



International Mobile Satellite Organization

ADVISORY COMMITTEE

Twentieth Session

11 – 13 December 2007

Agenda item 6

IMSO/AC/20/7

Origin: Director

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**IMSO DRAFT BUDGET FOR 2008
GMDSS AND LRIT**

<i>Executive Summary:</i>	this document discusses the 2007 financial outcome and proposes draft GMDSS and LRIT budgets for 2008
<i>Action to be taken:</i>	<ol style="list-style-type: none">1. to note the forecast financial outturn for 2007 relating to GMDSS and LRIT and that the accounts for 2007 will be audited early in 2008.2. to agree the 2008 budgets for GMDSS and LRIT, noting that the final total will be calculated based the November 2007 UK RPI once published.3. to note the illustrative budgets for 2009 and 2010.
<i>Related documents:</i>	

1 2007 GMDSS BUDGET: FINANCIAL OUTCOME

1.1 At its Eighteenth Session, the Committee agreed the 2007 GMDSS operational budget of **£718,460** – Column (1) of **Annex I**. At its Nineteenth Session, the Committee noted, with appreciation, the Director's agreement with the outcome of the discussions with Inmarsat regarding the budget for 2007 and beyond; in particular that Inmarsat agreed to pay the full 2007 IMSO budget of £718,460 with certain provisos which are further discussed in Section 2. The Committee also agreed that funds which were not expended under salary and one off costs should not be transferred to other items and should be returned to Inmarsat.

1.2 The financial year runs from 1 January to 31 December. The budget generally follows the amounts and five main items noted by the Assembly, i.e. salary, office maintenance, rental, travel and meetings.

1.3 In accordance with item 2.1(a) of its Terms of Reference, the Committee is requested to give its guidance and advice to the Director on the attached provisional interim financial accounts for financial year 2007 (columns (1), (2) and (3) of the Table in **Annex I** refer). The 2007 year to end forecast outturn (column (1)) consists of eight months of actual expenditure (January to August) and four months indicative forecast (September to December). It is hoped that an updated forecast will be made available to the meeting. It is anticipated, based on current projections, that the budget for 2007 will be underspent by approximately **£60,938**, as follows:

1.4 **Salaries** – expected to be underspent by **£26,451**

(a) **Salaries**: overspent by £4,069

Gross salaries show a slight overspend due to unpredictable monthly variations in the UN package of the Director (post adjustment and US dollar exchange rate)

(b) **Allowances**: underspent by £19,878

Non-residents and Dependant Allowances for the Director are directly linked to his salary and consequently show a slight overspend. Education allowance has been underspent based on actual cost.

(c) **Employer Costs**: underspent by £10,642

- life assurance shows an overspend: the 2007 budget was based on forecast costs which are still not actually known but it is expected that this will reduce;
- medical insurance costs have been higher than forecast as the previous Director was contractually entitled to cover for three months after the termination of his contract;
- the figure for national insurance for the two local staff was incorrectly over-budgeted so shows a large saving;
- the Language Training allowance for the Director has not been expended.

- 1.5 **Office Maintenance** – expected to be overspent by **£12,024**
- (a) **Accounting Support**
The cost of accounting support has been overspent by £2,000 as the Accountant has attended additional days due to extended budget discussions at the two sessions of the Advisory Committee held in January and February. The cost of payroll support has now been separated out from accounting support.
- (b) **Pension Provider Fees**
The budget for pension provider fees has been overspent due to higher costs than forecast and because of additional work carried out in relation to the establishment of the pension scheme for the new Director.
- (c) **Printing, Office Supplies and Postage** – overspent by £2,284, £3,390 and £1,455, respectively, due to the unexpectedly high cost of supporting the Nineteenth (Extraordinary) Session of the Assembly in March 2007, the new proposed amendments to the Convention, as well as additional expenditure relating to the installation of the new Director in April 2007.
- (d) **Telephone and Mobile Phone** – these two items have now been separated out; there has been an overspend of £1,000 relating to a certain period of overlap for the mobile phone for both the previous and the current Director; a new corporate mobile phone contract has now been established for all staff;
- (e) **IT Services** – a small underspend of £1,600 relating to the fourth computer workstation which has not yet been provided;
- (f) **Website** – a small overspend of £555 is anticipated.
- (g) **Bank charges** – a small underspend of £272 is anticipated.
- 1.6 **Rental** – on budget.

- 1.7 **Travel and Hospitality** – expected to be underspent by **£6,943**
- (a) Travel – underspent by **£7,088** – some planned travel for the Director and the Deputy Director has not been undertaken.
 - (b) Hospitality – overspent by **£2,410** – there has been an increase in the level of hospitality during 2007 mainly due to the departure of the previous Director and the installation of the new Director;
 - (d) Parking Fees - underspent by **£739**
 - (c) Congestion Fee - underspent by **£1,526** – the congestion charge for the first four months of the year was actually paid in 2006; careful planning has ensured that the charge is not paid on days when the Director is away on mission or leave.
- 1.8 **Assembly and Committee Meetings** – expected to be underspent by **£19,478**
- (a) Assembly – expected to be underspent by **£14,625** – less delegates attended than budgeted for;
 - (b) Advisory Committee – expected to be overspent by **£3,870**; the budget was based on four two-day meetings during 2007, each attended by 30 delegates, whereas nine days of meetings are being held, with more than 40 delegates attending on average;
 - (c) Translations – expected to be underspent by **£632** – the record of decisions of and Convention amendments adopted at the Nineteenth (Extraordinary) Session of the Assembly, the amendments to the Convention proposed by the United States and the IMSO Brochure have been translated into the three official languages.
- 1.9 **Contingency Fund:** a agreed contingency fund of one percent of the total budget, i.e. **£6,463**, has not been expended and will be returned to Inmarsat.
- 1.10 **One Off Costs:** relate to the repatriation package for the previous Director and the installation of the current Director; as agreed, unexpended

funds of **£13,627** will be returned to Inmarsat as part of the surplus underspend.

1.11 **Amount to be credited back to Inmarsat at year end**

The forecast for 2007 indicates a forecast underspend of approximately **£60,938**. As agreed, unexpended funds relating to allowances, one off costs and the contingency fund will be returned to Inmarsat. It is stressed that the figures set out in the 2007 budget forecast are subject to change once actual figures are available. The actual financial transaction will be made after the accounts are audited.

1.12 In accordance with the Organization's usual financial practice, the accounts will be audited at the commencement of 2008.

2 **2008 DRAFT GMDSS BUDGET**

2.1 The Director held discussions with Inmarsat regarding the draft Budget for 2008, in the light of comments made at the Nineteenth Session of the Committee, and Inmarsat has recognised that the Director's remuneration comprises base salary plus various allowances which are adjusted in line with the recommendations of the International Civil Service Commission (ICSC). In paying annual budgets to IMSO, Inmarsat has requested that the budget is prepared on the basis of known and planned costs against allowances rather than budgeting the full allowance where it is known the full cost may not be used. In making this request, Inmarsat also recognised that actual allowance entitlements may fluctuate, depending on personal circumstances, and as such may increase or decrease within the overall allowances permitted within the International Civil Service Commission guidelines. Inmarsat will accept reasonable requests by IMSO for interim payments, if needed to meet substantial increases in allowance entitlements that may arise during the year, and which cannot be covered by any surpluses accumulated in IMSO's expenditure against the agreed budget for that year.

2.2 The Director's proposed 2008 GMDSS Budget is set out in Column (4) of **Annex I**, and the Committee is requested, in accordance with item 2.1(a) of its Terms of Reference, to give its guidance and advice thereon.

2.3 At its Seventeenth Session, the Committee agreed that the UK RPI as at November of each year should also be used in the preparation of future budgets. On the advice of the Accountant, for the purposes of preparation of this document, an indicative RPI of 4.5 percent has been used which will be adjusted, if necessary, once the November 2007 figure is published by the UK Government in mid-December 2007.

2.4 **Salaries** – an increase over 2007 of **£12,894**

(a) **Salaries:**

As noted previously by the Committee, the Deputy Director and Head of Administration, Finance and Conferences remain on their current contracts pending an advancement to UN packages once LRIT funding is secured; in accordance with normal practice, an increase of 4.5 percent RPI has been included, plus 2 percent for progression of salaries at the discretion of the Director. The UN package for the Director contains variable factors and is subject to change during 2008. An overall increase of 3 percent has therefore been included.

(b) **Allowances:**

As indicated in paragraph 2.2 above, actual estimated costs of the education allowance for the Director of £25,000 have been included rather than the total entitlement of £41,142. Other allowances which relate directly to salary have been increased by 4.5 percent RPI.

(c) **Employer Costs:**

Employer costs relate to pension and insurances and have been increased by 4.5 percent RPI and in line with salary increases.

2.5 **Office Maintenance** – an increase over 2007 of **£2,572**;

The 2007 budget has been increased in most areas by 4.5 percent RPI, except for pension provider and mobile phone costs where a more specific figure has been included.

2.6 **Rental** – same levels as for previous years.

2.7 **Travel and Hospitality** – increased by **£3,017**

This item includes parking and congestion charges - the 2007 budget has been increased by 4.5 percent RPI, except that the congestion

charge allows for the anticipated increase from September 2008 to £25 per day. Careful planning and control will continue to be exercised to ensure the budget is not exceeded.

2.8 **Assembly and Committee Meetings** –

- (a) Assembly – the regular Assembly session will be held in 2008 and the budget has been predicated on a five day meeting attended by 120 delegates; many of the charges relating to meeting rooms, interpreters, refreshments are fixed; refreshments will continue to be provided for delegates free of charge but no provision has been made for lunches;
- (b) Advisory Committee – ten days of meetings attended by 40 delegates have been assumed; refreshments will continue to be provided for delegates free of charge but no provision has been made for lunches;
- (c) Translations – the same level as for 2007 has been included; it is expected that translations into the four official languages of the Organization will be made of the record of decisions of the Assembly and work relating to Convention amendments.

2.9 **Contingency Fund:** a contingency fund for 2008 of one percent of the total operational expenditure budget of **£699,002**, i.e. **£6,990**, is proposed.

2.10 **One off costs** – a provision of £5,000 has been made relating to home leave for the Director during 2008.

2.11 **Total Proposed Budget** for 2008, including contingency fund and one off costs, amounts to £705,992.

2.12 The Director believes that Inmarsat's requirements have been met. The total proposed GMDSS budget has been discussed with Inmarsat, particularly in the light of its comments relating to the overall 2007 budget. On the basis of the draft 2008 budget presented to it, **Inmarsat is comfortable to confirm its agreement to the 2008 proposed GMDSS Budget**, subject to the reimbursement of any LRIT costs which were

covered from GMDSS funding paid in 2007 and 2008 being made as quickly as possible after LRIT funding is received and on the understanding that at the end of 2008, any underspend against the GMDSS budget will be reimbursed to Inmarsat.

2.13 As previously noted by the Committee, it has been agreed with Inmarsat that, if LRIT funding is received in 2008, the 2008 GMDSS budget would be reduced to accordingly. Columns (5), (6) and (7) of **Annex I** show the resulting GMDSS only budget for 2008, 2009 and 2010, if LRIT funding is secured and assuming agreement with the proposed LRIT budget. The LRIT budget is discussed in Sections 3 and 4 and is detailed in **Annex II**. Although no calculations have been made for a GMDSS-only budget for 2009 and 2010, a rough estimate would be an RPI only increase (of 5 percent), with adjustments made for an Assembly Session in 2010 only.

3 **2007 LRIT COSTS**

3.1 At its Nineteenth Session, the Committee agreed, as recommended by the Director, the illustrative LRIT budget for 2007 of a maximum amount of **£314,108** (Column (1) of Annex II refers), leading to a total budget for 2007 of £854,829 split between GMDSS (£540,721) and LRIT (£314,108) which had previously been noted by the Committee and the Assembly.

3.2 The Committee also noted the agreement with Inmarsat that if any LRIT costs in 2007 are not covered by donations received by IMSO and are paid for out of the GMDSS budget paid by Inmarsat, then such amounts should be credited/off-set against the 2008 costs for Inmarsat; Inmarsat agreed that such offset should occur at whatever stage LRIT funding is received, even if this was only in 2009, and that the reimbursement should cover the appropriate LRIT costs for the whole of the period.

3.3 Due to the lack of significant start up funding, there has been limited activity apart from some travel which was paid for separately and charges made for evaluation work, totalling **£4,506**.

3.4 Some funding has been received and the Director is still hopeful that further funds will be provided during 2007. These funds, expected to total **£13,601**, have been separately accounted for and have been used to cover

identified LRIT activities referred to in paragraph 3.3. The surplus of **£8,995** is held in a separate LRIT bank account and will be carried over to 2008 to compensate for financial liabilities discussed in the following paragraphs 3.5 and 3.6. The Director is in the process of negotiating donations from other countries.

3.5 As notified to all Member States and discussed in document AC/20/6.X, the Government of Turkey has provided a technical assignee to work on the LRIT project with effect from **10/17** December 2007, and will cover all travel and salary costs. IMSO will, however, cover the cost of office rental and services (estimated to be around £1,000 per month) utilizing LRIT start up funding, but only with effect from January 2008. There is therefore no impact on the 2007 budget.

3.6 The Committee has previously noted the contractual obligations relating to the redesignations of current staff with effect from 1 July 2007 and that the financial compensation for each post will be backdated to that date, once LRIT funding is secured. These amounts (approximately £27,000 as at the end of 2007) continue to accumulate are shown on the LRIT budget for 2008.

4 **2008 DRAFT LRIT BUDGET**

4.1 The draft budget for 2008 relating to LRIT has been developed and built upon the 2007 LRIT budget agreed by the Committee (Column (3) of **Annex II**). The LRIT Budget for 2008 totals **£555,732**, a reduction of **£114,815** compared to the illustrative budget noted by the Committee at its Eighteenth Session.

4.2 For completeness, Columns (4) and (5), respectively, of **Annex II** show the total 2008 proposed IMSO budget, including LRIT, and the resulting GMDSS-only budget.

4.3 Some of the assumptions have been refined as follows:

- (a) following the IMO MSC, it is now assumed that the LRIT project will commence from 1 July 2008 although some preparatory activities will start before then;

- (b) as indicated above there are contractual obligations with effect from 1 July 2007 relating to current staff and the costs of these will be paid once sufficient funding is secured;
- (c) it is assumed that the technical assignee offered by the Government of Turkey will be in place, and will assume some of the work anticipated for the new LRIT staff; thus savings can be made by delaying the recruitment of one of the posts; therefore, the 2008 budget assumes that the three new staff will be recruited, under the ICSC system, as follows: P4 from 1 July 2008, P5 from 1 September, G7 from 1 December;
- (d) it has been assumed, for financial planning purposes that the P4 and P5 posts will be recruited internationally and will qualify for dependant salaries, with one dependant. Appropriate allowances for rental, dependant, schooling and language training have been included. Amounts have also been included in one off costs for interviewing two candidates for each post.
- (e) all costs relating to the P4 and P5 posts and office costs relating to the Technical Assignee are allocated in their entirety to LRIT. The costs of the Director, the Head of Administration, Finance and Conferences, and the G7 post will be split 50/50 between GMDSS and LRIT. The costs of the Deputy Director will be split 70/30 between GMDSS and LRIT in recognition of the continuing importance of GMDSS as the primary purpose of the Organization.
- (f) additional office space for a meeting room have been included from 1 September 2008, split 50/50 between GMDSS and LRIT;
- (g) home leave has not been included for the P4 and P5 posts as they would not be eligible (assuming they are non local recruits) until two years after the commencement of contract i.e. 2010.
- (h) as previously indicated, if any LRIT costs are not covered by donations received by IMSO and are paid for out of the GMDSS budget paid by Inmarsat, then such amounts will be credited/off-set against Inmarsat's costs. In other words, there would be no cross subsidy.

4.2 **Total salary costs**

Relate to the P4, P5 (non local) and G7 (local) posts as well as the split indicated in item (e) above from 1 July, 1 September and 1 December 2008, respectively. The salary costs for current staff are split from 1 July

only. There are no salary costs relating to the technical assignee as they are covered by the Government of Turkey.

4.3 **Office Maintenance**

Provision has been made relative to new staff relating to LRIT with effect from the above mentioned dates, and costs have been shared accordingly, again with effect from 1 July. There are no additional costs relating to the technical assignee.

4.4 **Rental**

Provision has been made for rental (which now includes associated service charge and insurance) from 1 January to 30 November 2008 for the Technical Assignee to be covered by LRIT and from 1 July, 1 September and 1 December 2008 for the new P4, P5 and G7 posts, respectively. Provision has also been made for a meeting room with effect from 1 September 2008; rental costs are shared on the agreed basis proportional basis between GMDSS/LRIT from 1 July.

4.5 **Meetings**

A provision of £10,000 has been made to cover a two day LRIT Coordination meeting, assumed to be attended by 50 delegates, all of which is allocated to LRIT. Costs of Committee meetings after 1 July 2008 and of the Assembly in September/October 2008 are split 50/50 between GMDSS/LRIT.

4.6 **Travel and Hospitality**

A provision of £30,000 for travel and £2,000 for hospitality has been made which will relate specifically to LRIT. Travel by the Director and Deputy Director after 1 July have been split proportionately.

4.7 **One off costs**

The one off costs relating to home leave for the Director have been split 50/50, as they are assumed to accrue after 1 July. Recruitment costs for the P4 and P5 posts will be covered by LRIT.

5 ILLUSTRATIVE BUDGET FOR 2009 and 2010

5.1 Illustrative costs for the years 2009 and 2010 have previously been noted by the Committee and were based on the principles discussed above. The following additional assumptions have been applied to the illustrative budgets for 2009 and 2010, set out in Columns (6) and (9), respectively of **Annex II** with total budgets for those years shown in Columns (7) and (10) and GMDSS budgets shown in Columns (8) and (11):

- (a) staffing: full year costs for the P4, P5 and G7 posts (assuming that the technical assignee will be for a one year period only)
- (b) office maintenance - all items shared on a proportional basis between GMDSS/LRIT;
- (c) rental has been increased for the three new posts, then shared on a proportional basis between GMDSS/LRIT;
- (d) a 5 percent global increase annually.
- (e) 10 days of Advisory Committee meetings, split equally between GMDSS and LRIT, attended by 40 delegates.
- (f) a two day annual meeting of LRIT Coordinators, attended by 50 delegates, all costed to LRIT;
- (g) a regular Assembly session in 2010, split equally between existing and LRIT;
- (h) home leave for the Director in 2010, for the P4 and P5 posts in 2010.

6 ACTION REQUIRED

6.1 GMDSS Budget for 2007

The Committee is invited to note:

- (a) the forecast financial outturn for the GMDSS Budget for 2007 (Annex I, column 1), totalling **£657,522**
- (b) that, based on the forecast financial outcome, it is anticipated that an amount of **£60,938** will be refunded to Inmarsat; and
- (c) that the 2007 accounts will be audited early in 2008.

6.2 Draft GMDSS Budget for 2008

The Committee is invited:

- (a) to agree the draft GMDSS Budget for 2008 (Annex I, column 4), totalling **£705,992**; and
- (b) to note that Inmarsat has confirmed its agreement to the 2008 draft GMDSS budget, subject to appropriate reductions in relation to LRIT spending.

6.3 LRIT Budget for 2007

The Committee is invited to note:

- (a) that an amount of **£13,601** has been received for LRIT start up funding, and that the Director is in the process of negotiating further donations;
- (b) the forecast outturn for the LRIT budget for 2007 totalling **£4,506** (Annex II, Column 2); and
- (c) the forecast surplus of **£8,995**, which will be used to offset LRIT costs in 2008.

6.4 Draft LRIT Budget for 2008, 2009 and 2010

The Committee is invited:

- (a) to agree the draft LRIT Budget for 2008 of **£555,732** (Annex II, Column 3), a reduction of **£114,815** compared to the illustrative budget noted by the Committee at its Eighteenth Session;
 - (b) to note the resulting total IMSO budget for 2008 of **£1,046,589** (Annex II, Column 4), and that the GMDSS budget thereby reduces to **£490,857** (Annex II, Column 5); and
 - (c) to note the illustrative draft LRIT Budget for 2009 and 2010 totalling **£701,845** and **£795,442** (Annex II, Columns 6 and 9 respectively);
 - (d) to note the illustrative total IMSO budget for 2009 and 2010 totalling **£1,181,840** and **£1,346,268** (Annex II, Columns 7 and 10 respectively); and
 - (e) to note the resulting illustrative GMDSS Budget for 2009 and 2010 totalling **£479,994** and **£550,826** (Annex II, Columns 8 and 11 respectively).
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