

Second Amending Budget 2015 and Notification of Transfers within the Budget

39th Meeting of the Management Board 24-25 September 2015

Item	6
Action	For adoption
Status	Final - Public

Proposal

The Management Board is invited to adopt the second Amending Budget for 2015 (Annex 1), and the consequent amendment to the Procurement Plan, and to take note of budget transfers carried out under the responsibility of the Executive Director (Annex 2).

Following these amendments, the overall Agency expenditure (excluding the reserve) totals € 111.2 million, implying an increase of € 807 000, resulting from the increase in the Biocides income and expenditure as explained below.

The main reasons for the proposed amendments are as follows:

REACH/CLP

- The REACH/CLP income is increased by € 340 000, which corresponds to the amount returned by the Translation Centre for the Bodies of the European Union (CdT) and is placed in the reserve.
- An amount of € 750 000 is budgeted for the renewal of ICT equipment to replace workstations. This expenditure will be funded primarily from the releases stemming from the removal from the budget of amounts allocated for potential refunds related to the SME Administrative charge issue and from Translations needs that are now confirmed to be less than foreseen.

BIOCIDES

- The fee income is increased by € 2.8 million (to € 5 million, compared to the original budgeted amount of € 2.2 million), to reflect the higher than estimated revenue and by € 13 000 resulting from the refund from the CdT.
- An amount of € 1 million is added to IT expenditure in Title 4 to allow, primarily, for the further development of critical Biocides Scientific IT tools. This increase is financed from releases elsewhere (totalling € 230 000) and from the additional revenue.
- The EU subsidy line is reduced by € 2 million to balance the budget.

PIC

- The expenditure is slightly increased (by € 924) to take account of the corresponding income resulting from the CdT refund.

Background

When the first Amending Budget 2015 was prepared in June 2015, it was considered too early to draw conclusions with respect to the Biocides fee income for the year and, therefore, the income figure was not amended. At the present time, ECHA has cashed amounts exceeding the original budget estimates and it is necessary, therefore, to amend the budget accordingly.

At the same time, the expenditure for all the regulations has been reviewed, resulting in certain necessary amendments that are incorporated into this second Amending Budget 2015.

Rationale

Income

REACH/CLP income

The Translation Centre for the Bodies of the European Union (CdT) returned a surplus reserve to their clients and ECHA has received a total amount of € 354 000. The figure related to REACH totals € 340 000 and is placed in the reserve.

Biocides income

At this point in time, the cashed fee income is c. € 3.2 million, with a further c. € 800 000 assigned as receivables. It is proposed, therefore, to increase the budgeted fee income by € 2.8 million to € 5 million (compared to the original budgeted amount of € 2.2 million) and to raise the "reimbursement on miscellaneous expenditure" by € 13 000 for the CdT refund.

This increase in revenue is proposed to be used primarily to finance the further development of IT tools, and will also result in reduced EU subsidy needs. In total, the subsidy request would be reduced by € 2 million.

PIC income

The CdT refund for PIC amounts to € 924 and is proposed to be used to finance "ICT hardware and software" expenditure.

Expenditure

REACH/CLP expenditure

The 2015 budget needs have also been re-assessed to take into account of the most recent developments and, consequently, some projects have been re-prioritised without impacting the overall expenditure level.

Title 1 - Staff

No amendment is proposed.

Title 2 – Building, equipment and miscellaneous operating expenditure

In Title 2, an additional amount of € 750 000 is budgeted to finance the replacement of IT workstations. This project was originally foreseen for the year 2016. However, taking account of the budget constraints, in the absence of a reserve, the uncertainty of the available budget in the coming years and the necessity of the project, it is proposed to advance this project and use the additional funds currently available for this purpose.

Title 3 – Operational expenditure – REACH/CLP

In the first Amending Budget 2015, an amount of € 292 000 remained in the budget to cover the potential partial refunds of the collected administrative charges from ECHA's SME verification activity. In line with the new proposal to refrain from reimbursing registrants (MB/32/2015), the remaining amount of € 292 000 is proposed to be released from this budget line and used principally in Title 2.

ECHA's translation needs have also turned out to be less than estimated and, thus, an amount of € 541 000 is proposed to be released and used in Title 2.

At the same time, several rapporteur contracts established in 2014 have been completed ahead of schedule and, therefore, there is a need to increase the payment appropriations for the differentiated budget line 3111 - Committees and Forum. In total, the increase is € 105 000 and, after the amendment, the total amounts to € 207 000.

The table below summarises the changes in the REACH/CLP payment appropriations:

REACH/CLP payment appropriations

Title	Heading	1st Amending Budget	Revision	2nd Amending Budget
1	Staff	60 687 640.00	0.00	60 687 640.00
2	Building, equipment and miscellaneous operating expenditure	14 918 950.00	749 500.00	15 668 450.00
3	Operating expenditure REACH	25 245 200.00	-749 500.00	24 495 700.00
	Total	100 851 790.00	0.00	100 851 790.00

Biocides expenditure

The Biocides-related expenditure was assessed and certain releases have been identified and, at the same time, additional funds are needed in Title 4 for IT development purposes.

Title 1 - Staff

The overall reduction in Title 1 amounts to € 190 000. The largest individual reduction stems from the updated estimates for the salary weightings, related to the country coefficient for Finland. There are also smaller releases (for example, medical expenses and schooling expenditure).

It is to be noted however, that the proposed multi-annual Scientific IT tools development programme (described below) will lead to increased staff needs in 2016 as well in 2017 and 2018. The additional CA staff would be recruited still in 2015 to start the development work without delay and at the latest in January 2016. DG SANTE is in agreement with ECHA on this matter.

Title 2 – Building, equipment and miscellaneous operating expenditure

No amendment is proposed.

Title 4 - Operational expenditure – Biocides

It is proposed to increase the amount budgeted for the Scientific IT tools by €1 million, based on the rationale outlined below.

ECHA has a clear, identified need for IT developments which had to be de-prioritised in 2015 due to budgetary constraints. ECHA had previously announced that the IT tools for the BPR would go into maintenance mode from 2015. Although it has been possible to provide some limited enhancements in maintenance mode in 2015, ECHA has been aware that, to address the needs for more substantial development required by the additional scope - in particular due to recent, or foreseen, legislative changes - a full-scale project would be necessary. As soon as the 2015 financial outlook started to become more favourable, ECHA decided to start the analysis for the new project scope and prepare for a potential new multi-annual programme to deliver enhanced IT tools. Such analysis has revealed the need to deliver in 2016, as a priority, the implementation of the legislative changes and the provision of a better service to support the MSCAs with respect to the handling of data migrated from the previous Directive. The further stages of the new three year IT programme would need to be financed from the 2016 and 2017 budget. It is important to note that this analysis has been discussed with DG SANTE colleagues who have confirmed this priority.

It is recognised that the increase in the amount budgeted for the Scientific IT tools at this stage of the financial year will negatively impact on ECHA's carry-over rate.

The table below summarises the changes in the Biocides payment appropriations:

Biocides payment appropriations

Title	Heading	1st Amending Budget	Revision	2nd Amending Budget
1	Staff	5 985 330.00	-190 000.00	5 795 330.00
2	Building, equipment and miscellaneous operating expenditure	1 094 040.00	0.00	1 094 040.00
4	Operating expenditure Biocides	1 260 995.20	996 162.00	2 257 157.20
	Total	8 340 365.20	806 162.00	9 146 527.20

The table below summarises the revised figures for all the regulations:

Appropriations Amending Budget 2 / 2015

Title	Heading	Commitment Appropriations REACH	Payment Appropriations REACH	Commitment and Payment Appropriations Biocides	Commitment and Payment Appropriations PIC	Total Payment Appropriations
1	Staff	60 687 640.00	60 687 640.00	5 795 330.00	601 810.00	67 084 780.00
2	Building, equipment and miscellaneous operating expenditure	15 668 450.00	15 668 450.00	1 094 040.00	171 984.00	16 934 474.00
3	Operating expenditure REACH	24 173 300.00	24 495 700.00			24 495 700.00
4	Operating expenditure Biocides			2 257 157.34		2 257 157.34
5	Operating expenditure PIC				449 130.00	449 130.00
	Total Expenditure - excluding the reserve	100 529 390.00	100 851 790.00	9 146 527.34	1 222 924.00	111 221 241.34
9	Other - Reserve	7 604 938.47	7 604 938.47			7 604 938.47
	Total Expenditure	108 134 328.47	108 456 728.47	9 146 527.34	1 222 924.00	118 826 179.81

Updated Procurement Plan

As the procurement plan annexed to the Work Programme serves as the financing decision for the activities that it covers, the following change to the Procurement Plan is proposed (to be published on the ECHA Webpage):

WP Activity	Sub-activity (where applicable)	Subject of the Contract	Estimated budget in EUR	Tentative procurement channel	Foreseen date (month) for launching procurement	Foreseen date for contract signature
06 : Scientific IT tools	6.2: IT service management	IT services for R4BP, REACH-IT, ePIC Applications	2 760 030€ (instead of 1 760 000 €)	FWC ECHA/2011/103.Lot 1	Q2/Q3 (Instead of Q2)	Q2/Q4 (Instead of Q2)

Alternative options

The proposed amendments align the budget with the latest best estimates regarding the expenditure needs and income situation. At the same time, in accordance with the principle of transparency and sound financial management, the unused appropriations are returned either to the reserve (REACH/ CLP) or to the EU general budget (Biocides). ECHA's has taken its Latest Best Estimate (LBE) for fee income from Biocides. The BPR subsidy not required will only be released, when and, if the budgeted income materialises so as not jeopardise the continuation of the 2015 activities.

An alternative option would be to delay the proposed significant expenditure on Scientific IT tools for Biocides. However, ECHA considers that there is a high degree of uncertainty regarding fee income in 2016 and, consequently, on the availability of funds to support such IT development in 2016. While the number of applications for Union authorisation received to date in 2015 is encouraging, there is still considerable uncertainty on the actual income in 2016. DG SANTE has confirmed that the requested further IT development should, as much as possible, be financed by the extra income received in 2015. This option is, therefore, not recommended. A second alternative option would be to commit further expenditure on Scientific IT tools for Biocides. However, ECHA considers that it would not be prudent to

commit further funds at this stage of the financial year (and, thereby, risk a low commitment rate). This option is, therefore, not recommended.

Drawbacks

As stated, the proposed amendments to the budget align the budget with the expenditure needs and income situation based on the latest best estimates. However, the fee income estimates continue to be the subject of uncertainty and volatility that requires ongoing close monitoring and that has a significant impact on ECHA's financial planning and budgeting, in collaboration with partner DGs. In the event that the strong Biocides income continues for the remaining quarter in 2015, the Agency may be in a position to return a larger share of the EU subsidy (which risks being perceived as sub-optimal implementation of EU funds). However, the Commission should also take note of the fact that the workload generated by the higher fee income received in the second half of 2015 will, for ECHA, take place in 2016 and that the requirement to recruit additional staff to undertake the work in 2015, and future years, is critical.

Attachments:

- Annex 1 – 2nd Amending Budget 2015
- Annex 2 - Transfers within the budget since last notification

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Annex 2 - Transfers within the budget since last notification

The budget transfers carried out (by 25 August 2015) under the responsibility of the Executive Director since the previous notification to the Management Board are listed hereunder;

- a) On 24 August 2015, transfer within REACH Title 1 – Staff - to cover costs of unforeseen training events which should take place before the year-end. These include scientific trainings, skills development and the SME awareness programme.

The amount needed for the above trainings - amounting to € 128 280 - will be transferred from BL1602 which has a surplus due to fewer needs for interim staff.

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	1602	Interim services	1 469 400.00	0.00	479 274.25	-128 280.00	-128 280.00	8.73%	350 994.25
2	1500	Training	1 248 800.00	-38 500.00	4 257.02	128 280.00	89 780.00	7.19%	132 537.02
		Sum	2 718 200.00		483 531.27	0.00			483 531.27

- b) On 20 July 2015, transfer within REACH Title 3 – Operational expenditure REACH - to cover costs of HelpNet-Reach workshop in Nov 2015 (€ 41 350), following the request from the National HelpDesks to have another meeting in 2015. There are also three additional PEG meetings (in Q3 2015) to be held for updates. The total estimated cost of these meetings amount to € 36450.

The funds will be transferred from BL 3013 which has a surplus due to lower translation needs than expected.

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	3013	Communication and translations	3 330 000.00	0.00	1 144 888.99	-77 800.00	-77 800.00	2.34%	1 067 088.99
2	3007	Guidance and Helpdesk	227 777.00	-78 500.00	6 649.62	77 800.00	-700.00	0.31%	84 449.62
		Sum	3 557 777.00		1 151 538.61	0.00			1 151 538.61

- c) On 03 July 2015, transfer within PIC Title 5 – Operational expenditure PIC - to cover costs of additional interim needs as ECHA expects the number of export notifications to continue increasing, mainly due to a number of substances added to Annex I.

At the same time, it has been agreed with the Commission that the guidance documents would be translated by COM, which significantly reduced costs.

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	5013	Communication and translations	177 500.00	0.00	63 881.71	-10 000.00	-10 000.00	5.63%	53 881.71
2	5000	Studies, consultants	35 000.00	0.00	35 000.00	10 000.00	10 000.00	28.57%	45 000.00
		Sum	212 500.00		98 881.71	0.00			98 881.71

- d) On 03 July 2015, transfer within REACH Title 3 – Operational expenditure REACH - following the re-organisation of the Agency, where certain tasks previously handled by unit A1 were transferred to unit I1. Consequently, an amount of € 78 500 related to a MSCA IT support training from Budget line 3007 to Budget line 3008 was transferred so that it is

under the correct Authorising Officer by Delegation.

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	3007	Guidance and Helpdesk	227 000.00	0.00	108 498.33	-78 500.00	-78 500.00	34.58%	29 998.33
2	3008	Scientific IT Tools	13 729 500.00	0.00	0.00	78 500.00	78 500.00	0.57%	78 500.00
	Sum		13 956 500.00		108 498.33	0.00			108 498.33

- e) On 03 July 2015, transfer within BIOCIDES Title 4 – Operational expenditure Biocides - to cover additional costs related to consultancy services to support the improvement of the Biocides processes, their interaction with other processes and relevant cross-cutting system elements and general support with project planning and capacity building in the context of ISO 9001:2008 certification to the Agency's tasks under the Biocides regulation.

The amount transferred is part of the Switzerland contribution budgeted in the 1st Amending Budget 2015 and, as no concrete projects under IT have been established at this stage, the needed amount is transferred to cover the additional needs under BL 4022.

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	4008	Scientific IT tools	339 550.00	0.00	129 225.20	-33 750.00	-33 750.00	9.94%	95 475.20
2	4022	Management Board and management	155 000.00	0.00	2 600.00	33 750.00	33 750.00	21.77%	36 350.00
	Sum		494 550.00		131 825.20	0.00			131 825.20