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RESOURCE MANAGEMENT

(c) Budget considerations for 2018 and 2019

Note by the Secretary-General

SUMMARY

Executive summary:	This document updates the Council on the overall status of the Organization's budget for 2018, and provides a preliminary assessment of the budget prospects for 2019
Strategic direction, if applicable:	7
Output	7.2
Action to be taken:	Paragraph 29
Related documents:	C 120/6(e); C/ES.29/5; A 30/16(c), A 30/16(c)/Add.1 and resolution A.1112(30)

Introduction

1 The Council will recall that, through resolution A.1112(30), the Assembly at its thirtieth regular session approved the total budget of £97.134 million for the 2018-2019 biennium, which included appropriations for the regular budget and other budgetary funds of the Organization. The appropriations approved for each Fund are shown below in table 1.

Table 1
Approved budgets for the 2018-2019 biennium

	Approved Budgets (£'000)	
	2018	**2019**
Regular budget	34,141	35,429
Trading Fund	6,576	6,729
Headquarters Capital Fund	1,144	1,167
Termination Benefit Fund	859	859
Training and Development Fund	115	115
Technical Cooperation Fund	5,150	4,850
Total Annual Budget	**47,985**	**49,149**
Biennial Total		**97,134**

2 The Secretary-General's initial review of the budget prospects for 2018 was presented in document C 120/6(e) to the 120th session of the Council, based on the expenditure trends for the first four months of 2018. This document presents an updated review of the budget status for 2018, based on the expenditure incurred for the first three quarters to 30 September 2018, and further provides a preliminary assessment of the budget prospects for 2019.

Review of key budget assumptions and risks

3 Table 2 provides a brief update on the assumptions which underpin the budget for 2018.

Table 2
Review of the key budget assumptions with external factors for 2018

External factor	Assumed Rate / Measure	Comments	Current position
Statutory increments and take-home pay rises for Professional staff and above	2%	Changes in the costs of Professional staff can arise through changes in the post adjustment, which assesses the cost of living at the duty station, or less frequent changes in the salary scale itself, all of which are determined centrally by the International Civil Service Commission (ICSC). This assumption incorporates any results of the periodic place-to-place survey.	Further to the ICSC's review of the post adjustment classification review circulated in February 2018, the results of the review concluded no change is required in the salary for the United Kingdom. The overall impact is an anticipated reduction in staff costs for the year of £300,000 from the budgeted figure.
Statutory increments and take-home pay rises for General Service staff	3.5%	General Service salary scales are updated annually to reflect local indices, and are periodically reviewed using a salary survey, all determined centrally by the ICSC.	Following the ICSC methodology, based on the Consumer Price Index and Average Weekly Earning index* showed a 2.4% increase over the previous year, triggering an increase of only 2.2% (i.e. 90% of 2.40%) for 2018.The overall impact is an anticipated reduction in staff costs for the year of £65,000 from the budgeted figure.
Inflation for other benefits	2%	Other changes to "non-salary" benefits arising under ICSC rules.	The August Inflation rate of 2.7% was published by the UK Office of National Statistics showing an upward trend from 2.4% in June.
Exchange rate	$1.35	The GBP-USD exchange rate impacts the cost of all USD-based expenditure from the regular budget, most notably the Organization's payments to the UN Joint Staff Pension Fund (UNJSPF) and Daily Subsistence Allowance (DSA) for travel.	Based on the Organization's reference point, the UN Operational Rate of Exchange (UNORE), although highly volatile on a monthly basis, the average rate for the first nine months has been $1.3511:£1, slightly above the budget rate of $1.35:£1. To date, this has resulted in a net gain of £13,000 in staff costs, and the Working Capital Fund remains fully replenished at the £2 m level.
General inflation factors	2 – 4%	Based on a range of different cost categories including other personnel, interpretation, translator costs, building-related business rates, utilities, communication and IT-related costs, local transport, Maritime Knowledge Centre costs, etc.	The most recent UK inflation rate of 2.7% remains within the budgeted range, thus no specific impact is included in the forecast figures.

* Consumer Price Index and Average Weekly Earning index as published by the UK Office of National Statistics.

4 The Council will recall that paragraphs 5 and 6 of document C 120/6(e) provided an update on the financial risks faced in effectively managing the Organization's budget. Since that time, while some of the underlying factors have moved (for example, the rate of internal recruitment is 58% versus the planned rate of 61%), the overall impact on the projected budget has not changed – the staff cost savings for 2018 are projected to be approximately £1.3 m, of which £570,000 will be applied to supplement the Termination Benefit Fund budget, in accordance with the Council's decision at its last session.

5 As per the update provided in table 2, the average United Nations operational exchange rate for the first three quarters of the year was $1.3511 to £1, resulting in an exchange rate gain of £13,000. Thus, the Working Capital Fund balance remains relatively unchanged at £2 m.

6 The financial situation for the regular budget and each Fund is set out below.

Overview of the expenditure and forecast position of the regular budget for 2018

7 Table 3 sets out the expenditure status for the regular budget as at 30 September 2018, along with a forecast for 2018 as a whole. Overall, forecast expenditure is now expected to be £32,031,000, with the primary reason for the difference from the budgeted figure being the adjustments to actual and forecast staff costs explained in paragraph 4 above. This forecast varies little from that presented to the Council at its previous session.

Table 3
Forecast of the regular budget outturn by expenditure group as at 30 September 2018

2017 Outturn (£'000)	Objects of expenditure	2018 Appropriations (£'000)	2018 Expenditure (£ '000) Actual (Jan-Sept)	Forecast (Oct-Dec)	Total (Jan-Dec)
23,036	Staff costs* (note 1)	25,944	17,949	6,692	24,641
2,068	Other personnel**	1,800	772	598	1,370
441	Official missions	597	285	246	531
4,884	General operating expenses	4,890	2,733	1,845	4,578
880	Funds replenishment	910	910	0	910
31,309	**Total**	**34,141**	**22,649**	**9,381**	**32,030**

** These reflect staff turnover of £1,200,000 for the 2018 budget*

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

Staff complement and post management

8 Of the regular budget vacant posts at the end of September 2018, 63% were covered by temporary staff as a short-term measure, with over 20 posts currently under active recruitment.

Other personnel

9 The budget for other personnel in table 3 includes the costs of meetings personnel (translators and interpreters), temporary assistance, overtime and consultancy costs. As at 30 September 2018, 12.6 of the year's 16.6 meeting weeks had been concluded. A review of the standard interpretation rates is under way at a United Nations system level, the result of which could impact the Organization's costs in this area. With relatively little time remaining in 2018, it is expected that any impact will be contained within the approved budget. The implications for 2019 may be more challenging as outlined in paragraph 22. The remaining budget under this category of expenditure relates to temporary assistance, overtime and consultancy, all of which are carefully managed to ensure that resources are used effectively.

Official mission travel

10 Official mission travel enables the Organization to engage with external bodies to leverage and contribute effectively in global initiatives on relevant issues. The projection for 2018 includes the auditors' travel under the Mandatory Member State Audit Scheme, which was expected to utilize £300,000 for 2018, based on the initial schedule of 23 audits. With the confirmation of 20 audits being delivered in the year, the budget utilization is now projected to be slightly under the budgeted amount for 2018. For other official mission travel, strengthened economy measures have been undertaken, resources are managed carefully, with use of restricted and economy tickets where practicable, and an increased use of videoconferencing technologies such as Skype for Business have been implemented in 2017 and 2018.

General operating expenses

11 General operating expenses include expenditure on the Headquarters premises (rents, rates, utilities and maintenance), office consumables and services (communications, minor equipment, IT maintenance, medical unit, Maritime Knowledge Centre, meetings and general expenses) as well as ancillary provisions (public information, shared costs for jointly financed United Nations bodies, etc.). Table 3 indicates that expenditure on this component will remain within the approved appropriation.

Funds replenishment

12 The annual funds replenishment for 2018 for the Termination Benefit Fund and Headquarters Capital Fund, totalling £910,000 was completed earlier in the year.

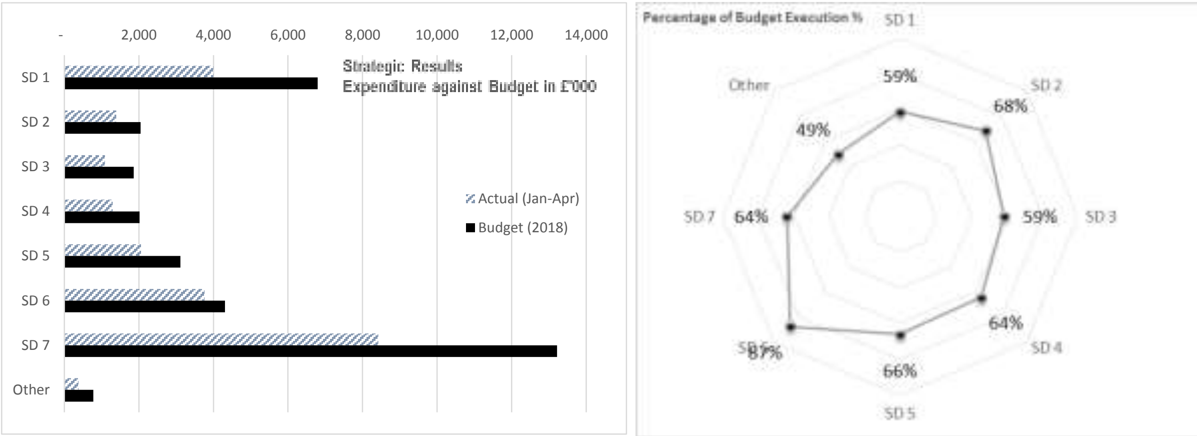
Expenditure details by strategic direction (SD)

13 A summary of expenditure for each strategic direction, which is set out in table 4, shows that total expenditure to 30 September 2018 amounted to £23.3 million, representing 68% of the approved budget for 2018. As can be seen in chart 1, which illustrates the comparison of expenditure with the approved budget for each strategic direction, most strategic directions show a budget execution rate greater than 60%, with the exception of SD 1, SD 3 and Other Work, the pattern largely being driven by the progress of the meetings scheduled. It is not currently anticipated that any transfer of funds between strategic directions will be necessary for 2018.

Table 4
Expenditure details of each Strategic Direction as at 30 September 2018

Strategic Direction		**Approved budget (£'000)** 2018 (a)	**Expenditure (£'000)** Jan - Sept (b)	% (b/a)	**Balance** (a) - (b)
SD 1	Improve implementation	6,799	3,998	59%	2,801
SD 2	Integrate new technologies and advancing into the regulatory framework	2,046	1,393	68%	653
SD 3	Respond to climate change	1,861	1,089	59%	772
SD 4	Engage in ocean governance	2,017	1,296	64%	721
SD 5	Enhance global facilitation and security of international trade	3,111	2,057	66%	1,054
SD 6	Ensure regulatory effectiveness	4,310	3,760	87%	550
SD 7	Ensure organizational effectiveness	13,222	8,422	64%	4,800
OW	Other Work	775	383	49%	392
Total		**34,141**	**23,294**	66%	11,743

Chart 1:
Comparison of expenditure with the approved budget for each Strategic Result



Status of the Trading Fund for 2018

14 As at 30 September 2018, income generated under the Trading Fund amounted to £10.82 million, which comprised £9.98 million from publications sales and £0.84 million from catering and other miscellaneous income, as set out in table 5. The published titles with the greatest contribution to sales revenue were the GMDSS Manual, STCW, IMDG Code and the new MARPOL consolidated edition. Further publications sales growth is expected in the final quarter from continuing sales of the new release of the IMDG Code and IMDG Code Supplement. For catering sales, the forecast is based on existing bookings of function arrangements, with levels of external functions forecast to be higher than had been budgeted, although lower than the Assembly year of 2017.

Table 5
Status of the Trading Fund for 2018

2017 Outturn (£'000)	Statement	2018 Appropriations (£'000)	Prospective status for 2018 (£'000) Actual (Jan-Sept)	Forecast (Oct-Dec)	Total (Jan-Dec)
11,475	Publication sales	11,168	9,977	2,103	12,080
1,062	Catering	600	525	170	695
323	Interest earnings/ miscellaneous income	306	318	122	440
12,860	**Income (a)**	**12,074**	**10,820**	**2,395**	**13,215**
1,560	Publishing personnel	2,249	1,306	653	1,959
2,091	Publishing operating expenses	2,246	1,374	900	2,274
494	Reimbursement/support costs	591	348	202	550
4,145	**Publication costs subtotal**	**5,086**	**3,029**	**1,755**	**4,784**
554	Catering personnel	542	374	165	539
745	Catering operating expenses	782	748	63	811
169	Reimbursement/support costs	166	146	19	165
1,468	**Catering costs subtotal**	**1,490**	**1,268**	**247**	**1,515**
5,613	**Expenditure (b)**	**6,576**	**4,297**	**2,002**	**6,299**
7,247	**Net income for the year (c=a-b)**	**5,498**	**6,523**	**393**	**6,916**

15 In respect of Trading Fund expenditure, total expenditure is projected at £6.3 million for 2018, which represents 47% of total forecast income, resulting in an in-year surplus of £6.9 million which significantly exceeds the planned amount. The 2017 and 2018 surpluses will be distributed, as shown in table 6, in accordance with the distribution formula in resolution A.1100(29) for 2017 and A.1112(30) for 2018.

Table 6
Distribution of Trading Fund surpluses

	In-year surplus amount	Technical Cooperation Fund*	Headquarters Capital Fund	Training and Development Fund	Termination Benefit Fund	Support to the regular budget
Actual distribution of 2017 surplus	**£7,247,000**	**£5,797,600**	**£905,875**	**£108,705**	**£72,470**	**£362,350**
Prospective distribution of 2018 surplus	£6,916,318	£5,256,401	£864,540	£103,745	£69,163	£622,469

** For 2017 in line with RES.1100(29) 5% of the Technical Cooperation Fund has been ring-fenced to support the World Maritime University amounting to £289,560*

Status of the Headquarters Capital Fund for 2018

16 The Headquarters Capital Fund comprises the three major components of the Organization's capital investments: building management; IT and IS infrastructure and applications; and SAP, the Organization's Enterprise Resources Planning (ERP) system. The Organization has a major work plan for the building agreed in conjunction with the host country, who fund 80% of that work. The most significant components of the work nearing conclusion for 2018 include health and safety improvements such as the transformer safety upgrades, building lightning protection and waterproofing of the plant room. The Organization's investment in Information Technology and Information Systems (IT/IS) during 2018 includes the preparation for a major refresh of the desktop and laptop systems used by the Secretariat, including an upgrade to Microsoft 365. This will both improve the efficiency of the Organization's work through providing tools for collaborative and remote working and, importantly, ensure that the Organization is well-placed to minimize the risks associated with cyber security. IT/IS have also implemented enhancement of the IMOSpace system to provide a forum for the work of correspondence groups, and has further enhanced GISIS. The Organization is developing a long-term SAP systems roadmap, with work commencing on a review of the SAP funds management capability aligned to the work on funds management reform highlighted in document C 121/5(e)/1, to refine Human Resources and payroll processes and procedures, and to enhance remote access to the system and simplify the user interface. Given the timing of the IT refresh work mentioned earlier, some of the SAP work has been rephrased to be delivered in 2019. Overall, it is projected that the expenditure for this Fund can be managed within the set appropriations for 2018, as shown in table 7.

Table 7
Status of the Headquarters Capital Fund as at 30 September 2018

2017 Outturn £'000	Expenditure statement	2018 Appropriation £'000	Prospective status for 2018 (£'000) Actual (Jan-Sept)	Forecast (Oct-Dec)	Total (Jan-Dec)
207	Major building repairs	306	151	268	419
6	Equipment/furniture/vehicles	20	8	15	23
363	IT/IS	468	174	464	638
248	SAP system	350	-	60	60
824	**Expenditure total**	**1,144**	**333**	**807**	**1,140**

Status of the Termination Benefit Fund for 2018

17 Table 8 shows the status of the Termination Benefit Fund as at 30 September 2018. The Council will recall that, due to the change in the mandatory retirement age from 62 to 65, the budget was prepared on the assumption that the number of separations for 2018 and 2019 would be significantly lower than in previous biennia. In practice, as described in document C 120/6(f), the departure rate has been lower but not to the extent expected – this has

contributed both to lower staff costs in the regular budget and to higher than expected costs in the Termination Benefit Fund. The Council's decision, at its last session, to supplement the Termination Benefit Fund is reflected in table 8 below, which shows that expenditure is expected to be contained within the revised budget. This trend may continue into 2019 and the situation will be closely monitored.

Table 8
Status of the Termination Benefit Fund as at 30 September 2018

2017 Outturn £'000	Expenditure statement	2018 Appropriation* £'000	Prospective status for 2018 (£'000) Actual (Jan-Sept)	Forecast (Oct-Dec)	Total (Jan-Dec)
783	Termination and repatriation	600	77	460	537
756	After-service health insurance (ASHI)	800	597	179	776
2	Replacement of long-term sick leave	29	10	6	16
1,541	**Expenditure total**	**1,429**	**684**	**645**	**1,329**

**The appropriation includes the original appropriation of £859,000 and the further supplement of £570,000 as approved by the Council in its 120th session.*

Status of the Training and Development Fund for 2018

18 Following a learning and development needs assessment, implementation of the training and development plan is in progress. The training for various training programmes such as the mandatory management and leadership training, personal development and ICT proficiency is being delivered through 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. Overall, the budget is being closely monitored to manage within the approved appropriation, as shown in table 9.

Table 9
Status of the Training and Development Fund as at 30 September 2018

2017 Outturn £'000	Expenditure statement	2018 Appropriation £'000	Prospective status for 2018 (£'000) Actual (Jan-Sept)	Forecast (Oct-Dec)	Total (Jan-Dec)
50	Performance/HR Management	70	35	32	67
39	Language training	37	27	6	33
1	Induction programme for translators	8	-	5	5
90	**Expenditure total**	**115**	**62**	**43**	**105**

Status of the Technical Cooperation Fund for 2018

19 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.1112(30), to comply with IPSAS reporting requirements.

20 As shown in table 10, the Fund's actual outturn to 30 September 2018, in support of the Organization's Integrated Technical Cooperation Programme (ITCP) appears low – however the Organization's policy, in line with International Public Sector Accounting Standards (IPSAS), is to recognize expenditure only when services are delivered not at the point at which they are contracted. Therefore, taking into account the preparations needed to ensure implementation of ITCP activities and the commitments incurred to date, along with the impact of exchange rate movements, delivery is forecast to reach £4.9 million by the end of the year.

Table 10

Status of the Technical Cooperation Fund for 2018

2017 Outturn £'000	Expenditure region	2018 Appropriation £'000	2018 Actual (Jan-Sept)	2018 Forecast (Oct-Dec)	2018 Total (Jan-Dec)
952	Africa	1,287	473	750	1,223
117	Arab States/Mediterranean	360	49	267	317
244	Asia	460	125	307	432
232	Pacific Islands	210	26	171	197
31	Eastern Europe	69	37	27	64
304	Latin America	377	17	345	362
264	Caribbean	343	137	193	329
2,192	Global programmes	2,044	1,128	875	2,003
4,336	**Expenditure total**	**5,150**	**1,992**	**2,935**	**4,927**

Status of extrabudgetary programmes

21 The extrabudgetary activities and resources are a vital part of delivering the strategic objectives of the Organization as well as the successful implementation of IMO's treaties and technical instruments by Member States. The last session of the Council was informed of the various externally funded major projects / programmes that are underway. An update of the progress of these projects along with any new initiatives during the reporting period is summarized below:

.1 **Capacity-Building for Climate Mitigation in the Maritime Shipping Industry via the network of Regional Maritime Technology Cooperation Centres (MTCCs)**, or the Global MTCC Network (GMN) Project in short. The project is funded (Euro 10 million) by the European Union and is implemented by IMO. All five MTCCs have become fully operational in 2018 and have been delivering capacity-building activities in the respective regions as well as undertaking pilot projects related to fuel consumption data collection and low-carbon technologies and practices. During the reporting period, the GMN project has delivered 10 capacity-building activities and continued with implementation of the respective Pilot Projects which are due for completion in 2019. Confirmation was also received that in late 2018, branch offices of MTCC-Asia and MTCC-Pacific will be established in Myanmar and Samoa respectively. The Secretariat is currently in discussion with the EU, and other donor communities, to identify opportunities to sustain the framework beyond the current project time frame (2016-2019) and further contribute to the implementation of the IMO initial GHG strategy.

.2 **Transforming the Global Maritime Transport Industry towards a Low Carbon Future through Improved Energy Efficiency (GloMEEP).** The GloMEEP Project, being executed by IMO in partnership with UNDP, is mainly funded ($2 million) by the Global Environment Facility (GEF). The overall goal of the Project is to strengthen the national capabilities for countries to become party to, and effectively implement, MARPOL Annex VI. During the reporting period, the GloMEEP Project has finalized development of five guides to support countries in addressing emissions from ships and in ports, has delivered capacity-building workshops in the 10 GloMEEP Lead Pilot Countries (LPCs) on the prevention of port air emissions, and supported LPCs in the development of national emissions baseline reports, national strategies to address ship emissions, and legislation to incorporate MARPOL Annex VI into national law. The project also continued to collaborate with the industry through its Global Industry Alliance (GIA) to Support Low Carbon

Shipping to tackle challenges of decarbonizing the shipping sector. The GloMEEP Project is expected to conclude in December 2018. Considering the strategic importance of this project in supporting the IMO initial GHG strategy, the Secretariat, through UNDP, has submitted a new project concept to the GEF to follow-up and scale-up the GloMEEP under the new GEF-7 funding cycle.

.3 **Building Partnerships to Assist Developing Countries to Minimize the Impacts from Aquatic Biofouling (GEF-UNDP-IMO GloFouling Partnerships).** This Project was initiated based on the requests made by IMO Member States to build capacity in developing countries for implementing the 2011 IMO Biofouling Guidelines. The Project (2018-2022) is funded by the GEF with a $6.98 million grant and with an additional $41 million in co-financing (mostly in-kind) from all participating countries and stakeholders. During the reporting period, the Secretariat has completed the final arrangements with the GEF and UNDP before starting full-scale implementation of the Project.

.4 **Safe and Environmentally Sound Ship-recycling in Bangladesh – Phase II – Capacity-Building (SENSREC Phase – II)**. Following the completion of the SENSREC Phase-I project, IMO is implementing a follow-up project in Bangladesh with funding ($1.1 million) from the Norwegian Ministry of Foreign Affairs which will mainly focus on capacity-building and training. During the reporting period, the project recruited the national project manager, concluded the project implementation agreements and commissioned the first work package that will assist developing a roadmap for government of Bangladesh to accede to the Hong Kong Convention.

.5 **Marine Environment Protection for Southeast Asian Seas (MEPSEAS)**. The MEPSEAS project, being funded ($2 million) by the Norwegian Agency for Development Cooperation (Norad) and implemented by IMO, is a follow-up project to the IMO-Norad foundation project delivered during 2012-2017 that provided assistance to six east Asian countries in ratifying and implementing IMO instruments for the protection of the marine environment. The project, during the reporting period, has made progress in achieving the targets set for 2018 including identifying national lead agencies, developing national work plans, forming national task forces, recruitment of national and international consultants, identifying the strategic project partners including ASEAN-MTWG, PEMSEA and Tokyo MoU Secretariat and holding the first high-level regional meeting of the project in Indonesia.

.6 **The Global Initiative for West and Central Africa (GI WACAF)** is a joint initiative between IMO and the oil and gas industry (BP, Chevron, ENI, Exxon Mobil, Shell, Total and Woodside) whose mission is to strengthen the capability for preparedness and response to oil spills in 22 countries of West, Central and South Africa. The project was launched in 2006 and is funded through contributions from its member companies (approx. $350,000 to $450,000 per year, depending on membership), and IMO through its ITCP. The project organizes and delivers workshops, seminars and exercises that aim to communicate good practice in all aspects of spill preparedness and response, drawing on expertise and experience from within governments, industry and other organizations working in this specialized field.

Table 11

Status of extrabudgetary programmes for 2018

2017 Outturn US$'000	Expenditure region	2018 Budget* US$'000	2018 Actual (Jan-Sept)	Forecast (Oct-Dec)	Total (Jan-Dec)
347	Africa	115	36	76	112
889	Arab States/Mediterranean	700	617	55	672
377	Asia	549	105	389	494
7,530	Global programmes	2,349	1,196	425	1,621
9,143	**Expenditure total**	**3,713**	**1,954**	**945**	**2,899**

** The expenditure budget for 2018 is based on the Programme Implementation Documents (PIDs) formulated / revised by 30 September 2018*

Preliminary consideration for the 2019 budget

22 As noted in table 1, the budgets approved for 2019 are £35.4 million for the regular budget and £13.7 million for other Funds of the Organization. In reviewing the outlook of the budgetary status for 2019, the situation with respect to budgetary assumptions and risks for 2018 set out in paragraphs 3 to 5 and table 2 also apply. In addition, the following key factors are expected to impact on the budget during 2019:

.1 **high levels of volatility in the financial markets** – the United Kingdom is expected to exit from the European Union (termed "Brexit") in March 2019. Uncertainty around the terms of the exit and the nature of future relationships have led to significant market volatility and, more importantly, a wider than usual range of projections for the coming year. The pound sterling (GBP) remains volatile against the US Dollar and other currencies, while the extent to which inflation is impacted also depends on the nature of the future trading relationship. This is against a backdrop of globally increasing interest rates in response to inflationary factors and the consequent impact on exchange rates. IMO has an exposure to the GBP-USD exchange rate in particular, in the form of the United Nations Joint Fund Pension Fund payments and travel expenses, denominated in USD. Local inflation in the United Kingdom has an impact on the General Services Staff Costs, some categories of Professional Services benefits and General Operating Expenditure. There is at this stage no need to revise projections, but the situation will require careful monitoring and review;

.2 **United Nations International Civil Service Commission (ICSC) proposals to the General Assembly impacting upon Staff Costs** – the 2018 report of the ICSC has been submitted for consideration by the United Nations General Assembly during its seventy-third session, a summary of the implication to the Organization is detailed in document C121/5(a). From the proposals due for the General Assembly's consideration, based on the information promulgated, the staff Base/floor salary scale for staff in the Professional and higher categories, net remuneration margin and pensionable remuneration changes, along with changes to the dependency allowance structure are expected to be containable within the existing budget;

.3 **additional meeting services** – at the Council's 120th session, a number of decisions were taken on the meetings programme, including inter alia the provision of Arabic language interpretation services commencing in 2019, an additional interpretation session for LEG, a five-day meeting for FAL, and the trial increase of the meeting time for NCSR to eight days. In aggregate, it is anticipated that this additional work will increase direct meeting costs for 2019 by approximately £105,000, although the actual situation will require careful review. In the first instance, the Secretariat will endeavour to try and contain this increase within the existing budgets where possible, these increases being to some extent offset for 2019 by a delay in the conclusion of negotiations at a United Nations level to increase interpretation rates. Depending on the timing and outcome of those interpretation rate meetings, supplementary funds may be required, but it is too early to accurately predict the outcome, and the Council will be kept informed; and

.4 **separation and ASHI (Termination Benefit Fund)** – as noted in paragraph 16, the budgetary assumptions for 2018-2019 anticipated that the increase in staff retirement age from 62 to 65 would lead to a significant drop in the separation rate throughout the current biennium. However, for 2018, this has not proved to be the case – while the rate of separation has been lower than previous biennia, the drop has not been as significant as expected, leading both to staff cost savings in the regular budget and increased costs in the Termination Benefit Fund. Should this trend continue in 2019, a similar resolution to that agreed by Council at its last session, may again be necessary, i.e. to supplement the Termination Benefit Fund budget with resources available in the regular budget, particularly given the fact that these variances are connected by a common cause.

23 Overall, current projections indicate that, with the possible exception of the Termination Benefit Fund, all funds can be managed within the approved budget for 2019.

Summary

24 Table 12 summarizes the forecast expenditure status of all budgetary funds (other than donor/trust funds) for 2018, showing that total expenditure is forecast to be £45.8 million by the end of the year, an increase of 4.8% on the 2017 outturn of £43.7 million.

Table 12
Summary of budget prospects for 2018

	2017	2018		
	Expenditure outturn	Budget (a)	Projection (b)	Balance (c) (a) - (b)
Regular budget	31,309	34,141	32,030	2,111
Trading Fund	5,613	6,576	6,299	277
Headquarters Capital Fund	824	1,144	1,140	4
Termination Benefit Fund*	1,541	1,429	1,329	100
Training and Development Fund	90	115	105	10
Technical Cooperation Fund	4,336	5,150	4,927	223
Total	**43,713**	**48,555**	**45,830**	**2,725**

** Supplemented further to the Council's authorization in C120*

25 Following a review of the status of the regular budget for 2018 it is assessed that significant budget transfers between strategic directions (including "Other work") will not be necessary at this stage. 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 directions (including "Other work") to the extent that balances are available to cover or reduce deficits in each strategic directions' (including "Other work") appropriation balance.

26 The overall expenditure for 2018 of the Organization's other Funds are expected to remain within the budget approved for the year.

27 As noted above, with the exception of the Termination Benefit Fund, expenditure is expected to remain within the approved budget. The Council should note, however, the increased uncertainty affecting foreign exchange and inflation, and the risks to the meetings budget arising as a result in changes in the meeting programme, the extension of service provision, and the uncertainty related to interpreter rate increase.

28 The Secretary-General will continue closely monitoring the budgetary status, while ensuring that the Organization's work is delivered efficiently, and will provide the Council with a further update on the budgetary situation for 2019 at its next session.

Action requested of the Council

29 The Council is invited to:

.1 note the review of the key budget assumptions and risks, including the status of the Working Capital Fund (paragraphs 3 to 5 and table 2);

.2 note the forecast level of the regular budget expenditure for 2018, expected to be kept within the approved appropriation (paragraphs 7 to 13, tables 3 and 4 and chart 1);

.3 note the income and expenditure in the Trading Fund and the projected surplus distribution (paragraphs 14 to 15, tables 5 and 6);

.4 note the expenditure status of the Headquarters Capital Fund (paragraph 16 and table 7) the Termination Benefit Fund (paragraph 17 and table 8), Training and Development Fund (paragraph 18 and table 9) and the Technical Cooperation Fund (paragraph 19, 20 and table 10);

.5 note the funding and delivery of the Organization's extrabudgetary programmes (paragraph 21 and table 11);

.6 note the main features considered in the preliminary assessment of budget prospects for 2019 (paragraph 22 and 23);

.7 authorize the Secretary-General to make, as and when necessary, timely transfers between strategic directions (including "Other work") to the extent that balances are available to cover or reduce deficits in strategic directions (including "Other work") appropriation balances, in accordance with the Organization's Financial Regulations and Financial Rules (paragraph 25); and

.8 note the summary, the Secretary-General's summary and conclusion as well as his intention to present an updated review of budget prospects for 2019 to the next session of the Council (paragraphs 24 to 28 and table 12).

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