

ANNEX 2: Explanatory Note



EASA MB 03/2009

Cologne, 15 September 2009

MB Decision 11-2009 Annex 2

Explanatory Note on the 2009 2nd Amending Budget



The present draft amending budget is the result of the re-assessment of the resources needed by the Agency taking into consideration the evolution of the revenues for fees and charges as well as a slightly slower recruitment implementation than initially expected.

In addition, the Agency has revised its forecast for outsourcing related to certification activities for the year 2009 to take into consideration the increase in the work to be performed by external resources as a consequence of a slower recruitment implementation than foreseen and the improvement in the reporting and invoicing capabilities of certain National Aviation Authorities.

The changes can be summarized as follows (amounts in K€):

	2009 1st Amending Budget			2009 2nd Amending Budget			Variance		
	Fees financed activities	Subsidy financed activities	EASA Total	Fees financed activities	Subsidy financed activities	EASA Total	Fees financed activities	Subsidy financed activities	EASA Total
Income									
F& C Revenue	58.942		58.942	55.962		55.962	-2.980		-2.980
F&C assigned revenues carried over	29.509		29.509	29.509		29.509			
Subsidy		31.540	31.540		31.540	31.540			
Surplus from previous years		1.565	1.565		1.565	1.565			
Third country contribution		1.554	1.554		1.554	1.554			
Other revenue		1.906	1.906		1.906	1.906			
Total Income	88.451	36.565	125.016	85.471	36.565	122.036	-2.980		-2.980
Expenditure									
T1 Staff	28.487	20.601	49.088	27.947	20.211	48.157	-541	-390	-931
T2 Buildings equipments	8.420	5.788	14.208	7.729	5.312	13.041	-692	-475	-1.167
T3 Operating	22.544	9.147	31.691	26.212	10.013	36.225	3.668	866	4.534
T4 Special programmes		1.030	1.030		1.030	1.030			
T5 Provisions	28.999		28.999	23.583		23.583	-5.416		-5.416
Total Expenditure	88.451	36.565	125.016	85.471	36.565	122.036	-2.980	0	-2.980



On the revenue side:

The amount of invoicing for fees and charges is expected to be at the same level than 2008. However due to the implementation of the new ERP software and the necessary constraints stemming from the cutover between the old and the new system the invoicing of June to August will be shifted toward the end of the year resulting in a lower cash collection in the second half. The impact is evaluated to 4.7 M€ less cash collected partially offset by interest received (1.7 M€) higher than budgeted. This is only a timing difference as the corresponding cash will be recovered in the first half of 2010.

Summary amended revenue:

The agency asks for a temporary reduction of the revenue of 3.0 M€ (to be recovered early 2010).

This revenue reduction will be temporarily financed by the fees and charges assigned revenue of previous years.

On the expenditure side:

The detail of the changes by budget lines reads as follows:

		2009 1st Amending Budget			2009 2nd Amending Budget			Variance		
		Fees financed activities	Subsidy financed activities	EASA Total	Fees financed activities	Subsidy financed activities	EASA Total	Fees financed activities	Subsidy financed activities	EASA Total
	Expenditure									
Title 1	Staff cost			49.088			48.157	-541	-390	-931
Title 2	IT related budget lines			4.772			3.522	-741	-509	-1.250
	Telecommunications			844			894	30	20	50
	Current administrative expenditure			1.053			1.086	20	13	33
3000	Outsourcing NAA			16.616			19.579	2.963		2.963
3200	Software Development			3.823			5.233	705	705	1.410
3500	Translation & interpretation cost			724			675		-49	-49
3700	Mission expenses			5.019			5.129		110	110
3903	Research			500			660		160	160
3901	ED activities			290			230		-60	-60
5000	Provision			28.999			23.583	-5.416		-5.416
	Total Change in expenditure							-2.980	0	-2.980



1. Staff cost :

While the forecasted number of active staff at the end of the year (470 at 01/12/2009) will be very close to the target of 479 in the Business Plan and the initial Budget, a saving in amount of 0.9 M€ (0.5 for Fees and Charges and 0.4 for Subsidy) is expected due to a slightly slower recruitment implementation and higher turnover than initially anticipated.

2. Certification outsourcing to NAA:

Three reasons explain the 3.0 M€ increase:

- The slower recruitment and higher turnover resulted in a decrease of approximately 6 experts FTE which had to be outsourced. The corresponding increase in outsourcing is roughly 1.2 M€¹.
- There is a slight increase on MRB activities, the impact of which is 0.2 M€ in outsourcing.
- Some National Aviation Authorities have improved their reporting and invoicing capabilities (more complete and timely invoicing) resulting in the fact that some type of work already performed in the past is now invoiced for the first time in 2009. The impact is estimated to 1.5 M€.

This improvement of the reporting and invoicing capabilities of the NAAs will have a permanent effect on the cost of certification for the future.

3. Software Development:

The internal distribution of the total IT cost has been reviewed to align with the priorities stemming from the ERP implementation. The result is an internal transfer of 1.2M€ from title 2 to title 3 together with an additional amount of 0.2 M€ on the Software development line.

¹ 5400hours at average cost of 220€/hour.



4. Research:

An additional amount of 160 K€ is considered to work on a project related to accidents and serious incidents concerning in-flight depressurisation.².

5. Other adjustments :

A need for additional mission expenses (110 K€ representing a 2% increase versus the 1st amending budget) is to be financed from identified savings on other budget lines in operational expenditure (title 3).

Summary amended costs and revenues: the Agency asks:

- **For Fees and charges related activities:**

An increase of the outsourcing cost with 3.0 M€ which will be financed from the saving in title 1 (0.6M€) and from the fees and charges assigned revenues of the previous years (2.4M€). The 3.0 M€ reduction in revenue for 2009, mentioned in the previous section will also, but temporarily, be financed by this fees and charges assigned revenue and recovered early next year, resulting in a total use of assigned revenue of 5.4 M€ (2.4+3.0), from which 3M€ will be recovered in 2010.

- **For the Subsidy financed activities:**

The additional expenditure for IT (0.2M€), Research (0.16 M€) and Missions (0.11 M€) will be financed by the saving in title 1 (0.4 M€) and some smaller savings in other areas (0.08 M€).

The total subsidy budget remains unchanged.

² The Agency needs to assess applicants' safety findings to deem if the proposed designs are acceptable. Additional knowledge resulting from technical research is urgently needed to ensure that certification decisions are based on a justified and sound scientific basis.