

First Amending Budget 2016, amendment to the Procurement plan and transfers within the budget since last notification

42nd meeting of the Management Board 22-23 June 2016

Item	9
Action	For adoption
Status	Final - public

Proposal

The Management Board is invited to:

- adopt the first amending budget for 2016;
- adopt the amended procurement plan; and
- take note of the budget transfers carried out under the responsibility of the Executive Director.

The main elements of the proposed budget amendments are as follows:

REACH/CLP

- ECHA has finalised its 2015 accounts and the remaining balance of the budget outturn is entered into the budget as revenue, which increases the opening reserve by € 3.3 million.
- Revenues from fees and charges have been increased by € 5.7 million, to € 29.8 million, reflecting ECHA's latest best estimates. Taking account of the uncertainty of registration fee income, these budget estimates include a 5% margin for prudence purposes (compared to the 10% margin used in the adopted 2016 budget).
- Subject to the approval by the Management Board of the 'ECHA Cloud Services for SMEs' initiative¹, the expenditure budget is increased by € 3.6 million.
- The required EU subsidy for 2016 is reduced by € 5.5 million, to € 61.3 million, and the EFTA contribution is reduced by € 0.3 million, to € 1.7 million.

BPR

- Re-allocations between certain titles and budget lines are proposed, while the overall expenditure and fee income levels are not amended at this time.

PIC

- Re-allocations between certain titles and budget lines are proposed, while the overall expenditure and fee income levels are not amended at this time.

¹ See agenda point 8

Background

When the budget for 2016 was prepared, it was recognised that there would be insufficient funds available to finance all the projects foreseen for 2016. It was also highlighted to the Management Board that there were several uncertainties that could lead to an amending budget in 2016, including the amount of the opening reserve; the implementation of the 'ECHA Cloud Services for SMEs' initiative; translation needs with respect to the 2018 registration deadline; the potential extension of the dissemination platform and additional IT requirements. Therefore, the budget revision exercise was carried out to identify and release any funds that were deemed not to be needed and to consider any additional priority needs. This revision was also carried out to provide the Commission with an early indication of ECHA's required EU balancing subsidy for the REACH/CLP budget.

Rationale

Income

REACH/CLP income

ECHA's latest best estimate (LBE) for REACH/CLP fee income, which takes account of the revenues already received or invoiced, indicates that the revenues from fees and charges will exceed the amount budgeted in the adopted 2016 budget and, therefore, it is proposed to include an additional amount of € 5.7 million for REACH/CLP fee income in this first amending budget. The LBE includes a 5% margin for prudence, which is lower than the 10% margin used in the adopted 2016 budget. It is important to note that accurate forecasting of the REACH/CLP fee income continues to be challenging due to the uncertainty and fluctuations in the number of incoming dossiers.

Following the finalisation of the 2015 accounts, the remaining balance of the budget outturn is entered into the budget as revenue, which increases the opening reserve for REACH/CLP by € 3.3 million. In total, as a result of the increased income and amendments to the expenditure, the required EU subsidy for 2016 is reduced by € 5.5 million, to € 61.3 million, and the EFTA contribution is reduced by € 0.3 million, to € 1.7 million.

The changes in REACH/CLP income are summarised in the table below.

REACH/CLP income

Title	Heading	Adopted Budget	Revision	1st Amending Budget
1	REVENUE FROM FEES AND CHARGES	24 056 019	5 696 660	29 752 679
199	Balancing fee income	5 500 000	3 339 383	8 839 383
2	CONTRIBUTIONS FROM THE GENERAL BUDGET OF THE EUROPEAN UNION	66 811 000	-5 515 977	61 295 023
3	PARTICIPATION BY THIRD COUNTRIES IN THE AGENCY'S ACTIVITIES	1 984 290	-292 550	1 691 740
4	OTHER CONTRIBUTIONS	0	0	0
5	ADMINISTRATIVE OPERATIONS	0	4 584	4 584
6	CONTRIBUTIONS UNDER SPECIFIC AGREEMENTS	0	0	0
	Total	98 351 309	3 232 100	101 583 409

BPR and PIC income

The overall income levels for Biocides and PIC are not changed. While there are indications that the Biocides fee income may increase, confirmation of this trend is awaited before proceeding to budget amendment (possibly in September 2016). The table below presents the income per regulation following the revision, for which the details are available in the amending budget document (Annex 2).

Income per regulation

Title	Heading	REACH	BIOCIDE	PIC	Total
1	REVENUE FROM FEES AND CHARGES	29 752 679	4 000 000	0	33 752 679
199	Balancing fee income	8 839 383	0	0	8 839 383
2	CONTRIBUTIONS FROM THE GENERAL BUDGET OF THE EUROPEAN UNION	61 295 023	3 650 000	1 151 000	66 096 023
3	PARTICIPATION BY THIRD COUNTRIES IN THE AGENCY'S ACTIVITIES	1 691 740	215 000	0	1 906 740
5	ADMINISTRATIVE OPERATIONS	4 584	0	0	4 584
	Total Income	101 583 409	7 865 000	1 151 000	110 599 409

Expenditure**REACH/CLP expenditure**

Following this revision, and subject to the approval by the Management Board of the 'ECHA Cloud Services for SMEs' initiative, the overall payment appropriations are increased by € 3.2 million, to € 101.6 million. In addition, re-allocations between certain titles and budget lines are proposed (Annex 2).

Title 1 – Staff

The total for title 1 is increased by c. € 0.8 million. The increase stems mainly from an increase in basic salaries and the employer's part of the pension contribution due to the higher proportion of own income in the total income. At the title level, the increase is partly compensated by the reduction in the correction coefficient.

Title 2 – Building, equipment and miscellaneous operating expenditure

The overall reduction in title 2 amounts to € 0.8 million, related to a revision of building and ICT infrastructure costs.

Title 3 – Operational expenditure – REACH/CLP

In title 3, reductions have been identified in a number of areas, most notably in the areas of Evaluation and Risk Management. The main increase, totalling c. € 0.9 million, is related to communication activities (translations, in particular).

Subject to the approval by the Management Board of the 'ECHA Cloud Services for SMEs' initiative², an additional € 3.5 million is budgeted for this purpose in budget line 3008 (Scientific IT Tools), resulting in an overall increase of € 3.4 million, as the increase is partly compensated by identified savings elsewhere.

The payment appropriations are decreased due to the fact that some contracts with Member States for applications for authorisations will be concluded later than planned and will, therefore, be paid in 2017-2018. The commitment appropriations for these items have been transferred to the multiannual budget line 3111, and the corresponding payment appropriations are cancelled and will be budgeted in the coming years.

² The staff costs for the required Contract Agent positions (€ 0.1 million) for this initiative are budgeted separately in title 1.

The table below summarises the changes in the REACH/CLP appropriations.

REACH/CLP payment appropriations

Title	Heading	Adopted Budget	Revision	1st Amending Budget
1	Staff	60 186 009	751 910	60 937 919
2	Building, equipment and miscellaneous operating expenditure	14 378 400	-765 950	13 612 450
3	Operating expenditure REACH	23 786 900	3 246 140	27 033 040
	Total	98 351 309	3 232 100	101 583 409

BPR and PIC expenditure

There is no change to the overall level of appropriations and the changes between budget lines are implemented through re-allocations. These are included in the amending budget document (Annex 2).

In BPR, the identified releases in other budget lines, totalling c. € 230 000, are re-allocated to finance further development of R4BP3 (on budget line 4008). In PIC, the identified releases, totalling c. € 120 000, are re-allocated to finance further IT development (on budget line 5008). The table below summarises the revised figures for all the regulations.

Appropriations Amending Budget 1 / 2016

Regulation	Title		Adopted Budget CA	Adopted Budget PA	First Amendment CA	First Amendment PA	Amending Budget 1 CA	Amending Budget 1 PA
REACH	TITLE 1	STAFF	60 186 009	60 186 009	751 910	751 910	60 937 919	60 937 919
	TITLE 2	BUILDING EQUIPMENT AND MISCELL. OPER EXPEND	14 378 400	14 378 400	-765 950	-765 950	13 612 450	13 612 450
	TITLE 3	OPERATING EXPENDITURE	24 226 600	23 786 900	3 581 540	3 246 140	27 808 140	27 033 040
	TOTAL		98 791 009	98 351 309	3 567 500	3 232 100	102 358 509	101 583 409
BIOCIDES	TITLE 1	STAFF	6 004 600	6 004 600	-78 650	-78 650	5 925 950	5 925 950
	TITLE 2	BUILDING EQUIPMENT AND MISCELL. OPER EXPEND	790 200	790 200	-17 215	-17 215	772 985	772 985
	TITLE 4	OPERATING EXPENDITURE	1 070 200	1 070 200	95 865	95 865	1 166 065	1 166 065
	TOTAL		7 865 000	7 865 000	0	0	7 865 000	7 865 000
PIC	TITLE 1	STAFF	703 800	703 800	-67 450	-67 450	636 350	636 350
	TITLE 2	BUILDING EQUIPMENT AND MISCELL. OPER EXPEND	155 000	155 000	-5 190	-5 190	149 810	149 810
	TITLE 5	OPERATING EXPENDITURE	292 200	292 200	72 640	72 640	364 840	364 840
	TOTAL		1 151 000	1 151 000	0	0	1 151 000	1 151 000
ECHA			107 807 009	107 367 309	3 567 500	3 232 100	111 374 509	110 599 409

Updated procurement plan

As the procurement plan of ECHA's Work Programme serves as the financing decision for the activities that it covers, an updated procurement plan is provided (Annex 3).

Alternative options

As an alternative option, the budget amendment could have been proposed later in 2016, when more accurate fee income estimates would be available. However, this approach would not permit the Commission to adjust the EU balancing subsidy level for the REACH/CLP budget and would not, therefore, be in line with the principle of sound financial management.

It is to be noted that, in the event that the 'ECHA Cloud Services for SMEs' initiative is not approved by the Management Board, the associated financing provisions will be excluded from the amending budget.

Drawbacks

The proposed amendments to the budget align the budget with the expenditure needs and

income situation based on the latest best estimates. As stated above, however, the fee income estimates continue to be the subject of uncertainty and volatility that requires ongoing close monitoring and has a significant impact on ECHA's financial planning and budgeting. The drawback to this approach, therefore, is the risk that the updated forecasts for revenues from fees and charges will not materialise in 2016 to the extent forecasted. For this reason, a 5% prudency margin has been deducted from the forecasted REACH/CLP revenues.

Attachments:

- Annex 1 - Transfers within the budget since last notification
- Annex 2 - 1st amending budget 2016
- Annex 3 – Procurement Plan

For questions: shay.omalley@echa.europa.eu with copy to mb-secretariat@echa.europa.eu

Annex 1 - Transfers within the budget since last notification

The budget transfers carried out (by 01 June 2016) under the responsibility of the Executive Director since the last notification to the Management Board are listed hereunder;

- a) On 13 May 2016, transfer within BIOCIDES Title 4 – Operational expenditure - to cover the remaining expenses related to a Partner Expert Group meeting.

The amount is transferred from budget line 4013, which has a surplus due to lower than estimated translation needs in the area of Biocides.

A/A	Budget item	Description	Initial Budget	Previous Transfers	Available (non committed) Budget	Current Transfer	Total Transfers	% of the source Budget Item	Total available appropriations
			A	B	C	D	E	F=E/A	G=C+D
1	4007	Advice and assistance through guidance and helpdesk	22 800.00	0.00	571.55	1 300.00	1 300.00	5.70%	1 871.55
2	4013	Communications including Translations	108 800.00	0.00	87 443.26	-1 300.00	-1 300.00	1.19%	86 143.26
	Sum		131 600.00		88 014.81	0.00			88 014.81