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Item No. 7 on the Agenda: Adjustments to the budget for the 2016 financial year

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Explanation of the adjustments proposed by the Secretariat to the 2016 Budget</i>
<i>Action to be taken</i>	<i>To take note of the expected actual level of receipts and expenditure for the year 2016 and approval of adjustments.</i>
<i>Related documents</i>	<i>UNIDROIT 2015 – Budget 2016; UNIDROIT 2016 - Accounts of receipts and expenditure for the 2015 financial year; UNIDROIT 2016– F.C. (80) 3</i>

1. Every autumn it is customary for the Secretariat to submit, first to the Finance Committee and then to the General Assembly, a document indicating any adjustments that may need to be made to the Budget for that financial year. Such indications are to be based on the Accounts available for the previous financial year, the partial accounts available for the current financial year and any other modifications due to exceptional circumstances.

2. At the time of writing, the Secretariat considers that it is necessary to introduce a few adjustments to the budget for the 2016 financial year, as indicated in the notes to the revised budget contained in Appendix I to this document. The Secretariat deems it prudent to anticipate a shortfall in ordinary receipts of € 113,850.00, which equals the shortfall in the financial year 2015 (€ 180,670.00) less payment of arrears of previous years so far received (€ 66,820.00). The Secretariat intends to compensate any shortfall in receipts or any unforeseen expenditure in 2016 with a reduction of expenditure under various chapters and anticipates that, even in the event of a shortfall in receipts, the accounts for the financial year 2016 may not show a negative balance.

3. In accordance with Regulation 38(4)(a), the Finance Committee, at its 79th session (Rome, 17 March 2016) took note of the Accounts of the 2015 financial year and authorised the Secretariat to use the surplus "authorised the Secretariat to use the surplus, to the extent necessary, for the upcoming 90th Anniversary events." Information on expenditure made in accordance with such authorisation is provided in the notes to the proposed adjustments on expenditure.

4. At its 80th session (Rome, 29 September 2016), the Finance Committee took note of the above information (UNIDROIT 2016 – F.C. (80) 7, para. 11).

5. *In the light of the foregoing, the General Assembly, at its 75th session, may wish to take note of the expected level of receipts and expenditure for the financial year 2016 and approve the adjustments to the budget, as set out the Appendix.*

APPENDIX I

**ADJUSTMENTS TO THE BUDGET FOR THE 2016
FINANCIAL YEAR**

RECEIPTS (in Euro)

	2016		
	Budget	Estimates	Balance
Income			
Surplus from previous financial years: ¹	0.00	67,290.70	67,290.70
Voluntary contributions by member States ²		20,000.00	20,000.00
Chapter 1: Contributions of member States			
Art. 1 (Member State Contributions) ³	2,223,870.00	2,110,020.00	-113,850.00
Chapter 2: Other Receipts			
Art. 1 (Interest)	1,000.00	1,000.00	0.00
Art. 2 (Contribution to overhead expenses)	15,000.00	15,000.00	0.00
Art. 3 (Sale of publications)	17,000.00	17,000.00	0.00
Chapter 3: Various receipts			
Tax reimbursement credit ⁴	15,000.00	6,500.00	-8,500.00
Total receipts	2,271,870.00	2,236,810.70	-35,059.30

EXPLANATORY NOTES TO THE ADJUSTED RECEIPTS

¹ The final accounts for the year 2015 show a surplus of € 67,290,70. According to the budgeting practice followed since 2012, no anticipated budget or shortfall is taken into account for the purposes of preparing estimates for subsequent financial years and calculating the contributions of member States. The appropriation of such surpluses is governed by the rules set forth article 38(4) of the UNIDROIT Regulations. This amount is stated here, in light of the Finance committee's authorisation, at its 79th session (Rome, 17 March 2016), for the Secretariat to spend the surplus from previous years in the current budget cycle.

² At the time of this writing, the Secretariat has received a total of € 20,000.00 as voluntary contribution by a member State (China), which will be earmarked for the scholarship programme.

³ As the level of arrears in the financial year 2015 exceeded the pattern of arrears and delayed payment of assessed contributions in recent years, the Secretariat deems it prudent to anticipate an equally significant shortfall in contributions of member States in 2016, but is not requesting supplementary funding. The Secretariat intends to set off any shortfall in receipts in 2016 with a reduction of expenditure under various chapters and anticipates that, even in the event of a shortfall in receipts, the accounts for the financial year 2016 may show a moderate positive balance.

⁴ There is one U.S. citizen working at UNIDROIT at the time of this writing, for whom this estimated tax reimbursement is expected to be received by UNIDROIT under the UNIDROIT-United States of America Tax Reimbursement Agreement for this year.

EXPENDITURE (in Euro)¹

	Budget	Estimate	Balance
Chapter 1 – Meeting costs and official travel			
Art. 1 (Governing Council) ²	50,000.00	45,707.00	4,293.00
Art. 2 (Auditor)	4,500.00	4,682.50	-182.50
Art. 3 (Administrative Tribunal)	0.00	0.00	0.00
Art. 4 (Committees of Experts) ³	90,000.00	81,067.82	8,932.18
Art. 5 (Official journey of representatives and staff)	50,000.00	40,000.00	10,000.00
Art. 6 (Interpreters) ³	36,000.00	33,389.00	2,611.00
Art. 7 (Representation) ⁴	8,000.00	20,781.00	-12,781.00
Total	238,500.00	225,627.32	12,872.68
Chapter 2 – Salaries and allowances			
Art.1 (Salaries of Categories A, B and C staff and consultant)	1,207,831.00	1.207.405,92	425,08
Art. 2 (Remuneration for occasional collaborators)	20,000.00	19.000,00	1.000,00
Art. 3 (Tax reimbursement) ⁵	15,000.00	6.500,00	8.500,00
Total	1,242,831.00	1.232.905,92	9.925,08
Chapter 3 – Social security charges			
Art. 1 (Insurance against disablement, old age and sickness) ⁶	415,789.00	392,700.50	23,088.50
Art. 2 (Accidents' insurance)	9,000.00	8,786.45	213.55
Art. 3 Compensation for retired members of staff	2,250.00	1,860.86	389.14
Total	427,039.00	403,347.81	23,691.19
Chapter 6 – Administrative expenses			
Art. 1 (Stationery)	20,000.00	14,202.09	5,797.91
Art. 2 (Telephone, fax and Internet)	23,000.00	15,000.00	8,000.00
Art. 3 (Postage)	11,500.00	15,000.00	-3,500.00
Art. 4 (Miscellaneous)	5,000.00	2,404.05	2,595.95
Art. 5 (Printing of publications)	15,000.00	25,000.00	-10,000.00
Total	74,500.00	71,606.13	2,893.87
Chapter 7 – Maintenance costs			
Art. 1 (Electricity)	20,000.00	20,000.00	0.00
Art. 2 (Heating)	20,000.00	20,000.00	0.00
Art. 3 (Water)	7,000.00	7,000.00	0.00
Art. 4 (Insurance of premises)	12,000.00	12,000.00	0.00
Art. 5 (Office equipment)	26,000.00	26,000.00	0.00
Art. 6 (Upkeep of building, local taxes) ⁷	30,000.00	45,000.00	-15,000.00
Art. 7 (Labour costs)	45,000.00	45,000.00	0.00
Total	160,000.00	175,000.00	-15,000.00
Chapter 9 – Library			
Art. 1 (Purchase of books)	90,000.00	90,000.00	0.00
Art. 2 (Binding)	9,000.00	8,250.00	750.00
Art. 3 (Software)	30,000.00	30,000.00	0.00
Total	129,000.00	128,250.00	750.00
Total ordinary expenditure	2,271,870.00	2,236,737.18	35,132.82

EXPLANATORY NOTES TO THE ADJUSTED EXPENDITURE

¹ Except as otherwise indicated, lower expenditure than forecasted reflects expenditure control measures taken by the Secretariat in view of the anticipated shortfall in assessed contributions in the current financial year.

² Savings under this article of the budget have been possible due to governments volunteering to cover travel expenses of Governing Council members, and efforts on the Secretariat's behalf to assist members of Governing Council in ticket purchasing, allowing for early-bird rates, thus limiting travel costs.

³ Lower expenditure than originally forecasted under article 4 (Committees of Experts) and 6 (Interpreters) of this chapter is due to the decisions taken by the Governing Council, at its 95th session (Rome, 8-10 May 2016) convene both the fourth session of the UNIDROIT Committee on Emerging Markets Issues, Follow-up and Implementation, established by the Diplomatic Conference to Adopt a Convention on Substantive Rules Regarding Intermediated Securities, as well as the first session of the Committee of Governmental Experts for the preparation of the preliminary draft Protocol to the Cape Town Convention on matters specific to agricultural, construction and mining equipment in early 2017.

⁴ The higher expenditure reflects the additional hospitality and representation costs (catering, travel and accommodation of guests and speakers) resulting from various meetings and events already held or still expected to be held in 2016 to celebrate the 90th anniversary of the establishment of UNIDROIT, which the Finance Committee, at its 79th session (Rome, 16 March 2016) using the surplus carried over from the financial year 2015 (€67.290), authorised the Secretariat to cover, as necessary, with surplus carried over from previous financial years, in accordance with Regulation 38(4)(a). The detailed breakdown of this expenditure (which includes additional expenditure to be charged also to other chapters of the budget) is as follows:

2016 expenditure covered by surplus from previous financial year	
Catering	12,781.00
Travel and accommodation of speakers and guests	26,750.46
Interpretation and conference services	8,905,45
Special publications	15,000.00
Postage	3,500.00
Total	66,936.91

⁵ There is one U.S. citizen working at UNIDROIT at the time of this writing, for whom this estimated tax reimbursement payment is expected to be made by UNIDROIT for this year (see also note 3 to the adjusted receipts).

⁶ Expenditure estimates under this chapter for the year 2016 reflected a projection of the actual cost of health and retirement insurance for UNIDROIT staff in 2015. One new staff member chose to be enrolled under health and retirement insurance schemes other than INPS, at a lower cost.

⁷ The slightly higher expenditure under Chapter 7 (Maintenance costs), article 6 (Upkeep of building, public services) includes the cost of some urgent repair in the outer windows of Villa Aldobrandini to avoid possible injury or damage to third parties or their property.