

7.4 Draft Budget 2014

Summary

This paper provides members with the background and key assumptions used in the preparation of the attached (**Ag 7.4a**) Draft Budget for 2014 (Draft Budget).

The Executive Committee (the Executive) has reviewed and endorsed the Draft Budget on the basis that it:

- i) complies with the Rio ILAC Resolution GA 16.15 to bring the ratio of Reserve to Total Annual Expenses back within the 75% limit set in ILAC GA 13.15. The deficit in the 2014 Budget is not expected to be recurring and therefore is considered compatible with Bylaws Clause 14 which indicates the revenue should be self funding over a period of time i.e. no recurrent operating losses;
- ii) provides a fair funding increase for additional Secretariat workload;
- iii) funds non-recurring necessary legal advice for ILAC MRA Mark registration and Rules review;
- iv) supports proposed Fee Model ; and
- v) includes additional funding for projects and developing countries development.

The key financials and changes over the 2013 projected actual in the proposed 2014 Budget are:

- Total revenue of \$805,000 represents 4% increase mainly due to increase in Membership fee to \$784,000 which is an increase of 4%, being 2% from the net result of the proposed Fee Model and 2% allowance for growth in membership;
- Expenses at \$869,000, an increase of 16% mainly to fund critical initiatives such as Case Study, JTF Peer Evaluation, and Strategic Plan;
- Deficit at \$64,000 (8% of \$805,000 budget revenue), and
- Reserve at \$622,000; at 72% of \$869,000 total budget expenses.

Key Assumptions and Commentaries

Revenue

- Forecast Membership revenue of \$783,899 is based on the 2013 data on number of accredited laboratories and inspection bodies provided by Full Members as at 31 March 2013 (\$768,528) and a 2% growth from new members in 2014. The inclusion of inspection bodies in the 2014 Budget is in accordance with the resolution from the 2012 General Assembly:

ILAC Resolution GA 16.16

The General Assembly rescinds resolution ILAC GA 9.21 (to include inspection bodies in the fee calculation from 1 January of the year following the extension of the ILAC Arrangement to cover inspection) and endorses the recommendation from the ILAC Executive to amend the fee formula to include accredited inspection bodies commencing 1 January 2014.

- Flat fee of \$1,500 for Associates, \$750 for Affiliates, \$400 for Stakeholders;
- A single multiplier of 10 is used to replace the two tiered multipliers of 10 and 11. This has the effect of reducing the fee slightly;

- The maximum number of accredited laboratories and inspection bodies that a Full Member can be charged for (Cap) is 1,000 (this represents an increase from 800);
- Adjustments to reflect the 2013-2015 UN Scale of Assessment ; and
- Interest income which is based on an average balance of \$700,000 at 3.0% interest rate. The assumed interest rate has been reduced from 3.5% as a result of the cut in the Australian bank deposit rate.

Expense

A general increase of 3% is assumed except for the following items discussed at the 4 May 2013 Executive Committee Meeting:

- \$20,000 budget for Strategic Planning fee and expenses is included in the Other administration fee;
- JDSC Budget set at \$45,000. This represents an increase of \$5,000 from May 2013 as a result of the lower AUD exchange rate to USD as most financial assistance is denominated in USD;
- Phase II of the Website revamp \$205,000 is included in the Website budget;
- Legal Cost for the trade mark restructured applications \$55,000;
- Preparation of another promotional video in 2014 - \$6,000 (Marketing);
- The \$35,000 Special Projects Budget includes \$20,000 for the AIC WG 11 Case Study Project (Project) and \$15,000 for the Joint Task Force Peer Evaluation;
- The Project was developed by Steve Sydney and first demonstrated at the 2010 ILAC GA in Shanghai. The Executive Committee considers the project a valuable initiative for ILAC members and agreed that it should be implemented, maintained, and supported as an ongoing initiative.
- The \$20,000 Budget for 2014 will be used for the following activities in connection with the Project. Secretariat will liaise with Steve Sydney and Regina Robertson to produce a firm estimate before the commencement of 2014:
 - i. Preparation and implementation of rules, policy, and procedures for the appropriate usage of the Case Study. This will include the ongoing administration, editorial and content control, communication protocol, monitoring and reporting of usage;
 - ii. Transition for the hand over by Steve Sydney to the designated person who will maintain the system. The transition costs include travel expenses for Steve Sydney to carry out the hand over with the designated person;
 - iii. Administration costs (monthly time based costs) potentially for one of the members of the Secretariat depending on the duties associated with the ongoing maintenance and administration; and
 - iv. Other ancillary costs.
- The \$15,000 JTF Peer Evaluation Budget will be used to fund the travel and accommodation expenses for 2 to 3 candidates who will join Peer Evaluation Teams to gain experience.
- The Secretariat costs are assumed to be the same as appropriate recruitment will be undertaken to ensure the Secretariat's capacity to address the agreed Secretariat Duties and Performance Measures (*updated copy Ag 7.4b will be provided prior to the General Assembly*) is maintained following the retirement of the Executive Liaison Officer at the end of 2013;

- As a result of the retirement of the Australian based Executive Liaison Officer the Representational Travel expenses are forecast as being lower due to the liaison activities being undertaken by nominees from various locations. The 2014 Draft Budget has assumed ~~an~~ a \$78,000 (-15%) reduction from \$57,000 projected in 2013 to \$50,000 Budget in 2014.

Reserve to Expense Ratio

The 2014 Budget will show a deficit of \$64,000 and bring the reserve to \$622,000 and the reserve to expense ratio back to 72% within the ceiling of the ratio. This is in line with the resolution from the 2012 General Assembly and subsequent input from the ILAC FAC:

ILAC Resolution GA 16.15

Noting the financial results for 2011 show financial reserves of 96% of annual operating expense, which is in excess of the limit set in ILAC GA Resolution 13.15, the General Assembly mandates the Executive Committee to develop a plan to return the reserves to the agreed range of 50 – 75%. The proposed plan is to be presented to the General Assembly in 2013.