

Board of the Centre

80th Session, Turin, 26-27 October 2017

CC 80/4/6

FOR DECISION

FOURTH ITEM ON THE AGENDA

Amendments to the Financial Regulations with respect to proposals on the allocation of surplus at the end of a complete financial period and delegation to the Officers of the Board of the authority to approve such allocations

1. Under Article 7.4 of the Financial Regulations the Director can include the whole or part of a final financial surplus at the end of any complete financial period (defined as two consecutive calendar years) in a future budgetary proposal or use it as an increase in the accumulated reserves of the General Fund.
2. Until the introduction of the biennial budgetary cycle in 2015, the process to submit to the Board the proposed allocations of the surplus was through the budget proposals in October of each year. The surplus was then available in the next financial year. The introduction of the biennial cycle, however, poses some issues for the timely use of any such surplus as the submission of budgetary proposals is every two years. Such long delay in the approval of the use of surpluses could potentially affect the capacity of the Centre to financially support specific training activities as well as innovate and reinvest in its Campus to ensure the future sustainability of the Centre.
3. By way of example, any final budgetary surplus of the financial period of 2016-17 will be known early 2018. After audit, the financial statements will be submitted for adoption by the Officers of the Board in May 2018. Normally, such surplus would be included in the budgetary proposals for the period of 2020-21, submitted for adoption by the Board at its October 2019 Session, after which the funds would be available to the Centre as of 1 January 2020.
4. Therefore, it would be desirable to amend Article 7.4 of the Financial Regulations by deleting the terms “future budgetary” to permit the timely submission of proposals on the use of surplus, as indicated in Appendix A.
5. In addition, it would also be desirable to align the approval of the allocation of any budgetary surplus at the end of a complete financial period with the adoption of the annual financial statements which the Board, at its 78th Session, delegated to its Officers.¹

¹ CC 78/4/2, para. 8.

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6. Consequently, and in light of the recent experience, it is proposed that the Board delegate to its Officers the authority to approve the allocation of surplus at the end of every financial period.
 7. The Director of the Centre shall submit to the Officers of the Board on a regular basis and in a timely manner a proposal on the use of the surplus for its approval. The Board will be informed of any decision taken by the Officers to use the surplus.

 8. **The Board is requested to:**
 - a) **approve the amendments to the Financial Regulations concerning proposals on the allocation of surplus at the end of a complete financial period contained in Appendix A, and submit them for consultation to the Governing Body of the ILO; and**
 - b) **delegate to the Officers of the Board its authority to approve the allocation of any surplus at the end of a complete financial period.**

Point for decision: Paragraph 8.

Turin, September 2017

Appendix A

Amendments to the Financial Regulations

CHAPTER IV

IMPLEMENTATION OF THE BUDGET

ARTICLE 7

1. Notwithstanding the provisions of Article 6 above, and in conformity with the other paragraphs of the present article:

(a) the Director must reduce expenditure below the level provided in the approved budget whenever it becomes clear that the amounts of actual income are likely to fall short of the amount estimated in the budget;

(b) if the Director has evidence in hand showing that actual income will exceed the level in the approved budget, he or she may incur expenditure in excess of the amount authorised in the budget.

2. In adapting expenditure to changes in income levels, the Director shall take into account the differences in amounts earned from different types of income-generating activities.

3. Whenever actual income or expenditure varies from the amount contained in the approved budget, the Director shall strive to ensure at least that the net result of the financial period is not less favourable than that foreseen in the approved budget.

4. If there is a net financial surplus at the end of any complete financial period, the Director can, subject to paragraph 3(d) of Article 11 below, include the whole or part of such surplus in a ~~future budgetary~~ proposal to be approved by the Board or use it as an increase in the accumulated reserves of the General Fund. The ~~future budgetary~~ proposal should clearly indicate the use of such funds.