



EASA MB 02/2008

MB Decision 10-2008 Annex 2 -
Explanatory note for the Amending Budget 2008
11 June 2008

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Cologne, 11 June 2008

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EXPLANATORY NOTE TO THE AMENDING BUDGET 2008

Background

The budget 2008 adopted in December 2007 was mostly in line with the preliminary draft budget adopted in March 2007 by the Management Board. It was indicated at that time that an amending budget would be presented in the first half of 2008 to review the main assumptions.

The amending budget had also to take into account the assigned revenues carried over from 2007 fees and charges in compliance with the article 64.5 of the Agency Basic Regulation.

Proposed amendments

On the revenue side, assigned revenues generated by fees and charges on the outturn 2007, in amount of 14.9 M€, have been inscribed as a component of the official budget for 2008. This inscription will become definitive at the latest on July 1 when the Executive Director has signed the final accounts for 2007, after receiving the Court of Auditor's observations and the opinion of the Management Board.

The subsidy and other income amounts have been adjusted by decreasing the third country contribution by 139 000, which is more than compensated by introducing income from technical training of 150 000€.

The Fees and charges revenue has been increased by 0.8 M€ to reflect an increase in the MRB activities.

On the expenditure side, the Agency has made a new forecast of the staff cost in light of the lower headcount at the beginning of the year as previously forecasted in the initial budget and of more favourable assumptions in terms of remuneration adjustments, grading structure and non salary-related staff cost. The new plan which keeps the same recruitment target of 114 agents but takes into account a slower recruitment implementation arrives at a total staff cost of 40.4 M€ instead of the original estimate of 47.1 M€

The appropriations for NAA outsourcing need to be increased by 5.2 M€ to cover the increase in MRB activities (1 M€), the hourly rate increase (1.5 M€ for 6 months) as a result of the first renewal of the NAA contracts, a lower recruitment in Products certification (1.7 M€) as well as the full taking into account of the Single POA for Airbus (1 M€).

The cost of the ERP project has been updated after a first process analysis of the Agency's activities and the selection of SAP as ERP supplier, resulting in a total increase of 4.2 M€ enabling to cover the project work till April 2009.



The below comparative table highlights the main proposed amendments:

	2008 Budget initial			2008 Amending Budget			Variance		
	Fee financed activities	Subsidy financed activities	Total	Fee financed activities	Subsidy financed activities	Total	Fee financed activities	Subsidy financed activities	Total
Income									
Current year	53.825	32.430	86.255	54.625	32.441	87.066	800	11	811
Previous year	0	0	0	14.865	0	14.865	14.865	0	14.865
Total Income	53.825	32.430	86.255	69.490	32.441	101.931	15.665	11	15.676
Expenditure									
T1 Staff	30.422	16.688	47.110	25.861	14.490	40.351	-4.561	-2.198	-6.759
T2 Buildings equipments	6.431	4.781	11.212	6.682	4.878	11.560	250	98	348
T3 Operational	17.795	9.638	27.433	24.239	12.573	36.812	6.445	2.934	9.379
T4 Special programmes	0	500	500	0	500	500	0	0	0
T5 Provisions	0	0	0	12.708	0	12.708	12.708	0	12.708
Outturn for the year	-823	823	0	0	0	0	823	-823	0
Total Expenditure	53.825	32.430	86.255	69.490	32.441	101.931	15.665	11	15.676

T3 Operational	17.795	9.638	27.433	24.239	12.573	36.812	6.445	2.934	9.379
Thereof:									
NAA			13.200			18.387	5.187		5.187
IT			3.000			7.192	1.258	2.934	4.192

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The distribution of the amending Budget between fee financed activities and subsidy financed activities has been done on the basis of the rules adopted in 2007 by the Agency and validated in 2008 by an external consultant.

As a result of this allocation the subsidy financed budget is balanced at 32.4 M€ in line with the initial Budget.

The fee financed budget is balanced by using part of the assigned revenues in amount of 2.2 M€ representing the hourly rate increase of outsourcing to NAA as well as part of the ERP cost (0.7 out of 1.3 M€).

This leaves the provision for fees and charges financed expenditure at 12.7 M€.

¹ Income from Fees and charges activities includes budget lines "100 Revenue from fees and charges", "102 Flight standards activities", "500 Revenue from investments or loans, bank interest and other items" as well as part of line "501 Other administrative operations".