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RESOURCE MANAGEMENT

(e) Budget considerations for 2017

Note by the Secretary-General

SUMMARY

Executive summary: This document updates the overview of the Organization's budget prospects for 2017 that was presented to the Council at its 117th session in December 2016 in document C 117/5(c)

Strategic direction: 4

High-level action: 4.0.1

Planned output: 4.0.1.1

Action to be taken: Paragraph 37

Related documents: C 117/5(c), C 116/5(e), A 29/17(c), A 29/17(c)/Add.1, resolutions A.1098(29) and A.1100(29)

Introduction

1 The Secretary-General's preliminary assessment of budget prospects for 2017 was presented to the 117th session of the Council in document C 117/5(c), on the basis of the expenditure trend during the first three quarters of 2016. The Council noted that the forecast outturn of budget execution would be kept within the approved appropriation for 2017 with the exception of the Headquarters Capital Fund, for which supplementary funds were approved. This document presents an updated review of the budget prospects for 2017, on the basis of the first four months' expenditure of 2017.

2 The total appropriation of the regular budget for the 2016-2017 biennium was set at £65.8 million, representing an increase of 2.3% over the previous biennium: £64.3 million. In annual terms, the appropriation for 2016 was approved on the basis of a Zero Nominal Growth (ZNG) budget of £32.6 million, while the appropriation for 2017 reflected Zero Real Growth of 1.6%, to £33.2 million.

3 Table 1 shows the approved appropriations for 2016 and 2017, as decided by resolution A.1100(29). In addition to the approval of the regular budget, the Assembly also approved the budget for the other budgetary Funds of the Organization. The figures in the table also incorporate the supplementary funds to the Headquarters Capital Fund for 2016 and 2017 as decided by the Council at its 117th session.

**Table 1:
Appropriations of regular budget and other Funds of
the Organization for 2016 and 2017**

	2016		2017	
	£'000	YoY Change (%)	£'000	YoY Change (%)
Regular budget (i)	32,618	0.0%	33,154	1.6%
Other Funds total (ii)	13,467	-8.8%	13,316	-1.1%
Trading Fund	5,983	0.7%	6,067	1.4%
Headquarters Capital Fund	1,200	-57.7%	1,179	-1.8%
Termination Benefit Fund	1,019	2.2%	1,103	8.2%
Training and Development Fund	115	-18.4%	117	1.7%
Technical Cooperation Fund	5,150	6.4%	4,850	-5.8%
TOTAL (i + ii)	46,085	-2.7%	46,470	0.8%

Review of externally driven price factors

4 The Council will recall that the regular budget appropriations approved by the last Assembly comprise the costs of regular staff, temporary staff and consultants as part of other personnel, official mission travel and general operating expenses. As these costs are impacted by external factors, the budget was set on a number of assumptions about these external factors. The actual expenditure outturn reflects movements in external pay and price factors in the UK economy and in the salaries and allowance levels set by the International Civil Service Commission (ICSC) and approved by the United Nations General Assembly. Actual costs will vary from budgeted amounts where the actual movements differ from the assumptions made.

Budgetary assumptions and actual movements

5 The approved budget for the 2016-2017 biennium is based on the information about prevailing inflation and exchange rate trends that was available in November 2015, prior to the twenty-ninth session of the Assembly. Table 2 compares the budgetary assumptions for the 2016 2017 biennium with the latest available indices on the UK economy published by the UK Office for National Statistics and the actual movement of the United Nations Operational Rate of Exchange. Chart 1 illustrates the longer-term movement of those indicators.

Table 2:
Trends of economic indicators

All values in %	Assumption	2017				2017	
	2016-2017	Jan	Feb	Mar	Latest Rate*	Average	Range
UK Average Weekly Earnings (AWE) changes ¹	2.00	2.00	2.90		2.90	2.45	2.00-2.90
UK Average Retail Price Index (RPI) changes ²	2.00	2.60	3.20	3.10	3.10	2.97	2.60-3.20
USD/GBP exchange rate ³	1.50	1.22	1.25	1.22	1.29	1.24	1.22-1.29

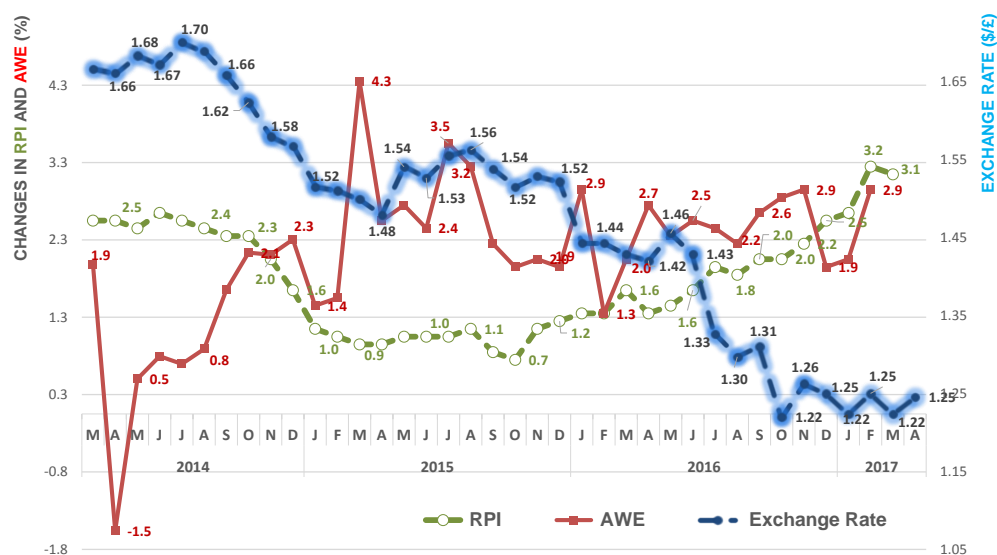
Note 1: Source "Average Weekly Earnings (AWE), seasonally adjusted." from Office of National Statistics.

Note 2: Source "RPI All Items: Percentage change over 12 months" from Office of National Statistics.

Note 3: Source United Nations Operational Rate of Exchange (GBP expressed in USD).

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

Chart 1:
Movements of the budgetary assumption indicators



6 The movement in the economic indices in the UK may be seen from table 2 and chart 1 above: the annual inflation rate, measured in terms of the Retail Price Index (RPI), stood at 3.10% for March 2017, following an upward trend from prior months. Total pay (i.e. including bonuses), measured in terms of Average Weekly Earnings (AWE), increased to 2.90% in February 2017, and averaged 2.45% for the first two months of the year. In comparison to the actuals, the budgetary assumption on inflation was 2% for 2017. This impacts across the different cost categories, but as staff costs form the largest part of the budget, the most material impact of the variance to the budgetary rate would be on in this category. The value of sterling (GBP) against the US dollar (USD) has been volatile, after a period of sharp depreciation. By April 2017, the rate had reached USD1.25:GBP1.00, which represents a decline of around 16% from the \$1.50 budgetary estimation set in November 2015.

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 United Nations Operational Rate of Exchange and the USD:GBP rate adopted for the calculation of appropriations is accounted for under the Working Capital Fund (WCF), in accordance with the Assembly's decision under resolution A.1100(29). 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 agreed that any depletion below that should trigger action by the Council to replenish the WCF to a maximum level of £2 million from any available reserves in the Organization's various Funds.

8 The total budgetary impact of the exchange rate variance for 2016 was £419,855, with an average exchange rate of \$1.36 for the year, while the rate for budgetary purposes was set at \$1.50. As a result of this, the funds available in the WCF as at 31 December 2016 amounted to £1,380,441. Further to the decision of the Council, at its 117th session, to replenish the WCF to £2 million from the savings in the 2016 regular budget, £619,559 has been transferred to the WCF.

9 For 2017, the exchange rate for the first five months of the year has been in the range \$1.22 to \$1.29, with the rate for May 2017 being \$1.28. The exchange rate impact accumulated for the first four months of the year is £280,466, resulting in the funds available for the WCF being depleted to £1,719,534. If the exchange rate is maintained at \$1.30 for the remainder of the year, the forecast exchange rate loss will be £706,000 in total, resulting in a projected WCF fund balance of £1,294,000 at the end of 2017. This would again trigger a need for replenishment. Because of the continuing volatility of the exchange rate, and in particular the strengthening of GBP in recent months, the Secretary-General proposes to continue to monitor the situation, and to offer further proposals to the extraordinary session of the Council if necessary.

Cost-of-living adjustments and pensionable remuneration

10 The majority of the Organization's expenditure relates to staff costs. For the purpose of budgetary planning, the staff costs budget for 2017 reflected interim cost-of-living adjustments and increases of 2% for both staff in the Professional and higher categories and General Service staff, in accordance with the United Nations common system methodology of salary calculation.

11 For the Professional category and above, the Council may also wish to note that with respect to the ICSC's unified compensation package (see document C 117/4(a)), which was approved by the United Nations General Assembly in December 2015, two of the three phases of implementation have come into effect, the first phase from 1 July 2016 and the second from 1 January 2017. The final phase is planned to come into effect in July 2017, along with a number of other revisions to the methodologies and baseline used to calculate post adjustments. The impact of the changes introduced to date is currently estimated to be £678,000. The third phase entails the introduction of sliding scales in the payment of education grants from July 2017, and is expected to reduce expenditure by some £80,000 per year, an estimate based on 2016 claims, which amounted to £850,000.

12 The pensionable remuneration increased by 1.018% from 1 February 2017, as promulgated by the ICSC (ICSC/CIRC/GEN/3/2017). The budgetary assumption for the 2016-2017 biennium was that there would be no change, based on no adjustment having been made since 2013 and the continued freeze in the post adjustment for New York. The budgetary impact of this increase in pensionable remuneration is estimated to be £110,000.

13 The ICSC place-to-place cost-of-living survey for Professional and higher grade staff in all United Nations headquarters duty stations, including London, remains work in progress, with a conclusion expected later in the year. At present it is not expected that there will be any further significant change in the London post adjustment as any change has to a large extent been offset by that produced by the methodology and baseline changes described in paragraph 11. The Council will be informed of the results of the survey, together with any budgetary impacts, at its extraordinary session.

14 For staff in the General Service category, an interim salary scale adjustment under the 12-month rule was implemented in September 2016, with effect from 1 May 2016. Following the same methodology, when considering the prevailing economic parameters in the UK economy shown in table 2 above, the estimate for 2017 equates to a 1.65% pay rise (and the associated pensionable remuneration), compared with the budgetary assumption of 2%. It is therefore forecast that this will be containable within the budget

15 A common cost impacting staff of all categories is the cost of the Organization's health insurance. As of 1 January 2017, the cost of insurance increased by 14.62%, the first significant increase above 2% since 2014. In comparison the budgetary assumption was a 2% increase. The total budgetary impact of this increase on the Organization is estimated to be £120,000 for 2017.

Summary of externally driven price factors and budgetary implications

16 Table 3 summarizes the externally driven pay and price factors that impact staff costs, showing an overall impact of £1.5m for 2017. As a result of these external factors, had the vacancy levels set out in the budget assumptions been maintained, it would have resulted in staff costs exceeding the original budget. However, vacancy levels, particularly in the early months of the year, have been higher than expected, allowing costs to remain within the total staff costs budget. Nevertheless, recruitment is being carefully monitored during 2017.

**Table 3:
Summary of external price factors with regard to the budget for 2017**

External factor	Assumed rate	Current estimate	Estimated impact on 2017 (in £'000)	Comments
Staff costs increases				
ICSC – Professional net remuneration change factoring the UN cost of living methodology changes	2%	5%	615	For forecasting purposes it is assumed the ICSC place-to-place survey is incorporated in the current estimates
ICSC – Professional pensionable remuneration	0%	1.018%	110	In line with the New York post adjustment change.
ICSC – unified compensation package	Nil		(17)	£63,000 increase as a result of Phases 1 & 2, £80,000 reduction as a result of Phase 3
ICSC – General Service cost of living and pensionable remuneration	2%	1.65%	(19)	Based on current trends and projection of inflation to September 2017
Health insurance increase	2%	14.62%	120	
Staff costs Total			£809	
Foreign exchange rate				
Exchange rate	\$1.50	\$1.22 - \$1.30	£706	
Overall Total			£1,515	

Overview of the expenditure and forecast position of the regular budget for 2017

17 The Council will note from table 4, which sets out the expenditure status as at the end of 30 April 2017 and its forecast position for 2017 by expenditure group, that overall expenditure is forecast to be on course, with efficiency savings of approximately £800,000 in the approved regular budget for 2017.

Table 4:
Forecast of the regular budget outturn by expenditure group as at 30 April 2017

2016 Outturn (£'000)	Objects of expenditure	2017 Appropriations (£'000)	2017 Expenditure (£ '000)		
			Actual (Jan-Apr)	Forecast (May-Dec)	Total (Jan-Dec)
22,164	Staff costs*	24,930	7,404	16,621	24,025
1,921	Other personnel**	1,568	635	1,151	1,786
414	Official missions	597	144	371	515
5,016	General operating expenses	5,179	1,447	3,699	5,146
970	Funds replenishment	880	0	880	880
30,485	Total	33,154	9,630	22,722	32,352

* These reflect staff turnover of £550,000 for the 2017 budget.

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

18 Given the above externally driven cost increases, and measures to contain these increases, the current forecast shows that expenditure can be absorbed and maintained within the existing budget. If any unanticipated cost increases can no longer be contained within the appropriation, the Secretary-General will make use of the Special Contingency Account (SCA) as mitigation. The Council may recall that the Assembly, by means of resolution A.1063(28), set up a 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% assumption embedded in the budget for staff costs. However, taking into account the review of possible changes in remuneration noted above, use of the SCA in 2017 is not deemed necessary at this time.

Staff complement and post management

19 The prospective savings in the regular budget for 2017 shown in table 4 are mainly attributable to underspends in staff costs resulting from the time-lapse in filling a number of vacant posts after the separation or retirement of staff. As at 30 April 2017, 40 posts were vacant in the regular budget, 14 Professional and 26 General Service, and efforts have been made to expedite the recruitment process for these posts in line with the Secretary-General's succession and evolution plan. Indeed, as at 30 April 2017, no fewer than 23 of them are at various stages of the recruitment process, having already been advertised. It may be noted that, while further prospective savings in staff costs may arise because nine Professional and two GS staff are due to retire this year, every effort is being made to minimize the time-lapse, particularly for critical posts.

20 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 Junior Professional Officers (JPOs) from interested Member States, IGOs and NGOs (the number of JPOs/secondees totalled seven, as at 30 April 2017, from five Member States); 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

21 The budget for other personnel in table 4 includes the costs of meetings personnel (translators and interpreters), which forms around 55% of the appropriation, the remaining 45% being attributable to temporary assistance, overtime and consultancy. As costs under this component can to an extent 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 where possible, 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. Interpreter-serviced meetings amount to 16 meeting weeks, as approved for 2017, but cost-cutting efforts will be continued through early, effective and efficient arrangement of services for meeting logistics and personnel. The projected overrun of £218,000 on the Other Personnel forecast takes into account the current number of vacant posts, the rate of recruitment and the need for temporary assistance to cover additional workload (which cannot be absorbed by existing staff in addition to their normal duties). This overrun would be funded by vacant-post savings, and consequently the two objects of expenditure should be considered together.

Official mission travel

22 Official mission travel enables the Organization to play a full and effective part in global initiatives on relevant issues. Overall, the projection for 2017 is expenditure of £515,000 and savings of £82,000 against the budget. The budget for 2017 includes the resource requirement for auditors' travel under the mandatory Member State Audit Scheme, which amounts to £300,000 for 2017. Member State Audit Scheme expenditure is projected to increase to £253,000 with comparison to 2016, in line with the 23 audits planned for 2017, before increasing further for 2018, when 25 audits are planned. For other official mission travel, strengthened economy measures have been undertaken. These include forward planning, advance flight/hotel reservation, use of restricted economy class tickets and limited participation in international forums, where feasible. In addition, with the introduction of enhanced videoconferencing technologies in 2017, the use of video or teleconferencing facilities is expected to continue, reducing the need to undertaking missions physically outside London.

General operating expenses

23 General operating expenses include expenditure on the Headquarters premises (rents, rates, utilities and maintenance), office consumables and services (communications, minor equipment, IT maintenance, medical, Maritime Knowledge Centre, meetings and general expenses, etc.) as well as ancillary provisions (public information, shared costs for jointly financed United Nations bodies, etc.). Table 5 indicates that expenditure on this component is on course and will remain within the appropriation approved. Economy measures have been taken through continued tight controls on 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.

Funds replenishment

24 The line item provision of £879,900 in the regular budget for Funds replenishment will be carried out now that the 2016 financial statements have been audited. The provision addresses the sustained contribution of monies to the Headquarters Capital Fund (£120,000) for capital investments and to the Termination Benefit Fund (£759,900) for After Service Health Insurance (ASHI) costs, accrued annual leave and repatriation benefits.

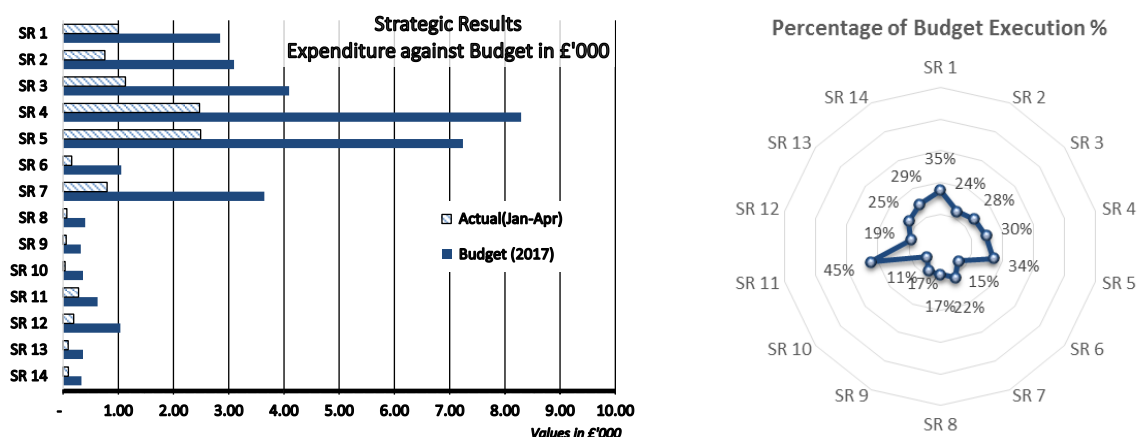
Expenditure details by Strategic Result (SR)

25 A summary of expenditure for each strategic result, which is set out in table 5, shows that total expenditure to 30 April 2017 amounted to £9.63 million, representing 29% of the approved budget for 2017. 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 greater than 24%, with the exception of SRs 6-10 and 12, the pattern largely being driven by the progress of the meetings scheduled.

**Table 5:
Expenditure details of each Strategic Result as at 30 April 2017**

Strategic Results	Approved budget (£'000) 2017 (a)	Expenditure (£'000)		Balance (£'000) £ c=(a)-(b)
		Jan-Apr (b)	% (b/a)	
SR 1 Enhanced status as a primary international maritime forum	2,845	1,002	35%	1,843
SR 2 Enhanced global compliance and uniform implementation	3,097	756	24%	2,341
SR 3 Strengthened capacity-building	4,093	1,130	28%	2,963
SR 4 Enhanced governance, management and administration	8,295	2,470	30%	5,825
SR 5 Enhanced safety of human life at sea	7,242	2,493	34%	4,749
SR 6 Enhanced security of the maritime transport network	1,053	156	15%	897
SR 7 Reduced adverse impact on the environment	3,643	797	22%	2,846
SR 8 Ensured efficiency of shipping	401	70	17%	331
SR 9 Increased attention to SIDS and LDCs	321	55	17%	266
SR 10 Goal-based standards applied	359	38	11%	321
SR 11 Raised profile of the safety, security and environmental records of shipping	624	280	45%	344
SR 12 Enhanced quality of shipping	1,038	194	19%	844
SR 13 Enhanced environmental awareness	359	91	25%	268
SR 14 Reduced administrative burdens	334	98	29%	236
Staff turnover	-550			-550
TOTAL	33,154	9,630	29%	23,524

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



Status of the Trading Fund for 2017

26 As at 30 April 2017, income generated under the Trading Fund amounted to £3.66 million, which comprised £3.38 million from publications sales and £0.28 million from catering and other miscellaneous income, as set out in table 6. Overall income projected for the year is some £1.17 million lower than the 2016 outturn, which is mainly because of the relatively small number of planned new editions in 2017 and the sales cycles of existing editions. On the other hand, catering sales, which were higher than originally planned due to catering function sales, reached some £0.7 million last year. As 2017 is an Assembly year, catering sales are forecast to be around the same level as 2016 based on the existing bookings of function arrangements.

**Table 6:
Status of the Trading Fund for 2017**

2016 Outturn (£'000)	Statement	2017 Appropriations (£'000)	Prospective status for 2017 (£'000)		
			Actual (Jan-Apr)	Forecast (May-Dec)	Total (Jan-Dec)
11,926	Publication sales	10,949	3,386	7,381	10,767
700	Catering	700	164	525	689
343	Interest earnings/ miscellaneous income	371	114	228	342
12,969	Income (a)	12,020	3,664	8,134	11,798
1,471	Publishing personnel	1,766	523	1,098	1,621
2,219	Publishing operating expenses	2,458	652	2,034	2,686
480	Reimbursement/support costs	549	103	407	510
4,170	Publication costs subtotal	4,773	1,278	3,539	4,817
507	Catering personnel	522	151	302	453
660	Catering operating expenses	623	209	418	627
152	Reimbursement/support costs	149	47	94	141
1,319	Catering costs subtotal	1,294	407	814	1,221
5,489	Expenditure (b)	6,067	1,685	4,353	6,038
7,480	Net income for the year (c=a-b)	5,953	1,979	3,781	5,760

27 In respect of Trading Fund expenditure, maximum economies are being sought, wherever possible, both in the delivery of commercial services and in negotiations with external suppliers. Total expenditure is projected at £6.04 million for 2017, which represents 51% of total forecast income, resulting in an in-year surplus of £5.76 million, as can be seen in table 6. The 2016 and 2017 surpluses will be distributed, as shown in table 7, in accordance with the distribution formula in resolution A.1063(28): 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 100%	Technical Cooperation Fund 80%		Headquarters Capital Fund 12.5%	Training and Development Fund 1.5%	Termination Benefit Fund 1.0%	Reduction in Member States' assessments 5.0%
			(WMMU support)				
Actual distribution of 2016 surplus	£7,480,867	£5,984,693	£299,235	£935,108	£112,213	£74,809	£374,044
Prospective distribution of 2017 surplus	£5,760,000	£4,608,000	£230,400	£720,000	£86,400	£57,600	£288,000

Status of the Headquarters Capital Fund for 2017

28 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, on the basis of the outturn as at 30 April 2017. The Council will recall that, following the full assessment of major repair works commissioned by the Host Government last year, a number of works were identified as requiring urgent attention. The Secretary-General is pleased to inform the Council that the work on the air handling units has been completed and building management control system work is in process. The other major works were in relation to the implementation of changes to the Organization's ERP system required to support the ICSC's compensation package changes referred to in paragraph 11. These works are also under way, with the first two phases having been concluded and a further phase to be completed this summer. As a number of these works have continued from 2016 into 2017, the projections are based on progress to date, together with reprioritization of other expenditure to manage to the budget for 2017. In addition, the Secretary-General has, as a matter of priority, sought to address the Organization's wireless network infrastructure, with particular emphasis on the experience for delegates. This work is now under way, and will be contained within the 2017 budget through the further reprioritization of other work and scheduling payments to match the service delivery.

**Table 8:
Status of the Headquarters Capital Fund as at 30 April 2017**

2016 Outturn £'000	Expenditure statement	2017 Appropriation £'000	Prospective status for 2017 (£'000)		
			Actual (Jan-Apr)	Forecast (May-Dec)	Total (Jan-Dec)
202	Major building repairs	297	23	272	295
23	Equipment/furniture/vehicles	20	-	16	16
900	IT/IS and SAP system	862	172	687	859
1,125	Expenditure total	1,179	195	975	1,170

Status of the Termination Benefit Fund for 2017

29 Table 9 shows the status of the Termination Benefit Fund as at 30 April 2017. As the Council may recall from its 117th session, costs relating to repatriation grants and shipping of effects were estimated to be some £675,000. Based on the latest available information the forecast has been revised down to £650,000, although this still exceeds the appropriation of £470,000 by £180,000. This is due to the postponement of some separations and the international status of most of the 11 staff members separating in 2017. The 14.62% increase in health insurance premiums as of 1 January 2017 results in a projected increase of £193,000 in the ASHI cost, which is reflected in the £811,000 outturn for 2017. The cost of cover for staff on long-term sick leave, which also covers parental leave, is being managed within the current appropriation and will continue to be monitored. Therefore, to summarize, the projected overrun on the Termination Benefit Fund is now expected to be £373,000 for 2017. The Secretary-General will monitor the situation closely and provide a further update in the next Council session, together with the options for funding this shortfall.

Table 9:
Status of the Termination Benefit Fund as at 30 April 2017

2016 Outturn £'000	Expenditure statement	2017 Appropriation £'000	Prospective status for 2017 (£'000)		
			Actual (Jan-Apr)	Forecast (May-Dec)	Total (Jan-Dec)
347	Termination and repatriation	470	-	650	650
658	After-service health insurance (ASHI)	618	283	528	811
10	Replacement of long-term sick leave	15	-	15	15
1,015	Expenditure total	1,103	283	1,193	1,476

Status of the Training and Development Fund for 2017

30 Following a learning and development needs assessment in 2016, implementation of the training and development plan is in progress. Various training programmes for leadership, personal development and ICT proficiency will be undertaken through a special arrangement with commercial training providers, while other needs will be met through the use of in-house expertise. The language training and 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 as at 30 April 2017

2016 Outturn £'000	Expenditure statement	2017 Appropriation £'000	Prospective status for 2017 (£'000)		
			Actual (Jan-Apr)	Forecast (May-Dec)	Total (Jan-Dec)
38	Performance/HR Management	71	25	40	65
38	Language training	38	13	22	35
7	Induction programme for translators	8	-	8	8
83	Expenditure total	117	38	70	108

Status of the Technical Cooperation Fund for 2017

31 The Technical Cooperation Fund budgets for the current biennium are split by geographical regions and were approved in GBP by the Assembly in resolution A.1100(29), to comply with IPSAS reporting requirements. As may be seen in table 11, the Fund's actual

outturn to 30 April 2017, in support of the Organization's Integrated Technical Cooperation Programme (ITCP), is low for the year to date. However, taking into account the preparations needed to ensure implementation of ITCP activities and commitments incurred and the impact of the exchange rate for the year, delivery is forecast to reach £4.3 million by the end of the year.

**Table 11:
Status of the Technical Cooperation Fund for 2017**

2016 Outturn £'000	Expenditure region	2017 Appropriation £'000	2017		Total (Jan-Dec)
			Actual (Jan-Apr)	Forecast (May-Dec)	
1,026	Africa	1,213	79	908	987
114	Arab States/Mediterranean	340	6	54	60
285	Asia	430	39	208	247
141	Pacific Islands	200	2	135	137
17	Eastern Europe	65	6	5	11
309	Latin America	356	8	290	298
282	Caribbean	323	60	118	178
2,644	Global programmes	1,923	113	2,247	2,360
4,818	Expenditure total	4,850	313	3,965	4,278

Status of extrabudgetary programmes

32 As the Council may recall, extrabudgetary activities and resources, in conjunction with the major contribution made by the TC Fund, play a fundamental role in promoting the strategic objectives of the Organization, as well as the successful implementation of IMO's treaties by Member States. A number of major projects/programmes are underway as a continuation from the prior year. In addition to the Secretary-General's programme of work in relation to the Delivering Strategy and Reform funded by the Voyage Together Trust Fund, which has included funding for the Development of the Organization's Strategic Framework and preparation for the functional review of the Secretariat, other major programmes include:

- Capacity Building for Climate Change Mitigation in the Maritime Shipping Industry via the network of Regional Maritime Technology Cooperation Centre (MTCC). As at May 2017, five MTCCs¹ have been established. The regional MTCCs will deliver the agreed project milestones over a three-year period, making a significant contribution to IMO's continuing widespread efforts to ensure effective implementation and enforcement of the global energy efficiency regulations for international shipping. The programme in total is funded with €10 million funding from the European Union with allotments paid by achievement of set milestones;
- Global Maritime Transport Industry Towards a Low Carbon Future Through Improved Energy Efficiency (GloMEEP); and
- Ongoing support for the Djibouti Code of Conduct Global Programme.

¹ Pacific Community (SPC) will host MTCC-Pacific, International Maritime University of Panama (UMIP) will host MTCC-Latin America, Jomo Kenyatta University of Agriculture and Technology (JKUAT) will host MTCC-Africa, Shanghai Maritime University in China will host MTCC-Asia and University of Trinidad and Tobago will host MTCC-Caribbean.

**Table 12:
Status of extra-budgetary programmes for 2017**

2016 Outturn US\$'000	Expenditure region	2017 Budget* US\$'000	2017		Total (Jan-Dec)
			Actual (Jan-Apr)	Forecast (May-Dec)	
621	Africa	172	11	135	146
760	Arab States/Mediterranean	800	204	511	715
560	Asia	551	33	347	380
5,862	Global programmes	10,457	1,903	5,246	7,149
7,803	Expenditure total	11,980	2,151	6,239	8,390

** The expenditure budget for 2017 is based on the Programme Implementation Documents (PIDs) formulated/revised by 30 April 2017.*

Budgetary transfers in 2017

33 On the basis of the review of the status of the regular budget for 2017, with the exception of the Termination Benefit Fund and the Working Capital Fund, it is assessed that significant budget transfers between Strategic Results do not appear necessary until the 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 balance.

34 The Council may wish to note that outstanding commitments on goods and services in 2016 to be delivered in 2017 amount to £2.4 million under all of the IMO Funds, as stated in Note 7 of the Organization's financial accounts for 2016 (document C 118/4(b)). In accordance with IPSAS, the associated budgets and funds will be carried forward to 2017 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 2017, showing that total expenditure forecast to be £45.4 million by the end of the year, an increase of 5.6% on the 2016 outturn of £43.0 million. Overall savings are expected to be approximately £1.05 million, representing 2.3% of the total approved budget.

**Table 13:
Summary of budget prospects for 2017**

	2016		2017		Projected Balance as % of Budget (c) / (a)
	Expenditure outturn	Budget (a)	Projection (b)	Balance (c) (a) - (b)	
Regular budget (i)	30,485	33,154	32,352	802	2.4%
Other Funds total (ii)	12,530	13,316	13,070	246	1.8%
Trading Fund	5,489	6,067	6,038	29	0.5%
Headquarters Capital Fund	1,125	1,179	1,170	9	0.8%
Termination Benefit Fund	1,015	1,103	1,476	-373	-33.8%
Training and Development Fund	83	117	108	9	7.7%
Technical Cooperation Fund	4,818	4,850	4,278	572	11.8%
TOTAL (i+ii)	43,015	46,470	45,422	1,048	2.3%

36 While the regular budget is currently projected to have savings for 2017, it is likely that these savings will be necessary to address the funding needs for replenishment of the Working Capital Fund and Termination Benefit Fund, following reviews later in the year. Nevertheless, in the absence of any further unforeseen expenditure, the Secretary-General is confident that the outturn expenditure for 2017 is attainable within the overall approved appropriation of the regular budget and other budgetary Funds. Nevertheless, he will continue to closely monitor budgetary status, 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 2017 will be presented to the Council at its twenty-ninth extraordinary session in November 2017, taking into account any changes and developments in the prevailing economic and financial circumstances.

Action requested of the Council

37 The Council is invited to:

- .1 note the external pay and price factors review (paragraphs 4 to 6, paragraphs 10 to 16, table 2, table 3 and chart 1);
- .2 note the impact of the exchange rate movement and ring-fenced results through the WCF (paragraphs 7 to 9);
- .3 note the forecast outturn level of the regular budget expenditure for 2017, expected to be kept within the approved appropriation for 2017 (paragraphs 17 to 25, tables 4 and 5 and chart 2);
- .4 note the income and expenditure outturn and forecast in the Trading Fund and the consequential in-year surplus distribution (paragraphs 26 and 27 and tables 6 and 7);
- .5 note the expenditure status of the Headquarters Capital Fund (paragraph 28 and table 8);

- .6 note the expenditure status of the Termination Benefit Fund and the forecast requirement for supplementary funding for 2017 (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 £2.4 million is recognized under all of the IMO Funds as outstanding commitments from 2016 to be delivered in 2017, for which the associated budgets and funds will be carried forward to 2017 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.29 (paragraphs 35 and 36 and table 13).
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