenditure for audits will be around £210,000 and this will increase over the following years as the 25 audits a year mark is approached, and with follow-up audits commencing around the third year of the new Audit Scheme. As at 1 May 2016, seven audits had been completed, while three were under process.

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 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 continue to be monitored closely.

General operating expenses

19 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 and general expenses, etc.) as well as ancillary provisions (public information, shared costs for jointly financed UN bodies, etc.). Table 3 above indicates that expenditure on this component is on course and will remain within the appropriations approved. Economy measures have been taken through continued tight controls of consumable items and controllable expenditure through market testing and tendering; review of the equipment acquisition plan; and shifting to Paper-Smart practices including e-Docs and SharePoint.

20 The Council may wish to note that the Secretariat of the IOPC Funds will move back into the IMO premises from 1 September 2016 and thus the Organization expects a saving of some £80,000 in the general operating expenses for 2016 due to cost-sharing in the maintenance costs of the Headquarters building, including rent and utilities. The prospective cost saving will be reported in detail to the Council at its 117th session.

Funds replenishment

21 The line item provision of £970,000 in the regular budget for Funds replenishment will be carried out on the scheduled maturity of treasury investments. The provision addresses the sustained contribution of £120,000 to the Headquarters Capital Fund for capital investments and £850,000 to the Termination Benefit Fund for the After Service Health Insurance (ASHI) costs for retirees. The amounts provided in 2015 were £117,100 and £662,900, respectively, to each of those Funds.

Expenditure details by Strategic Result

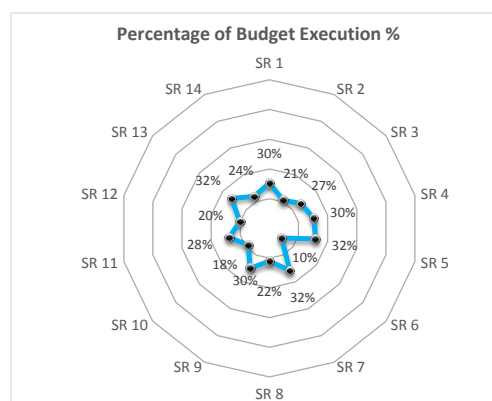
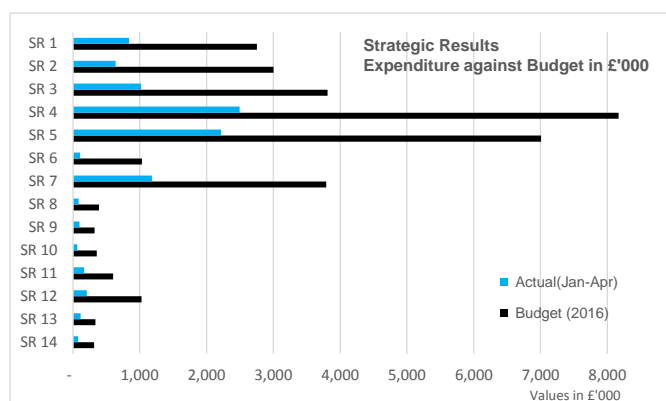
22 A summary of expenditure for each strategic result, which is set out in table 4 below, shows that total expenditure for the first four months of the year amounted to £9.31 million, representing 29% of the approved budget for 2016. Chart 2 illustrates the comparison of expenditure with the approved budget for each strategic result. With the preparation and delivery of seven meeting-weeks (comprising two committees and five sub-committees) in the first four months of 2016, this seems consistent and is expected to rise in line with the

progress of the remaining 9.8 meeting-weeks (two Council sessions, 4.8 committee meeting-weeks and three sub-committees) for the rest of the year.

Table 4
Expenditure details of each Strategic Result as at 30 April 2016

Strategic Results	Approved budget 2016 (a)	Expenditure		Balance £ (c) = (a) - (b)
		Jan-Apr (b)	% (b/a)	
SR 1 Enhanced status as a primary international maritime forum	2,754	839	30%	1,915
SR 2 Enhanced global compliance and uniform implementation	3,003	634	21%	2,369
SR 3 Strengthened capacity-building	3,811	1,021	27%	2,790
SR 4 Enhanced governance, management and administration	8,170	2,490	30%	5,680
SR 5 Enhanced safety of human life at sea	7,009	2,218	32%	4,791
SR 6 Enhanced security of the maritime transport network	1,032	107	10%	925
SR 7 Reduced adverse impact on the environment	3,790	1,194	32%	2,596
SR 8 Ensured efficiency of shipping	388	86	22%	302
SR 9 Increased attention to SIDS and LDCs	324	97	30%	227
SR 10 Goal-based standards applied	357	64	18%	293
SR 11 Raised profile of the safety, security and environmental records of shipping	603	167	28%	436
SR 12 Enhanced quality of shipping	1,027	208	20%	819
SR 13 Enhanced environmental awareness	335	108	32%	227
SR 14 Reduced administrative burdens	315	75	24%	240
Staff turnover	-300	0		-300
TOTAL	32,618	9,308	29%	23,310

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



Status of the Trading Fund for 2016

23 As at 30 April 2016, the income generated under the Trading Fund amounted to £4.69 million, which comprised £4.42 million from publication sales and £273,000 from catering and other miscellaneous income, as set out in table 5 below. Overall income of £12.5 million projected for the year is some 2% above the 2015 outturn. The publication sales increase is attributable mainly to the planned marketing of various new editions (IAMSAR Manual – 3 volumes, IMDG Code, IMSBC Code, IBC Code). The catering sales figure has been estimated conservatively and is subject to increase, depending on additional function and event arrangements.

Table 5
Status of the Trading Fund for 2016

2015 Outturn £'000	Statement	2016 Appropriation £'000	Prospective status for 2016 (£'000)		
			Actual (Jan-Apr)	Forecast (May-Dec)	Total (Jan-Dec)
11,217	Publication sales	11,647	4,416	7,229	11,645
759	Catering	587	157	360	517
322	Interest earnings/ miscellaneous income	391	116	233	349
12,298	Income (a)	12,625	4,689	7,822	12,511
1,385	Publishing personnel	1,922	479	1,341	1,820
1,953	Publishing operating expenses	2,100	336	1,896	2,232
434	Reimbursement/support costs	523	73	421	494
3,772	Publication costs subtotal	4,545	888	3,658	4,546
489	Catering personnel	575	150	366	516
609	Catering operating expenses	698	208	390	598
171	Reimbursement/support costs	165	27	98	125
1,269	Catering costs subtotal	1,438	385	854	1,239
5,041	Expenditure (b)	5,983	1,273	4,512	5,785
7,257	Net income for the year (c=a-b)	6,642	3,416	3,310	6,726

24 In respect of Trading Fund expenditure, maximum economies are being continuously sought, wherever possible, both in the delivery of commercial services as well as in negotiations with external suppliers. Total expenditure is projected at £5.78 million for 2016, which represents 46% of total forecast income and an overall margin of 54%, resulting in an in-year surplus of £6.73 million, as can be seen in table 5 above. The surplus of £7.26 million achieved in 2015 has already been distributed in 2016, as shown in table 6 below, in accordance with the distribution formula in resolution A.1063(28): 80% to the Technical Cooperation Fund (of which 5% is ring-fenced for 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. The prospective surplus for 2016 will be distributed in 2017 in accordance with the same formula.

Table 6
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	
	100%	80%	(WMU support)	12.5%	1.5%	1.0%	5.0%
Actual distribution of 2015 surplus	£7,256,730	£5,805,384	£290,269	£907,091	£108,851	£72,567	£362,836
Prospective distribution of 2016 surplus	£6,726,320	£5,381,056	£269,053	£840,790	£100,895	£67,263	£336,316

Status of the Headquarters Capital Fund for 2016

25 The overall status of the budget execution under the Headquarters Capital Fund is shown in table 7 below, based on the outturn as at 30 April 2016. As reported earlier to the Council, the replacement of the simultaneous interpretation and sound systems (SI/AV) in the Main Hall during 2015 was fully completed for Assembly 29. As part of the project, the upgrade of the audio recording system in Committee Room (CR) 9 included new facilities to record proceedings in both the Main Hall and CR 9 concurrently, and produced audio files for all sessions of the Plenary, Committee 1 and Committee 2 of Assembly 29. For 2016, the

second stage of the project will replace the SI/AV in CRs 9 and 10. The infrastructure works will begin after MSC 96 (11 to 20 May 2016) and the equipment installation is set to start soon after LEG 103 (6 to 10 June 2016). The envisaged timeline is about eight weeks, with the aim of having CR 9 finalized in July 2016, and CR 10 and other remaining work by CCC 3 in September 2016.

Table 7
Status of the Headquarters Capital Fund for 2016

2015 Outturn £'000	Expenditure statement	2016 Appropriation £'000	Prospective status for 2016 (£'000)		
			Actual (Jan-Apr)	Forecast (May-Dec)	Total (Jan-Dec)
943	Major building repairs	100	26	78	104
14	Equipment/furniture/vehicles	30	18	8	26
507	IT/IS and SAP system	820	20	695	715
1,464	Expenditure total	950	64	781	845

26 Other new capital programmes spanning the next two years include repairs to the air handling units and building management control systems. It is envisaged that this work will start later this year. Planning is ongoing to ensure the works can be financed and managed in a phased approach to avoid disruption to regular work. The IT/IS cost includes server upgrades to accommodate the SharePoint system rolled out across IMO in 2015. Additionally, the enhancement of the SAP ERP systems and related business intelligence software will be implemented, as planned, to improve organizational transparency and efficiency.

Status of the Termination Benefit Fund for 2016

27 Table 8 below, which shows the status of the Termination Benefit Fund as at 30 April 2016, indicates that projected expenditure is containable within the approved budget. Termination and repatriation payments are based on the age profile of staff reaching retirement during 2016. For ASHI, some overruns are projected due to the rise in the number of retirees and a change in the medical insurance premium from 1 January 2016, the first increase since 2013.

Table 8
Status of the Termination Benefit Fund for 2016

2015 Outturn £'000	Expenditure statement	2016 Appropriation £'000	Prospective status for 2016 (£'000)		
			Actual (Jan-Apr)	Forecast (May-Dec)	Total (Jan-Dec)
295	Termination and repatriation	415	16	303	319
600	After-service health insurance (ASHI)	589	259	425	684
23	Replacement of long-term sick leave	15	2	13	15
918	Expenditure total	1,019	277	741	1,018

28 With regard to post-employment liabilities including ASHI and repatriation grants, the Council will recall that the External Auditor indicated (see document C 114/4(b)/1) that the Organization could be exposed to the risks of escalated costs that may consequently begin to consume a greater proportion of the annual budget of the Organization. The Auditor accordingly recommended that management should continue to explore feasible funding options that could create an assets base that matches the movement of the said liability. In this context, the Assembly decided by means of resolution A.1100(29) to transfer, on 1 January 2016, £6 million of the cash surplus in the General Fund to the Termination Benefit Fund. The cash surplus was accrued from the accumulation of past expenditure savings. The measure was a significant step forward for the Organization to start building up

funds to cover the liability, in addition to the Assembly decision in resolution A.1063(28) to charge 7% on the base salary of all project staff recruited under the Technical Cooperation Fund or any donor/trust funds.

29 The Organization's actuarial liability for post-employment benefits accounted for £34.5 million in total as at 31 December 2015 and the initial transfer of £6 million will meet 17% of the funding requirement. In this context, as post-employment liabilities affect the entire UN system, a UN-wide working group on ASHI management recommended, in December 2015, that, for the adequate funding of those liabilities, organizations build reserves at a minimum to fund the additional cost accrued during current periods, represented by service costs plus the corresponding interest costs. This recommendation would mean a move from the current pay-as-you-go approach to a pay-as-you-accrue approach, reflecting the true cost of current operations. In addition, the group recommended that organizations consider embedding a funding mechanism into the standard staff costs used for budgeting. The Council may wish to note that the Secretary-General will explore various possible options, taking into account the fund balances and reserves of the various Funds of the Organization, accrued additional costs for post-employment benefits and the restraints in the increase of Member States' assessments in the regular budget. Those options will be presented to the Council at its 117th session so that preliminary budget proposals for the next biennium can contain the options considered at that session.

Status of the Training and Development Fund for 2016

30 The staff learning and development survey and the tender for training providers, conducted every three years, has been undertaken for 2016 and accordingly there are a number of human resource and language training programmes planned for the year. It is envisaged that such training will help deliver enhanced performance and efficiencies. In addition, the new ICT tools being rolled out will also require a considerable amount of training for user adoption. An induction programme for translators is planned as usual for delivery towards the end of the year to avoid interruption to the meeting programme.

Table 9
Status of the Training and Development Fund for 2016

2015 Outturn £'000	Expenditure statement	2016 Appropriation £'000	Prospective status for 2016 (£'000)		
			Actual (Jan-Apr)	Forecast (May-Dec)	Total (Jan-Dec)
84	Performance/language	70	2	64	66
37	Language training	37	12	22	34
4	Induction programme for translators	8	0	8	8
125	Expenditure total	115	14	94	108

Status of the Technical Cooperation Fund for 2016

31 The Technical Cooperation Fund budgets for the current biennium are split by geographical regions and were approved in pound sterling by the Assembly in resolution A.1100(29) to comply with IPSAS reporting requirements. As may be seen in table 10 below, the Fund's actual outturn for the first four months of the year, in support of the Organization's Integrated Technical Cooperation Programme (ITCP), amounted to £467,000, representing 9% of the approved budget for 2016. However, taking into account the preparations needed to ensure implementation of the ITCP activities and associated commitments incurred, the overall delivery by the year-end is forecast to reach £4 million.

Table 10
Status of the Technical Cooperation Fund for 2016

2015 Outturn £'000	Expenditure region	2016 Appropriation £'000	2016		Total (Jan-Dec)
			Actual (Jan-Apr)	Forecast (May-Dec)	
739	Africa	1,287	159	645	804
138	Arab States/Mediterranean	360	6	130	136
384	Asia	460	68	332	400
211	Pacific Islands	210	0	194	194
22	Eastern Europe	69	1	41	42
320	Latin America	377	0	340	340
280	Caribbean	343	24	263	287
1,652	Global programmes	2,044	217	1,660	1,877
3,746	Expenditure total	5,150	475	3,605	4,080

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. This year, several major projects funded by the Norwegian Agency for Development Cooperation (NORAD) are due for completion, namely a \$3 million project related to the protection of the marine environment and a project on safe and environmentally sound ship recycling in Bangladesh, with a budget of \$1.5 million. Also concluding this year is a €1.2 million EU-funded project to support training and capacity-building activities aimed at enhancing flag State implementation and port State control in west and central Africa, with a view to upgrading the region's maritime administrations and preparing its States for the IMO Member State Audit Scheme. A new major project has also been established with funds from the EU, which targets capacity building for climate change mitigation in the maritime sector, with funding of €10 million over the 42-month project period. In view of the above and on the basis of the budget programmed by the end of April 2016, extra-budgetary programme expenditure for this year is expected to be largely at the same level as the outturn in 2015, as may be seen in table 11 below.

Table 11
Status of extra-budgetary programmes for 2016

2015 Outturn US\$'000	Expenditure region	2016 Budget* US\$'000	2016		Total (Jan-Dec)
			Actual (Jan-Apr)	Forecast (May-Dec)	
639	Africa	359	205	120	325
692	Arab States/Mediterranean	750	211	510	721
471	Asia	524	114	313	427
6,958	Global programmes	9,208	1,483	5,692	7,175
8,760	Expenditure total	10,841	2,013	6,635	8,648

* The expenditure budget for 2016 is based on the Programme Implementation Documents (PIDs) formulated/revised by 30 April 2016.

Budgetary transfers in 2016

33 On the basis of the review of the status of the regular budget for 2016, significant budget transfers between Strategic Results do not appear necessary until, possibly, the year-end, when actual expenditure in 2016 will have been 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 2015 to be delivered in 2016 amount to £2.7 million under all of the IMO Funds, as stated in Note 7 of the Organization's financial accounts for 2015 (document C 115/5(b)). In accordance with IPSAS, the associated budgets and funds will be carried forward to 2016 as and when the commitments are due for liquidation.

Summary

35 Table 12 summarizes the forecast expenditure status of all budgetary Funds (other than donor/trust Funds) for 2016, showing that total expenditure will amount to £43.2 million by the end of the year, representing an increase of 5% on the 2015 outturn of £41.1 million. Overall savings to the 2016 budget are expected to be approximately £2.65 million, representing 6% of the total approved for the year.

Table 12
Summary of budget prospects for 2016

	2015	2016			Projected Balance as % of Budget (c) / (a)
	Expenditure outturn	Budget (a)	Projection (b)	Balance (c) (a) - (b)	
Regular budget (i)	29,793	32,618	31,345	1,273	4%
Other Funds total (ii)	11,294	13,217	11,836	1,381	10%
Trading Fund	5,041	5,983	5,785	198	3%
Headquarters Capital Fund	1,464	950	845	105	11%
Termination Benefit Fund	918	1,019	1,018	1	0%
Training and Development Fund	125	115	108	7	6%
Technical Cooperation Fund	3,746	5,150	4,080	1,070	21%
TOTAL (i+ii)	41,087	45,835	43,181	2,654	6%

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 2016 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 2016 will be presented, taking into account any changes and developments in the prevailing economic and financial circumstances, to the Council at its 117th session.

Action requested of the Council

37 The Council is invited to:

- .1 note the external pay and price factors review (paragraphs 3 to 5, table 2 and chart 1);
- .2 note the impact of the exchange rate movement and ring-fenced results through the WCF (paragraphs 6 and 7);

- .3 note the forecast outturn level of the regular budget expenditure for 2016, assessed to be kept within the approved appropriation for 2016 (paragraphs 8 to 22, tables 3 and 4 and chart 2);
- .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 5 and 6);
- .5 note the expenditure status of the Headquarters Capital Fund (paragraphs 25 and 26 and table 7);
- .6 note the expenditure status of the Termination Benefit Fund (paragraph 27 and table 8) and the Secretary-General's plan to provide various options to C 117 to adequately build up funds to further meet the actuarial liabilities of the post-employment entitlements (paragraphs 28 and 29);
- .7 note the expenditure status of the Training and Development Fund (paragraph 30 and table 9); and the Technical Cooperation Fund (paragraph 31 and table 10);
- .8 note major funding for extra-budgetary programmes and their expenditure status (paragraph 32 and table 11);
- .9 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);
- .10 note that a total of £2.7 million is recognized under all IMO Funds as outstanding commitments from 2015 to be delivered in 2016, for which the associated budgets and funds will be carried forward to 2016 as and when the commitments are due for liquidation (paragraph 34); and
- .11 note the summary and the Secretary-General's conclusion and his plan to present an updated review of budgetary prospects to C 117 (paragraphs 35 and 36 and table 12).
