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RESOURCE MANAGEMENT

(d) Work programme and budget prospects for 2005

Note by the Secretary-General

SUMMARY

<i>Executive summary:</i>	This document updates the information provided in document C 94/3(e) on the Secretary-General's preliminary consideration of the work programme and budget for 2005. It summarizes the forecast overall budgetary position for 2005, as seen at 31 July 2005 and also sets out the status of the Organization's other Funds: the Printing Fund, the Headquarters Capital Fund, the Termination Benefit Fund, the Training and Development Fund and the Technical Co-operation Fund.
<i>Action to be taken:</i>	Paragraph 21
<i>Related documents:</i>	C 93/9(e), C 94/3(e) and C 94/3(e)/Add.1

Introduction

1 The Secretary-General's preliminary review of the work programme and budget for 2005 was presented to the Council in document C 94/3(e). This document updates the analysis presented on the budgetary prospects for 2005 based on expenditure trends as at 31 July 2005. An update on the work programme, by reference to Major Programme deliverables for 2005, will be presented to the Council in an addendum to this document.

2 This report also contains the status of each of the various Funds of the Organization as at 31 July 2005.

Changes in pay and price factors

3 Variances in expenditure from the approved programme budgets are influenced by movements in external pay and price changes in the United Kingdom economy and by changes in the UN Common System for salaries, allowances and conditions of service, determined by the International Civil Service Commission (ICSC). Thus, the expenditure analysis and forecast in this report takes into account the latest available authoritative evidence of the relevant pay and price changes in the United Kingdom economy. Table 1 below updates the latest movements in the inflation and the average earnings indices in the United Kingdom economy against the budgetary assumptions. These indicate that the relevant economic indicators for 2005 are running ahead of the budgetary assumptions approved by the Assembly at its twenty-third session in November 2003. The Secretary-General had pointed to this trend in his report presented in document C 94/3(e).

Table 1
Changes in pay and price factors

	Budgetary assumptions		Actual
UK Average Earnings Index (AEI)	3.1 %	a/	4.0 %
UK Average Retail Price Index (RPI)	1.4 %	b/	2.9 %
\$/£ exchange rate	\$1.67 to £1	c/	\$1.88 to £1

a/ Average of 12 months at June 2005 *

b/ Annual inflation rate - 12 month percentage change at July 2005 *

c/ Average of seven months (Jan. to Jul. 2005) United Nations operational exchange rates

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

Status of the regular programme budget

Forecast of the year-end balance of the regular budget

4 Based on the expenditure trends during the first seven months of the current year, the Secretary-General has reviewed the overall expenditure status of programme budgets. He has concluded that with continued careful planning and prudent management, the Organization's annual expenditure can be contained within the level of the total approved appropriation for the present year, although there will be some minor variations in the outturn levels under individual Major Programmes. Tables 2 and 3 below set out a summary forecast outturn for 2005 seen as at 31 July 2005, by reference to Major Programmes and by object of expenditure, respectively. The forecast expenditure for 2005 is based on the pay-bill disbursed as at 31 July 2005 and the forecast staff resource level for the remainder of 2005, taking into account prospective pay and price increases and the human resource profile of vacant posts and planned recruitment.

Table 2
Status of appropriations as at 31 July 2005 by Major Programmes
(expressed in pounds sterling)

2004 Outturn	Major Programmes	2005 Appropriations 1/	2005 Expenditure			Year-end balance forecast
			Actual (Jan-Jul)	Forecast (Aug-Dec)	Total	
871,597	1. General policy and direction	1,062,200	547,200	513,600	1,060,800	1,400
2,860,071	2. Maritime safety and security	3,213,600	1,713,100	1,394,700	3,107,800	105,800
1,680,946	3. Marine environment protection	1,884,200	977,600	786,900	1,764,500	119,700
736,804	4. Legal affairs	837,600	478,000	358,600	836,600	1,000
127,257	5. Facilitation of maritime traffic	139,700	80,900	73,500	154,400	-14,700
1,180,112	6. TC and institutional development	1,417,200	793,900	621,700	1,415,600	1,600
4,942,390	7. Conference services	5,374,600	2,790,100	2,324,900	5,115,000	259,600
2,614,794	8. Administrative services	2,627,000	1,520,200	1,094,700	2,614,900	12,100
951,015	9. External relations and Info services	929,600	532,500	396,700	929,200	400
741,556	10. Information technology	795,400	452,700	326,800	779,500	15,900
822,810	11. Publishing services	1,009,900	492,700	347,000	839,700	170,200
4,872,979	12. Indirect programmes 2/	4,593,500	1,953,100	2,810,700	4,763,800	-170,300
3/ -	Staff turnover	-200,000	-	-	-	-200,000
22,402,331	Total appropriation/ expenditure	23,684,500	12,332,000	11,049,800	23,381,800	302,700

1/ Reallocated, as endorsed by the Council at its ninety-third session C 93/9(e)

2/ These include general operating expenses, Headquarters premises and other budgetary provisions, as reflected in Table 3 below

3/ Staff turnover in 2004 was planned at £200,000 and was absorbed in the staff costs outturn

Table 3
Status of appropriations as at 31 July 2005 by objects of expenditure
(expressed in pounds sterling)

2004 Outturn	Objects of expenditure	2005 Appropriations	2005 Expenditure			Year-end balance forecast
			Actual (Jan-Jul)	Forecast (Aug-Dec)	Total	
15,515,111	Staff costs in gross (a)	17,371,700	9,254,100	7,163,800	16,417,900	953,800
1/ -	Staff turnover (b)	-200,000	-	-	-	-200,000
742,749	Overtime/Temp assistance/Consultancy (c)	474,000	466,300	307,800	774,100	-300,100
16,257,860	Personnel costs in net (d=a-b+c)	17,645,700	9,720,400	7,471,600	17,192,000	453,700
1,044,562	Meetings	1,145,300	552,700	583,100	1,135,800	9,500
272,161	Official missions	300,000	105,800	184,400	290,200	9,800
1,457,372	General operating expenses (e)	1,395,800	767,300	658,100	1,425,400	-29,600
2,753,314	Headquarters premises (f)	2,656,400	867,200	1,855,000	2,722,200	-65,800
100000	Capital investment programme(g)	100,000	0	100,000	100,000	0
517,062	Other budgetary provision (h) 2/	441,300	318,600	197,600	516,200	-74,900
4,827,748	Indirect programmes (i=e+f+g+h)	4,593,500	1,953,100	2,810,700	4,763,800	-170,300
22,402,331	Total appropriation/expenditure	23,684,500	12,332,000	11,049,800	23,381,800	302,700

1/ Staff turnover in 2004 was planned at £200,000 and was absorbed in the staff costs outturn

2/ This comprises medical insurance for retirees, recruitment costs, External Audit and cost sharing for jointly-financed UN common services

Personnel costs

5 From Tables 2 and 3 above, it will be noted that the year-end balance of appropriation is re-estimated at £302,700, to which personnel costs savings mainly contribute. Management of the vacancy levels during 2005 has been influenced by the following four factors and the net effect is reflected as a forecast saving of £453,700 in personnel costs as shown in Table 3:

- (i) the approved budgetary requirement to maintain 34 Professional work-months vacant in 2005 to achieve a lapse factor at £200,000;
- (ii) the closure of the Production Unit by 31 December 2005 (see C 94/3(e)) will result in the loss of 13 posts. By retirement and redeployment strategies, the Secretary-General is progressively achieving the objective of securing the planned efficiency gains, whilst ensuring that the individual staff members concerned are not adversely affected;
- (iii) building on the ERP and Change Management Reforms the Secretary-General has achieved further efficiency gains by continued redeployment and organizational changes and, where cost effective, early retirement arrangements. The applicable termination benefit payments are financed by the Termination Benefit Fund (see paragraph 17 below); and
- (iv) the planned recruitment to a number of Professional posts has been adversely affected in the first part of 2005 as a result of some successful candidates withdrawing their applications. The current vacancy level will fall over coming months as the Production Unit staff are progressively redeployed and advertised posts are filled.

6 On the basis of the United Kingdom's Retail Price Index (RPI) movements, a provision was made in the 2005 appropriation for a 1.4 percent cost-of-living increase for Professional and higher level staff in July 2005¹. However, the RPI movement did not trigger a cost-of-living adjustment for London-based Professional staff, yielding a saving of £38,000. The ICSC is carrying out a Place-to-Place cost-of-living survey in all UN Headquarters duty stations for Professional and higher grade staff. The results of the Commission's conclusions and recommendations on this and related pay and benefits issues will be provided to the Council's ninety-sixth session in June 2006 and will not have a retrospective effect to 2005.

7 In accordance with the ICSC's interim adjustment methodology on salary increases for General Service staff, a 2 percent increase in the General Service salary scale was planned to take place in October 2005. However, based on the movement of the prevailing RPI and AEI in the United Kingdom's economy, it is expected that the interim increase for General Service salaries will be in the range between 3.0 to 3.5 percent, which would lead to unbudgeted additional costs of some £13,000. The net effect of these adjustments in Professional and General Service salaries is estimated to accrue a small saving of £25,000, which is included in the year-end balance forecast for staff costs as provided at Table 3.

8 Staff costs include benefits and allowances payable under the ICSC Common System provisions, which include the Organization's contribution to the United Nations Joint Staff Pension Fund (UNJSPF) and the provision for staff social security and health insurance. The Secretary-General has reviewed each of these cost elements for 2005 and concluded that the total

¹ The methodology prescribed by the ICSC relating to post adjustment allowances at the Headquarters duty stations provides for increases to take place either after a full 5% movement in the local Retail Price Index (RPI) or after the completion of 12 months, whichever occurs first.

planned appropriations for staff costs will cover a prospective shortfall in the appropriation for staff medical insurance which had been foreshadowed in document C 94/3(e). The Secretary-General is seeking external assistance on the provision of an actuarial valuation of the Organization's prospective liability for staff health insurance and for medium-term budgetary planning, an indicative assessment of the Organization's liability over the next five years. The outcome of this research will be reported to the Council's ninety-sixth session in June 2006.

International meetings

9 The Council will recall that, to enable the increasingly heavy agenda of the extraordinary session of the Council preceding the Assembly session to be addressed effectively and productively, the Council approved the Secretary-General's proposal to extend the twenty-third extraordinary session of the Council by one additional day. The additional cost, estimated at £8,000, will be absorbed within the overall Meetings' appropriation for 2005. Moreover, the Secretary-General will ensure that the annual budget provision for Meetings will be managed so that any increases in the pay scale of the interpreters and the contracted translators recruited to service meetings (the negotiations of which are conducted at UN inter-agency level) are kept within the approved appropriation. It is estimated that the year-end savings in the Meetings programme will amount to some £9,500 based on the programme set out in Table 4 below.

Table 4
Status of Meetings as at 31 July 2005

	Meeting-weeks Plan for 2005	Meeting-weeks held January-July	Meeting-weeks to be held August-December
ASSEMBLY	2.0	0.0	2.0
COUNCIL	1.4*	1.0	0.4
MSC, MEPC	2.6	2.6	0.0
TC Committee	0.6	0.6	0.0
Sub-committees	9.0	7.0	2.0
Legal Committee	2.0	2.0	0.0
Facilitation Committee	1.0	1.0	0.0
London Convention	1.0	0.0	1.0
Diplomatic Conferences	1.0	0.0	1.0
Total	20.6	14.2	6.4

* Including one additional day for the extraordinary session of the Council as approved by C 93

Indirect costs and capital investment programme

10 As reported to the Council at its ninety-fourth session, the forecast expenditure in respect of indirect costs, notably the Organization's overhead costs of running and maintaining the Organization's Headquarters premises, is expected to incur some overruns, reflecting the rising costs of providing an enhanced level of security for the Organization's premises; rising insurance costs; and the implementation of Business Continuity arrangements which can support the Organization's IT infrastructure and databases on a 24/7 basis. These increased levels of expenditure will be offset from savings in other costs.

11 The emphasis, which the Secretary-General has placed on efficiency gains and prudent management of staff resources, will facilitate the delivery of the provision which had been made in the regular budget for a capital expenditure allocation of £100,000. It is therefore expected that this provision may be transferred to the Headquarters Capital Fund at the end of 2005. This

new budget line was established at the last Assembly to contribute to the re-building of the Organization's Headquarters Capital Fund and its investment programme. In this context, the Council will recall that the Assembly, at its twenty-third session, gave the Secretary-General the flexibility in managing the Organization's human resource requirements to draw upon this provision at his discretion. As noted in paragraph 15, the Secretary-General did not draw upon this contingency for 2004.

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

12 The Organization's cash flows in respect of the regular budget are entirely dependent on the payment of contribution receipts from Member States. Table 5 below provides the forecast financial position for 2005 and displays the prospective level of accumulated surplus under the General Fund at the year-end. As shown, a cash surplus of some £287,000 is projected at the year-end. This prospective positive outcome compares with a cash deficit at the end of 2004 of £539,364. The reasons for the improved forecast cash position partly lie in the increase in the level of contribution receipts: based on receipts in recent months, this is now re-forecast at 97.4 percent of the assessment; the improvement is also partly attributable to the forecast savings in appropriation. The Secretary-General would like to thank Member Governments for the efforts they have made to fulfil their financial obligations. The Secretary-General very much hopes that the full and timely payment of assessed contributions and settlement of prior years' arrears will yield consistent improvements in the end year prospects.

Table 5
Status of the General Fund for 2004 and 2005

2004 Outturn £	Statement	2005 Appropriation £	Status for 2005		
			Actual (Jan-Jul)	Forecast (Aug-Dec)	Total £
19,538,670	Assessed contribution	21,363,600	16,237,300	4,570,800	20,808,100
347,376	TC support cost income	400,000	144,100	113,900	258,000
1,403,700	Reimbursement from the Printing Fund	1,451,700	846,800	604,900	1,451,700
573,221	Interest earnings and miscellaneous income	469,200	282,700	212,000	494,700
21,862,967	Income (a)	23,684,500	17,510,900	5,501,600	23,012,500
17,553,133	Direct programme costs	19,091,000	10,378,900	8,239,100	18,618,000
4,849,198	Indirect costs including capital investment	4,593,500	1,953,100	2,810,700	4,763,800
22,402,331	Expenditure (b)	23,684,500	12,332,000	11,049,800	23,381,800
-539,364	Surplus/deficit income over expenditure (c=a-b)	0	5,178,900	-5,548,200	-369,300
2,290,821	Accumulated surplus from prior years (d)	1,752,530	2,216,159	0	2,216,159
-250,000	Less: Transfers to other Funds (e)	-500,000	-75,000	0	-75,000
714,702	Outstanding contribution for the year (f)	0		555,500	555,500
2,216,159	Year-end fund balance (g=c+d-e+f)	1,252,530	7,320,059	-4,992,700	2,327,359
-1,406,130	Less: Arrears from previous years (h)	-1,144,593		-1,484,600	-1,484,600
-714,702	Less: Arrears from the current year (i)	0		-555,500	-555,500
95,327	Cash available at year end (j=g-h-i)	107,937	7,320,059	-7,032,800	287,259

Status of other Funds of the Organization

13 The following paragraphs set out the status of the other Funds of the Organization, namely, the Printing Fund, the Headquarters Capital Fund, the Termination Benefit Fund, the Training and Development Fund and the Technical Co-operation Fund. A summary income and expenditure statement table of the Organization's Funds is provided at annex. This annex compares the planned income and expenditure with the forecast end year position for each of the Organization's Funds, taking account of prior years' balances. The executive summary shown at annex gives the key points.

The Printing Fund

14 As at 31 July 2005, the income generated from the sale of IMO publications amounted to some £3.76 million as set out in Table 6. This figure represents approximately 72 percent of the forecast revenue appropriation approved for 2005. The revenue forecast for 2005 is expected to reach £6.4 million on the basis of prevailing sales trends and taking into account the demand for the revised edition of the IMDG Code. On current trends, the net income for 2005 including other miscellaneous incomes will amount to £2.4 million, contributing to an increased accumulated surplus level of the Printing Fund of some £4.6 million at the end of 2005.

Table 6
Status of the Printing Fund for 2005

2004 Outturn £	Statement	2005 Appropriation £	Status for 2005		
			Actual (Jan-Jul)	Forecast (Aug-Dec)	Total £
6,281,491	Publication sales	5,196,700	3,758,300	2,348,900	6,107,200
65,021	Interest earnings and miscellaneous income	60,000	189,600	135,400	325,000
6,346,512	Income (a)	5,256,700	3,947,900	2,484,300	6,432,200
1,120,409	Personnel	1,306,800	587,000	513,600	1,100,600
121,299	Official missions/promotions	135,000	46,700	72,300	119,000
466,845	Contract-out (printing)	455,000	207,600	222,400	430,000
712,965	Operating expenses	1,095,500	400,300	328,800	729,100
1,403,700	Reimbursement to the regular budget	1,451,700	846,800	604,900	1,451,700
-	Others (Model courses, etc.)	196,700	21,900	174,800	196,700
3,825,218	Expenditure (b)	4,640,700	2,110,300	1,667,890	4,027,100
2,521,294	Net income for the year (c=a-b)	616,000	1,837,600	816,410	2,405,100
2,248,731	Accumulated surplus from prior years (d)	1,425,380	3,520,025	0	3,520,025
-1,250,000	Less: Transfers to other Funds (e)	-1,250,000	-1,250,000	0	-1,250,000
3,520,025	Year-end fund balance (f=c+d-e)	791,380	4,107,625	816,410	4,675,125

The Headquarters Capital Fund

15 The Assembly, at its twenty-third regular session, in resolution A.942(23), approved that the cash surplus of the General Fund of £300,000 and the accumulated surplus of the Printing Fund of £250,000, be transferred, in each year of the biennium, to the Headquarters Capital Fund for continued financing of the capital investment programmes. However, due to the shortfall in the cash surplus of the General Fund as at 31 December 2004, the transfer from the General Fund to the Headquarters Capital Fund was reduced to £50,000 for 2005. The transfer from the Printing Fund of £250,000 for 2005 was made as approved. A capital transfer from the regular

budget of £100,000 for 2004 took place in January 2005 as noted in paragraph 11 and a further replenishment of £100,000 from the regular budget is expected to be made at the end of 2005.

16 The Council will recall, in the wider context of the contemplated refurbishment of the Organization's Headquarters' Building, that the Headquarters Capital Fund services all of the Organization's infrastructure needs, namely, IT capital investment and infrastructure systems' replacement and upgrading, as well as funding the Organization's 20 percent contribution to the cost of capital works to the Organization's Headquarters' Building under the terms of the Lease Agreement with the host Government. Taking into account the decreasing level of the Fund and uncertain funding requirements of the Refurbishment Programme, the programme for 2005, summarized in Table 7, has been reassessed and downsized to meet only key organizational investment needs. It will be recalled that the reduced budgetary provision in the Headquarters Capital Fund for Meetings' documentation reprographic equipment reflects a change in procurement policy – namely, from a capital/purchase agreement to a “pay as you go” arrangement, as reported in document C 94/3(e). Consequently, the downsizing of the 2005 programme will lead to a Fund balance at the end of December 2005 of approximately £1.29 million as projected in Table 7.

Table 7
Status of the Headquarters Capital Fund for 2005

2004 Outturn £	Statement	2005 Appropriation £	Status for 2005		
			Actual (Jan-Jul)	Forecast (Aug-Dec)	Total £
450,000	Transfers from other Funds	550,000	400,000	100,000	500,000
87,549	Interest earnings and miscellaneous income	70,000	33,500	21,500	55,000
537,549	Income (a)	620,000	433,500	121,500	555,000
96,256	Major building repairs	125,000	0	64,300	64,300
0	Meetings and documentation equipment	233,000	1,000	0	1,000
106,923	Replacement of furniture/equipment/vehicle	50,000	14,900	20,000	34,900
502,846	Improving information technology	500,000	134,000	335,000	469,000
922,013	Contract ERP/system support costs	250,000	133,700	50,000	183,700
1,628,038	Expenditure (b)	1,158,000	283,600	469,300	752,900
-1,090,489	Net income for the year (c=a-b)	-538,000	149,900	-347,800	-197,900
2,575,335	Accumulated surplus from prior years (d)	909,307	1,484,846	0	1,484,846
1,484,846	Year-end fund balance (f=c+d)	371,307	1,634,746	-347,800	1,286,946

The Termination Benefit Fund

17 The status of the Fund for 2005 based on the first quarter's expenditure trends was reported to the Council in document C 94/3(e). Since then, the planned expenditure under this Fund has been affected by two factors: early retirements following re-organization and re-structuring; and the management decision on the closure of the Production Unit in the Publishing Services. Table 8 below displays the status of the Termination Benefit Fund and the projection takes into account prospective separations of staff from service during the second half of the year. The increase in staff separations and repatriations, following the management reforms noted above and foreshadowed by the Secretary-General in document C 94/3(e), will require a supplementary provision of £258,700². The Secretary-General therefore seeks the Council's approval to this supplementary estimate which will be met from the reserves of

² Appropriation for 2005 of £226,500 minus forecast expenditure of £485,200.

the Fund. As there is no replenishment currently planned from other sources, the year-end balance of the Fund will be reduced to approximately £578,000. The Council will note that fresh funds are needed to rebuild the base of the Fund as well as to meet future repatriation and termination indemnity needs.

Table 8
Status of the Termination Benefit Fund for 2005

2004 Outturn £	Statement	2005 Appropriation £	Status for 2005		
			Actual (Jan-Jul)	Forecast (Aug-Dec)	Total £
	Transfers from other Funds	0	0	0	0
45,915	Interest earnings and miscellaneous income	50,300	20,200	13,000	33,200
45,915	Income (a)	50,300	20,200	13,000	33,200
265,915	Repatriation and termination indemnity	157,500	336,300	122,300	458,600
55,491	Replacement of long-term sick leave staff	69,000	15,500	11,100	26,600
321,406	Expenditure (b)	226,500	351,800	133,400	485,200
-275,491	Net income for the year (c=a-b)	-176,200	-331,600	-120,400	-452,000
1,305,839	Accumulated surplus from prior years(d)	1,183,329	1,030,348	0	1,030,348
1,030,348	Year-end fund balance (e=c+d)	1,007,129	698,748	-120,400	578,348

The Training and Development Fund

18 The Training and Development Fund was established to finance the costs of the Organization's Change Management Programme. The appropriation approved for 2005 was set at £193,000. However, due to an insufficient cash surplus under the General Fund as at 31 December 2004, a much reduced transfer of £25,000 was made compared to the £200,000 which was approved in resolution A.942(23). The Secretary-General therefore had no option but to downsize the 2005 training programme, as shown in the expenditure forecast in Table 9. The year-end balance of the Fund is projected at some £110,700, which falls well below the Organization's future training and development needs.

Table 9
Status of the Training and Development Fund for 2005

2005 Outturn £	Statement	2005 Appropriation £	Status for 2005		
			Actual (Jan-Jul)	Forecast (Aug-Dec)	Total £
50,000	Transfers from other Funds	200,000	25,000	0	25,000
5,243	Interest earnings and miscellaneous income	3,000	3,600	2,100	5,700
55,243	Income (a)	203,000	28,600	2100	30,700
34,592	Human resource management	153,000	11,000	34,500	45,500
0	Financial and budgetary management	40,000	0	0	0
34,592	Expenditure (b)	193,000	11,000	34,500	45,500
20,651	Net income for the year (c=a-b)	10,000	17,600	-32,400	-14,800
104,867	Accumulated surplus from prior years (d)	30,000	125,518	0	125,518
125,518	Year-end fund balance (e=c+d)	40,000	143,118	-32,400	110,718

The Technical Co-operation Fund

19 The Technical Co-operation (TC) Fund has become the Organization's major financial resource base to support the Organization's Integrated Technical Co-operation Programme (ITCP). It will be noted from Table 10 that the forecast expenditure of some £3.1 million for 2005 will take up 81 percent of the appropriation and that the consequential year-end Fund balance is forecast at some £3.1 million, taking into account the transfer of £1 million from the surplus of the Printing Fund for 2005 as approved by the Assembly.

Table 10
Status of the Technical Co-operation Fund for 2005

2004 Outturn £	Statement	2005 ^{1/} Appropriation £	Status for 2005		
			Actual (Jan-Jul)	Forecast (Aug-Dec)	Total £
1,000,000	Transfers from other Funds	700,000	1,000,000	0	1,000,000
395,746	Interest earnings and misc. income	400,000	99,300	56,700	156,000
1,395,746	Income (a)	1,100,000	1,099,300	56,700	1,156,000
1,437,110	Project personnel	1,607,900	543,900	454,500	998,400
203,460	Official missions	386,800	201,000	129,200	330,200
868,263	Group training and fellowship	1,042,500	293,300	567,900	861,200
469,053	Sub-contracts	472,900	14,700	464,100	478,800
131,784	Equipment	256,300	75,900	65,600	141,500
52,795	Sundry and miscellaneous	93,600	247,900	50,400	298,300
3,162,465	Expenditure (b)	3,860,000	1,376,700	1,731,700	3,108,400
-1,766,719	Net income for the year (c=a-b)	-2,760,000	-277,400	-1,675,000	-1,952,400
6,809,743	Accumulated surplus from prior years (d)	2,651,186	5,043,024	0	5,043,024
5,043,024	Year-end fund balance (f=c+d)	-108,814	4,765,624	-1,675,000	3,090,624

1/ Based on TCC document TC53/5 and revised plans in the individual Programme Implementation Documents (PIDs)

Summary

20 In the absence of any unforeseen expenditure, the Secretary-General concludes that the budget appropriation for the regular budget approved for 2005 remains attainable. The Secretary-General and the senior management team are taking all necessary steps to ensure that the Organization's annual expenditure programme matches the resources available. The Secretary-General will continue to monitor costs and explore the scope for savings to offset any increases whilst securing the Organization's deliverables and the work programme.

Action requested of the Council

21 The Council is invited to:

- .1 note the forecast outturn level of the regular budget expenditure for 2005 (paragraph 4 and Tables 2 and 3) and authorize, further to the approval given by the Council at its twenty-second extraordinary session and the Assembly at its twenty-third session, the Secretary-General to make transfers between Major Programmes to the extent that balances are available to cover or reduce deficits in programme appropriation balances;

- .2 note the Secretary-General's plan, subject to any unforeseen expenditure demands during the remaining months of the year, to transfer the appropriation for capital investment of £100,000 to the Headquarters Capital Fund (paragraph 11);
- .3 note the forecast level of the year-end cash surplus of the General Fund (paragraph 12 and Table 5) and the dependency of this forecast on a sustained improvement in the level of contribution receipts; accordingly, to urge Member Governments to remit their financial contributions promptly in accordance with the Organization's Financial Regulations and Rules;
- .4 welcome the anticipated increase in Publications' sales for 2005 and the prospective improvement of the Printing Fund year-end balance which would become available for transfer in 2006 and 2007 (paragraph 14 and Table 6);
- .5 note the reduced expenditure forecast in the Headquarters Capital Fund and the consequential year-end fund balance and reserves (paragraph 16 and Table 7);
- .6 approve the supplementary provision of £258,700 to the 2005 appropriation of the Termination Benefit Fund from the reserves of the Fund and note the year-end fund balance and reserves (paragraph 17 and Table 8);
- .7 note the downsized level of programmes in the Training and Development Fund and the consequential forecast year-end fund balance and reserves (paragraph 18 and Table 9);
- .8 note the forecast expenditure level for 2005 in the Technical Co-operation Fund and the year-end balance and reserves (paragraphs 19 and Table 10); and
- .9 welcome the Secretary-General's commitment to securing the Organization's programme needs within the approved appropriation.

ANNEX
EXECUTIVE SUMMARY: FUNDS OVERVIEW FOR 2005

	2005 budget status	Overall Fund status
General Fund (Regular budget)	<ul style="list-style-type: none"> • Pay and prices levels running a little ahead of budgetary assumption • Continuation of post management to ensure savings • Impact of some rising costs, e.g. security and medical insurance planned to be offset by other staff cost savings • Forecast budgetary surplus for 2005 of some £302,700 	<ul style="list-style-type: none"> • Insufficient cash balance at 1.1.2005 limited transfers to the Headquarters Capital Fund and the Training and Development Fund • But improved contribution receipt and budgetary surplus should lead to positive cash balance forecast at 31.12.2005 of some £287,300 • Forecast year-end cumulative arrears stands at £2.04m
Printing Fund	<ul style="list-style-type: none"> • Publication sales forecast further reviewed at £6.1m (17% over planned increase) • Costs of production below budget by 13% to save some £614,000 • Forecast net income of approximately £2.4m – against planned target of £616,000 	<ul style="list-style-type: none"> • Transfers to TC Fund of £1m and to HQs Capital Fund of £0.25m made on 1.1.2005 • Sound fund balance after transfers • Forecast cumulative balance at 31.12.2005 of £4.7m
Headquarters Capital Fund	<ul style="list-style-type: none"> • Capital programme reduced to build reserves • Replacement of reprographic machine has been made based on a lease agreement to be funded from the regular budget. The HQCF funding therefore not required • Reduced transfer to £50,000 at 1.1 2005 from the General Fund surplus but expected replenishment from capital investment provision of £100,000 in the regular budget 	<ul style="list-style-type: none"> • Forecast end-year balance at 31.12.2005 of some £1.3m • But future normal liabilities run typically at £0.7m to £1.1m annually • New budget line in regular budget of £100,000 insufficient to establish core funding • Long-term financing is an issue: cash injections needed to meet on-going future liabilities either by increased regular budget provision or by transfers from other Funds
Termination Benefit Fund	<ul style="list-style-type: none"> • No replenishment of fund during 2005 • Closure of Production Unit and voluntary termination agreement increased demand on the Fund • A supplementary provision of £258,700 is required 	<ul style="list-style-type: none"> • Cumulative year-end balance forecast to be at £0.6m • Continued replenishment required in future to reflect External Auditor's prior recommendation that the Fund be built up as a contingent liability
Training and Development Fund	<ul style="list-style-type: none"> • Transfers approved by Assembly of £200,000 but transfer of only £25,000 achievable at 1.1.2005 because of insufficient cash position in the General Fund as at end 2004 • Activity for 2005 downsized to fit reduced transfer 	<ul style="list-style-type: none"> • Cumulative Fund status forecast at some £111,000 at 31.12.2005 • Need to review Fund replenishment
Technical Co-operation Fund	<ul style="list-style-type: none"> • Transfers to Fund of £1m from the Printing Fund surplus • Forecast expenditure level of £3.1m comparable to 2004 outturn 	<ul style="list-style-type: none"> • Cumulative year-end balance forecast to be at £3.1m • Continued replenishment required to sustain the ITCP activities

THE FORECAST STATUS OF THE ORGANIZATION'S FUNDS FOR 2005

	General Fund (GF)		Printing Fund (PF)		Headquarters Capital Fund		Termination Benefit Fund		Training and Development Fund		Technical Co-operation Fund	
	A 942(23)	forecast	A 942(23)	forecast	A 942(23)	forecast	A 942(23)	forecast	A 942(23)	forecast	TC53/5*	forecast
Assessed contributions	21,363,600	20,808,100	0	0	0	0	0	0	0	0	0	0
Capital investment programme from GF	0	0	0	0	0	200,000	0	0	0	0	0	0
Transfers from the GF Cash reserves	0	0	0	0	300,000	50,000	0	0	200,000	25,000	0	0
Transfers from the PF reserves	0	0	0	0	250,000	250,000	0	0	0	0	700,000	1,000,000
Reimbursements from the Printing Fund	1,451,700	1,451,700	0	0	0	0	0	0	0	0	0	0
Donor programme support costs	400,000	258,000	0	0	0	0	0	0	0	0	0	0
Publication sales	0	0	5,196,700	6,107,200	0	0	0	0	0	0	0	0
Interest earnings and other miscellaneous income	469,200	494,700	60,000	325,000	70,000	55,000	50,300	33,200	3,000	5,700	400,000	156,000
Total income and transfer (a)	23,684,500	23,012,500	5,256,700	6,432,200	620,000	555,000	50,300	33,200	203,000	30,700	1,100,000	1,156,000
Personnel costs including experts and consultants	17,645,700	17,192,000	1,306,800	1,100,600	0	0	226,500	485,200	0	0	1,607,900	998,400
IMO Meetings	1,145,300	1,135,800	0	0	0	0	0	0	0	0	0	0
Official missions/ sales promotions	300,000	290,200	135,000	119,000	0	0	0	0	0	0	386,800	330,200
Office automation/ IT	91,300	178,700	195,000	136,500	750,000	652,700	0	0	0	0	0	0
Equipment, vehicles, furnitures	169,800	169,400	151,000	105,700	283,000	35,900	0	0	0	0	256,300	141,500
IMO Headquarters premises	2,656,400	2,722,200	0	0	125,000	64,300	0	0	0	0	0	0
Communications and freight	305,600	214,100	200,000	200,000	0	0	0	0	0	0	0	0
Group training, fellowships and staff training	66,100	34,200	0	0	0	0	0	0	193,000	45,500	1,042,500	861,200
Catering	531,700	545,200	0	0	0	0	0	0	0	0	0	0
Contract-out/ ITCP sub-contracts	0	0	455,000	430,000	0	0	0	0	0	0	472,900	478,800
Reimbursements and income sharing	0	0	1,648,400	1,648,400	0	0	0	0	0	0	0	0
Other operational and miscellaneous costs	772,600	900,000	549,500	286,900	0	0	0	0	0	0	93,600	298,300
Total expenditure (b)	23,684,500	23,381,800	4,640,700	4,027,100	1,158,000	752,900	226,500	485,200	193,000	45,500	3,860,000	3,108,400
Excess/deficit of income over expenditure (c=a-b)	0	-369,300	616,000	2,405,100	-538,000	-197,900	-176,200	-452,000	10,000	-14,800	-2,760,000	-1,952,400
Accumulated reserves from prior years(d)	1,752,530	2,216,159	1,425,380	3,520,025	909,307	1,484,846	1,183,329	1,030,348	30,000	125,518	2,651,186	5,043,024
Less: Transfers to Regular budget/ other Funds (e)	-500,000	-75,000	-1,250,000	-1,250,000	0	0	0	0	0	0	0	0
Outstanding contribution for the year (f)	0	555,500	0	0	0	0	0	0	0	0	0	0
Year-end accumulated fund balance (g=c+d-e+f)	1,252,530	2,327,359	791,380	4,675,125	371,307	1,286,946	1,007,129	578,348	40,000	110,718	-108,814	3,090,624
Less: Arrears from previous years (h)	-1,144,593	-1,484,600	0	0	0	0	0	0	0	0	0	0
Less: Arrears from the current year (i)	0	-555,500	0	0	0	0	0	0	0	0	0	0
Cash available at year-end (j=g-h-i)	107,937	287,259	791,380	4,675,125	371,307	1,286,946	1,007,129	578,348	40,000	110,718	-108,814	3,090,624

* Based on TCC document TC 53/5 and individual programme implementation documents