

## **ANNEX 1: Explanatory Note**

## 1. Background

**1.1** Pursuant to Article 28 of the Financial Regulation adopted by the Management Board decision 9/03 of 26 August 2003, which was last amended by the Management Board decision 06-2009 of 9 June 2009:

“Any amendment to the budget, including the establishment plan, shall be the subject of an amending budget adopted by the same procedure as the initial budget, in accordance with the provisions of the Basic Regulation and Article 27”.

**1.2** In light of the above legal framework the Agency is presenting an amending budget in order to properly reflect:

- the income that will be received from the Joint Aviation Authority Training Organisation (JAA TO) as final settlement of all financial commitments between the Agency and the JAA TO - (621 K€);
- the final amount of the 2011 European Commission (EC) subsidy adopted by the Budgetary Authority - (34.399 K€);
- adjustments to the provision for fees and charges funded activities in order to reflect the 2010 results - (2.392 K€);
- an increase in funds to be received for technical assistance and cooperation projects managed by the Agency and funded by the Commission - (868 K€).

**1.3** This amending budget also details how the additional appropriations resulting from the amendments are to be implemented in terms of expenditure.

## 2. Income analysis

**2.1** The income side of the budget includes the following amendments:

- an increase of **€ 48.000** to reflect the correct amount of the EC Subsidy as approved by the Budgetary Authority;
- an increase of **€ 621.000** to accommodate the income received/receivable from JAA TO in final settlement of all financial commitments between the Agency and JAA TO;
- a reduction of **€ 2.392.462** on the balance of the Fees & Charges provision which reflects the negative net outturn from 2010;
- an increase of **€ 868.000** to cover additional income: from DG ENLARG, (€ 335.000) for the continuing IPA project; and from DG MOVE & DEVCO (€ 533.000) as pre-financing for a technical cooperation project to assist

the beneficiary countries in implementing the EU Acquis in terms of Aviation Safety in their national systems.

The inclusion of the € 533.000 pre-financing from DG MOVE & DEVCO is subject to confirmation and the signing of the grant contract which is expected to take place in June 2011.

The remarks column of the budget nomenclature for this line (402 – Technical Cooperation with Third Countries) has also been amended to read; 'This appropriation is related to technical assistance and cooperation projects managed by the Agency with earmarked funds allocated by the Commission. The Agency may sign Grant Contracts and Delegation Agreements with, inter alia, DG MOVE, DG ENLARG and DEVCO'.

### **3. Expenditure analysis**

**3.1** The additional expenditure appropriations resulting from the increase in the EC Subsidy and the income from the JAA TO have been allocated to the areas deemed most necessary and are detailed below:

- **Facilities Management - € 466.000** is required to cover increased energy costs and other cost increases notified by our lessor. Part of the requirement (€ 57.000) relates to 2009 costs which, despite close cooperation with the lessor, were slightly underestimated. The remaining € 409.000 relates to the 2010 settlement and is based on the final amount for 2009. According to our lease agreement, the Agency is obliged to settle justified bills regardless of the delay; this is normal business practice in Germany. For 2011 onwards, the Agency has adjusted the payments on account to an amount agreed with the lessor which is considered reasonable; this adjustment results in a one-time extra expense but should help to avoid substantial settlements in the future;
- **Reprographic Services - € 16.000** to cover an identified need for a limited in-house reprographics service to provide bulk copying and printing for large events;
- **Brussels Offices - € 80.000** Following the decision of the Management Board to establish an office in Brussels (MB 01-2011 WP09) budget transfers have been made to provide immediate appropriations for an interim set of offices in the Schuman area, pending a thorough market investigation. This project was not planned or budgeted for 2011 and the appropriations have been temporarily diverted from other projects in the planning stage. These appropriations will be reinstated to cover their original purpose;

- **Brussels Offices Market Investigation - € 7.000** A small increase in the mission budget is necessary to support a thorough market investigation prior to establishing appropriate offices in Brussels;
- **Alternative Headquarters in Cologne - € 100.000** € 60.000 is required to cover the real estate legal advice costs associated with the ongoing negotiations for an alternative lease property to house the Agency in the long-term. To date, legal issues have been considerable and the appropriations originally set aside for this purpose have been exhausted, primarily due to unforeseen taxation issues. A further € 40.000 is needed to cover specialised engineering advice to plan and manage the project as it begins to take shape;
- **Provision for Fees & Charges Funded Expenditure - € 2.392.462** This adjustment is required to reflect the negative outturn in relation to Fees and Charges funded expenditure for 2010. The provision has been reduced accordingly;
- **Technical Cooperation with Third Countries - € 868.000** In the framework of the regional EuroMed Transport Aviation II programme of the EU, the Commission (DG MOVE and DG DEVCO) have requested EASA to conduct a 3-year technical cooperation project to assist the beneficiary countries in implementing the EU Acquis in terms of Aviation Safety in their national system. To this end, a grant contract of € 2.000.000 is to be signed in June 2011; pre-financing of **€ 533.000** is expected to be received at the start of the contract. Additional expenditure of **€ 335.000** above that originally included in the initial budget is planned for the IPA contract.

The remarks column of the budget nomenclature for this line (4000-Technical Cooperation with Third Countries) has also been amended to read; 'This appropriation is related to technical assistance and cooperation projects managed by the Agency with earmarked funds allocated by the Commission. The Agency may sign Grant Contracts and Delegation Agreements with, inter alia, DG MOVE, DG ENLARG and DEVCO'.

## 4. Summary of Amendments

4.1 A summary of the amendments contained in this amending budget are detailed in the table below:

<b>Revenue</b>						
<b>Dir</b>	<b>Budget Line</b>		<b>Budget 2011</b>	<b>Transfers</b>	<b>Delta</b>	<b>1st Amending Budget 2011</b>
E	200	European Community subsidy	34.351.000	-	48.000	34.399.000
R	402	Technical cooperation with third countries	365.000	-	868.000	1.233.000
F	501	Others administratives operations	371.000	-	621.000	992.000
E	702	Balance Fees & Charges on Outturn from Previous Year	27.135.133	-	- 2.392.462	24.742.671
<b>Total</b>					<b>- 855.462</b>	
<b>Expenditure</b>						
<b>Dir</b>	<b>Budget Line</b>		<b>Budget 2011</b>	<b>Transfers</b>	<b>Delta</b>	<b>1st Amending Budget 2011</b>
F	1300	Administrative Missions Expenditures	114.000		7.000	121.000
F	2000	Rental costs	6.190.000	80.000	466.000	6.736.000
F	2051	Other building expenditure	38.000		40.000	78.000
R	2330	Legal expenses	350.000		60.000	410.000
F	2353	Archives expenditure	98.000	-80.000	80.000	98.000
F	2400	Postage and delivery charges	242.000		16.000	258.000
R	4000	Technical cooperation with third countries	365.000		868.000	1.233.000
E	5000	Provision for Fees & Charges funded expenditure	21.367.133		- 2.392.462	18.974.671
<b>Total</b>					<b>- 855.462</b>	