

Issue

At the last SEC meeting the potential shortfall in dispensers was discussed, and the impact of this on the 2008/09 budget. This paper projects the potential shortfall, other financial risks and steps that are being considered to address the related budgetary impact.

Timing

HAC SEC meeting 11 June 2008 Agenda item 8.

Action

For consideration, discussion and agreement by the Committee.

Background

Retention Fees

Budgeted retention fee income for 2008/09 was £1.318m. Retention fee income as at 27 May 2008 was £1.205m. Projected retention fee income for the year is £1.233m giving a total budgetary pressure against budget of £85k.

As discussed in the SEC meeting on 13 March 2008 the 2008/09 budget includes an assumption of growth in the number of registered hearing aid dispensers and companies on the register of 275. The related average increase in budgeted retention fees in the budget for this growth is £106k.

There were 58 whole time equivalent (WTE) first registrations in the period to 27 May 2008 which is 94 WTE registrations short of the above annual growth assumption. After projecting numbers of exam candidates for the remaining 2008/09 exams, the projected growth is currently predicted to be 44 WTE short with a related budgetary pressure of £30k.

The attrition rate for dispensers and employers has exceeded budgeted levels of 40 WTE. 46 dispensers and 13 employers have voluntarily removed themselves from the register. A further 47 dispensers and 5 employers have been removed from the register for non-payment of their 2008/09 retention fee. It is currently projected that a further 9 WTE dispensers/employers will come off the register in the remainder of the year giving a total £55k budgetary pressure for attrition.

Registration Fees

Budgeted registration fees for 2008/09 were £34k based upon growth of dispensers and employers of 275 as referred to above. Registration fees as at 27 May 2008 were £7k and projected fees are £26k (growth of 207 dispensers and employers) giving a forecast budget pressure of £8k.

Exam Fees

Budgeted exam fees for 2008/09 were £290k. Fees for the 2008(1) exams were £43k (64 candidates) against budgeted fees of £88k (125 candidates) representing a significant fall in candidate numbers. Budgeted candidate numbers for 2008(1) were based upon the number of candidates sitting the 2007(2) exams.

Numbers of candidates have been projected for the remainder of the year and, using the revised exam fee rates, there is a projected total fee income of £215k which is £75k below budget. Exam costs are currently under review to assess how much of the income deficit can be mitigated.

Total income pressures above are £168k.

Judicial Review

Extraordinary costs associated with Judicial Review proceedings instigated recently were not budgeted for when the budget was set for 2008/09. The risks of such costs materialising at the time of budget setting were considered but, given the significant budgetary pressures already existent for 2008/09, and the need to make cuts to achieve a break even position, provision was not made.

The costs to the end of May 2008 are c£7k with projected costs initially estimated at £9k, £22k and £64k for best case, most likely and worst case scenarios respectively. The best case scenario costs assume that the case does not progress beyond high level legal arguments. The costs of the likely financial outcome assume the costs of defending the claim without any hearing proving necessary. The worst case costs include the estimated costs of legal advice at a hearing.

Delay in Transfer

The costs of an extended period into 2009/10 before actual transfer need to be considered by Council as it is currently anticipated that the effective date of transfer will fall into 2009/10.

Costs

Management accounts for the period ended 31 May 2008 will provide initial information on forecast cost outturns and related budgetary surpluses or deficits. These accounts will particularly focus on disciplinary costs to date and forecast costs for the year to assess the projected outturn against the £430k budget.

Budgetary Management Action

There are three key options to consider in relation to the forecast income pressures, and potential cost pressures, above as follows:

- 1 Cost savings
- 2 BERR support
- 3 Extraordinary retention fees.

1 Cost Savings

Potential cost savings were the subject of a previous detailed paper submitted to the SEC. The options in this paper were each rejected by the Committee. Costs will be subject to monthly review and any potential cost savings will be made.

2 BERR Support

BERR have already been advised of the income risks in quarterly accountability meetings and the HAC sponsor will be kept fully apprised of budgetary developments,

A request for support may be made from BERR where forecast pressures become more certain.

3 Extraordinary Retention Fees.

The extraordinary nature of the Judicial Review and potential transfer delay may require the HAC to raise additional income through an extraordinary retention fee.

Recommendation

To note the forecast budgetary pressures to the 2008/09 budget, agree the related key options and agree any further actions.