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| Council 2017 Geneva, 15-25 May 2017 |  |
| **INTERNATIONAL TELECOMMUNICATION UNION** |  |
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| **Agenda item: ADM 1** | **Document C17/9-E** |
| **21 February 2017** |
| **Original: English** |
| **Report by the Secretary-General** | |
| annual review of revenue and expenses | |

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| Summary  This document presents the key elements of the 2016-2017 Budget implementation, pursuant to No. 73 of the ITU Convention, which stipulates that an annual review of revenue and expenses shall be carried out by the Council.  Action required  The Council is invited to **endorse** this document.  \_\_\_\_\_\_\_\_\_\_\_\_  References  *CV/*[*Art. 4*](http://www.itu.int/council/Basic-Texts/convention-e.docx#cvart4) *(*[*No. 73*](http://www.itu.int/council/Basic-Texts/convention-e.docx#cv73)*)*  *Council Resolution* [*13*75](http://www.itu.int/md/S15-CL-C-0117/en) *(Biennial Budget of the Union for 2016-2017)* |

1. **Introduction**
   1. The purpose of this document is to report on the status of the implementation of the  
      2016-2017 Budget of the Union in relation to revenue and expenses.
2. **2016-2017 Budget overview (Resolution 1375)**

2.1 The 2016-2017 Budget of the Union was adopted by Council Resolution 1375 at its 2015 session, amounting to CHF 160,760,000 for the year 2016, CHF 160,543,000 for 2017, and CHF 321,303,000 for the biennium. It is based on an annual contributory unit of Member States of CHF 318,000, which corresponds to zero nominal growth compared to the 2014-2015 biennium. The Budget of the Union is being implemented in conformity with Article 10 of the Financial Regulations.

2.2 Table 1 below provides the status of the 2016-2017 biennium. It shows the actual results for 2016 at 7 February 2017, subject to minor changes pending the closure of the Accounts, and the actual for 2017 at 7 February 2017 with the year-end forecast for 2017.

2.3 Expense forecast for the year 2017 indicates that there will be savings as a result of the early separation programme and the application of efficiency measures (cf. Document [C17/45](https://www.itu.int/md/S17-CL-C-0045/en)), which will enable the Union to transfer to the Reserve Account an amount of CHF 1.3 million as indicated in the draft budget 2018-2019. Therefore, the expected overall result for the 2016-2017 biennium is likely to be positive.

2.4 During the budget 2016-2017 preparation process, all six Regional Preparatory Meetings (RPMs) under ITU-D were planned in 2016. However, during the discussions with potential host countries, decisions were taken to postpone four RPMs to 2017. It is therefore necessary to defer these activities from 2016 to 2017 in accordance with Article 13, provisions 4.a) and 4.b) of the Financial Regulations and Financial Rules. Accordingly, the following adjustments are planned:

a. For the year 2016, deferred activities amounting to CHF 0.317 million has been paid into the Reserve Account from the ITU-D budget. Details are reflected in the 2016 Financial Operating Report.

b. For the year 2017, the Reserve Account and Budget of ITU-D have been increased by the same amount, CHF 0.317 million.

1. **– Implementation of Budget Resolution 1375**

*In thousands of Swiss francs*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue** |  | **2016** | | | |  | **2017** | | | | |
|  | **Budget\*\*** | **Actual\*** | **Variance** | **%** |  | **Budget\*\*** | **Actual** | **Forecast** | **Variance** | **%** |
|  | **2016** | **2016** | **2016** | **2016** |  | **2017** | **07.02.2017** | **2017** | **2017** | **2017** |
|  | **a** | **b** | **c = b - a** | **d = c / a** |  | **e** | **f** | **g** | **h = g - e** | **i = h / e** |
| 1. Assessed contributions |  | 124,401 | 122,891 | -1,510 | -1.2% |  | 124,401 | 122,303 | 123,192 | -1,209 | -1.0% |
| 2. Cost Recovery |  | 34,625 | 34,382 | -243 | -0.7% |  | 34,625 | 2,710 | 34,350 | -275 | -0.8% |
| 3. Interest & Other Revenue |  | 400 | 251 | -149 | -37.3% |  | 400 | 46 | 300 | -100 | -25.0% |
| 4. Reserve Account withdrawal |  | 1,017 | 0 | -1,017 | -100.0% |  | 1,434 | 1,434 | 1,434 | 0 | 0.0% |
| **Total Revenue** |  | **160,443** | **157,524** | **-2,919** | **-1.8%** |  | **160,860** | **126,493** | **159,276** | **-1,584** | **-1.0%** |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **2016** | | | |  | **2017** | | | | |
| **Expenses** |  | **Budget\*\*** | **Actual\*** | **Variance** | **%** |  | **Budget\*\*** | **Actual** | **Forecast** | **Variance** | **%** |
|  | **2016** | **2016** | **2016** | **2016** |  | **2017** | **07.02.2017** | **2017** | **2017** | **2017** |
|  | **a** | **b** | **c = b - a** | **d = c / a** |  | **e** | **f** | **g** | **h = g - e** | **i = h / e** |
| 1. General Secretariat |  | 90,365 | 82,789 | -7,576 | -8.4% |  | 90,645 | 17,200 | 88,853 | -1,792 | -2.0% |
| 2. ITU-R |  | 28,898 | 26,542 | -2,356 | -8.2% |  | 28,603 | 6,105 | 28,168 | -435 | -1.5% |
| 3. ITU-T |  | 13,394 | 13,329 | -65 | -0.5% |  | 12,438 | 2,700 | 12,315 | -123 | -1.0% |
| 4. ITU-D |  | 27,786 | 27,219 | -567 | -2.0% |  | 29,174 | 5,975 | 28,641 | -534 | -1.8% |
| **Total Expense** |  | **160,443** | **149,879** | **-10,564** | **-6.6%** |  | **160,860** | **31,980** | **157,976** | **-2,884** | **-1.8%** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Surplus/Deficit** |  | **0** | **7,645** | **7,645** |  |  | **0** | **94,513** | **1,300** | **1,300** |  |
| \* At 7 February 2017 |  |  |  |  |  |  |  |  |  |  |  |
| \*\* Presented Budget differs from original approved budget due to transfers made in line with Financial Regulations and Rules Article 11 and Article 13 | | | | | | | | | | | |

**3 Revenue**

3.1 The revenue of the Union consists of assessed contributions, cost recovery, interest/other revenue and withdrawal from the Reserve Account. Overall actual revenue for the biennium is likely to be slightly lower than the budgeted revenue as shown in Table 1.

3.2 Revenue from assessed contributions represents 77% of the total 2016-2017 budgeted revenue which includes contributions from Member States, Sector Members, Associates, and Academia. Table 2 below shows the breakdown of assessed contributions.

1. **– Revenue from Assessed Contributions**

*In thousands of Swiss francs*

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2016** | | | |  | **2017** | | | | |
| **Assessed Contributions** | **Budget** | **Actual\*** | **Variance** | **%** |  | **Budget** | **Actual** | **Forecast** | **Variance** | **%** |
| **2016** | **2016** | **2016** | **2016** |  | **2017** | **07.02.2017** | **2017** | **2017** | **2017** |
| **A** | **b** | **c = b - a** | **d = c / a** |  | **e** | **f** | **g** | **h = g - e** | **i = h / e** |
| 1. Member States | 106,371 | 106,292 | -79 | -0.1% |  | 106,371 | 106,292 | 106,292 | -79 | -0.1% |
| 2. Sector Members | 15,875 | 14,710 | -1,165 | -7.3% |  | 15,875 | 14,133 | 15,000 | -875 | -5.5% |
| 3. Associates | 1,955 | 1,587 | -368 | -18.8% |  | 1,955 | 1,585 | 1,600 | -355 | -18.2% |
| 4. Academia | 200 | 299 | 99 | 49.5% |  | 200 | 293 | 300 | 100 | 50.0% |
| 5. Conference | 0 | 3 | 3 | - |  |  |  |  |  |  |
| **Total** | **124,401** | **122,891** | **-1,510** | **-1.2%** |  | **124,401** | **122,303** | **123,192** | **-1,209** | **-1.0%** |
| \* At 07 February 2017 |  |  |  |  |  |  |  |  |  |  |

3.3 The amount of the annual contributory unit is set at CHF 318,000 for 2016 and 2017. The number of units from Member States at 31 December 2016 is 334 1/4 units.

3.4 The amount of the annual contributory unit for Sector Members is set at CHF 63,600 for the 2016-2017 biennium and at CHF 10,600 for Associates.

3.5 Since 2011, the implementation of Resolution 169 (Rev. Busan, 2014) has generated new sources of revenue from Academia, universities and their associated research establishments. At 31 December 2016, there was a total of 126 active academia.

3.6 Cost recovery revenue represents 21.5% of the total 2016-2017 budgeted revenue. The breakdown is provided in Table 3.

1. **– Revenue from Cost Recovery**

*In thousands of Swiss francs*

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2016** | | | |  | **2017** | | | | |
| **Cost Recovery** | **Budget** | **Actual\*** | **Variance** | **%** |  | **Budget** | **Actual** | **Forecast** | **Variance** | **%** |
| **2016** | **2016** | **2016** | **2016** |  | **2017** | **07.02.2017** | **2017** | **2017** | **2017** |
| **a** | **B** | **c = b - a** | **d = c / a** |  | **e** | **f** | **g** | **h = g - e** | **i = h / e** |
| 1. Project support | 1,375 | 400 | -975 | -70.9% |  | 1,375 | 0 | 600 | -775 | -56.4% |
| 2. Sales of publications | 18,500 | 18,995 | 495 | 2.7% |  | 18,500 | 2,187 | 18,500 | 0 | 0.0% |
| 3. UIFN | 250 | 118 | -132 | -52.8% |  | 250 | 0 | 250 | 0 | 0.0% |
| 4. TELECOM | 1,500 | 1,500 | 0 | 0.0% |  | 1,500 | 0 | 1,500 | 0 | 0.0% |
| 5. Satellite network filing | 13,000 | 13,231 | 231 | 1.8% |  | 13,000 | 523 | 13,500 | 500 | 3.8% |
| 6. Other | 0 | 138 | 138 | - |  |  | 0 | 0 | 0 |  |
| **Total** | **34,625** | **34,382** | **-243** | **-0.7%** |  | **34,625** | **2,710** | **34,350** | **-275** | **-0.8%** |
| \* At 07 February 2017 |  |  |  |  |  |  |  |  |  |  |

**4 Expenses**

4.1 With respect to expenses, continuous application of efficiency measures and efforts are being made to comply with Resolution 1375. The objective is to keep expenditure within budget.

**5 Reserve Account**

5.1 The Council instructed the Secretary-General in Resolution 1375 to withdraw CHF 1.0 million from the Reserve Account on 1 January 2016 to add to the ASHI fund in order to address the unfunded long-term liabilities.

5.2 As of 31 December 2015, the balance of the Reserve Account stood at CHF 27.5 million. The result of the year 2016 will be reflected after the closing of the year.

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