

## Background

1. The budget for FY2016-17, which supports the delivery of the Business Plan activity, is presented below in two ways. First, by setting out the total cost of delivering each department's programme of work and second by the category of expenditure within each department.

## Income and Expenditure Account

2. The total cost of delivering each department's programme of work is set out in the Income and Expenditure Account below. The budget presented shows a small surplus of £10,607.

	<b>FY2016-17</b>	<b>FY2015-16</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Income</b>			
Registration fees	2,790,000	2,685,000	105,000
Other income	48,500	119,250	(70,750)
<b>Total</b>	<b>2,838,500</b>	<b>2,804,250</b>	<b>34,250</b>
<b>Expenditure</b>			
Employment costs	1,329,827	1,262,031	67,796
Education and professional standards	135,946	121,850	14,096
Communications, research and development	219,420	217,136	2,284
Registration administration	59,200	77,633	(18,433)
IT infrastructure	72,000	69,000	3,000
Fitness to practise, including legal	580,000	580,000	-
Governance	160,750	177,750	(17,000)
Administration and establishment	270,750	285,250	(14,500)
<b>Total</b>	<b>2,827,893</b>	<b>2,790,650</b>	<b>37,243</b>
<b>Surplus</b>	<b>10,607</b>	<b>13,600</b>	<b>(2,993)</b>

3. Registration fees are forecast to be £2.79m which represents an increase against the 2015-16 budget of £105k. The increase has arisen because Council agreed in November 2015 that registration fees should be held at their current level in 2016-17.
4. Other income of £48k is primarily made up of bank interest (£18k) and advertising income and leaflet sales (£25k). The reduction in other income arises primarily because GOsC will recognise investment income in the current year.

**Categories of expenditure by department**

5. The expenditure budget for each department is set out below with comments where appropriate.

**Employment costs**

	<b>FY2016-17</b> <b>£</b>	<b>FY2015-16</b> <b>£</b>	<b>Variance</b> <b>£</b>
<b>Expenditure</b>			
Staff salaries, incl. NI	1,184,256	1,123,012	61,244
Pension costs	111,521	103,969	7,552
Training and development	15,000	15,000	-
Recruitment	10,000	11,000	(1,000)
Other employment costs	9,050	9,050	-
<b>Total</b>	<b>1,329,827</b>	<b>1,262,031</b>	<b>67,796</b>

6. A provision allowing for an increase in staff salaries and associated employment costs is factored into the budget. Council previously agreed to support the Regulation department with additional staff resource. A continuation of this resource, for a further six months, is included within the budget.
7. Other employment costs including the premiums for health insurance and death in service cover has been held constant.

**Education and professional standards**

	<b>FY2016-17</b> <b>£</b>	<b>FY2015-16</b> <b>£</b>	<b>Variance</b> <b>£</b>
<b>Expenditure</b>			
Working groups	-	3,500	(3,500)
Quality assurance	99,146	68,000	31,146
Continuing fitness to practise framework	8,000	10,000	(2,000)
Osteopathic Practice Standards	20,000	-	20,000
Health and disability guidance	-	15,000	(15,000)
Student fitness to practise/professionalism	2,000	10,000	(8,000)
Guidance for osteopathic pre-registration education	6,000	13,000	(7,000)
Publications and subscriptions	800	2,350	(1,550)
<b>Total</b>	<b>135,946</b>	<b>121,850</b>	<b>14,096</b>

8. The increase in the overall expenditure masks what represents significant change within the individual project budget lines.
9. The cyclical nature of the work around 'Quality Assurance', specifically the varying number of scheduled RQ visits, sees the budget provision increase from £68k to £99k. This budget provision includes two existing recognition visits at a cost of £20k per review, contract management costs £20k, recruitment and training of new visitors £10k, performance reviews £6k, and annual report and handbook analysis £11k. The budget provision is based on known expenditure and excludes any unscheduled visits.
10. There is a significant reduction in expenditure around student fitness to practise/professionalism, health and disability guidance and guidance for osteopathic pre-registration education which reflects work completed in the current year.
11. The budget provides for £20k for the review of the *Osteopathic Practice Standards*. Specifically the budget is to include the cost of pre-consultation engagement meetings as well as interactive online tools for use by registrants and other stakeholders. The budget also provides for some analysis of the consultation feedback by an independent expert.

**Communications, research and development**

	<b>FY2016-17</b>	<b>FY2015-16</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expenditure</b>			
Publication production	76,518	75,887	631
Engagement activities	43,785	56,746	(12,961)
Website	30,967	16,953	14,014
Public and international affairs	1,600	1,750	(150)
Subscriptions and publications	300	300	-
<i>Research</i>			
NCOR infrastructure (net)	26,500	26,500	-
IJOM	39,750	39,000	750
<b>Total</b>	<b>219,420</b>	<b>217,136</b>	<b>2,284</b>

12. Total expenditure for Communications, research and development is scheduled to remain consistent with that in the prior year at £219k.
13. Publication production (£76k) primarily consists of expenditure for the production and distribution of the osteopath magazine, the bi-monthly journal (£62k), and for a re-order/re-print of GOSc publications including the osteopathic standards folder and GP consent forms (£5k). The balance of £9k is

attributable to expenditure on the Welsh Language Scheme, the production of the Annual Report and Accounts, e-bulletins and development of new online resources for registrants.

14. Engagement activity is scheduled to cost £44k, a reduction on the previous year. Included within the budget is £27k for four independently-facilitated engagement workshops, £10k to host a meeting of the Regional Communication Network at Osteopathy House, with the balance of expenditure being for final year student presentations and attendance at national exhibitions.
15. Website costs have increased by £14k as the Communications team have identified the need for enhancements to the public and registrants' website. The enhancements include plans to increase the usability of the websites and improve the search engine optimisation. The Communications team are also exploring the potential to introduce a feature that would allow registrants to 'pin' or 'favourite' content within the registrants-only website. Within the budgeted expenditure is £18k which covers the support and maintenance for the public and registrant websites.
16. Expenditure for the International Journal of Osteopathic Medicine and the funding for the National Council for Osteopathic Research is consistent with the prior year.

### Registration administration

	<b>FY2016-17</b> £	<b>FY2015-16</b> £	<b>Variance</b> £
<b>Expenditure</b>			
Registration documentation	3,000	3,000	-
Renewal form printing and postage	16,000	15,000	1,000
Registration assessments	40,200	59,633	(19,433)
<b>Total</b>	<b>59,200</b>	<b>77,633</b>	<b>(18,433)</b>

17. Total expenditure for Registration assessments has reduced by £18k which reflects a reduction in the provision for registration appeals as well as a more prudent calculation for the cost of the registration assessment process, which includes registration assessor training, appraisal as well as the cost of the actual assessments.

**IT infrastructure**

	<b>FY2015-16</b> <b>£</b>	<b>FY2015-16</b> <b>£</b>	<b>Variance</b> <b>£</b>
<b>Expenditure</b>			
IT infrastructure	40,650	40,650	-
CRM support	23,850	23,850	-
IT sundries and support	7,500	4,500	3,000
<b>Total</b>	<b>72,000</b>	<b>69,000</b>	<b>3,000</b>

18. Following the recent changes to the GOsC's IT infrastructure, financial year 2016-17 continues to represent a period of consolidation and stability.
19. There is no change to the cost of the IT infrastructure (£40k) and CRM support (£24k) although a small increase in IT sundries and support has been provided as the Executive looks to introduce a three-year IT strategic plan, which may need some consultancy support and/or independent audit testing.

**Fitness to practise, including legal**

	<b>FY2016-17</b> <b>£</b>	<b>FY2015-16</b> <b>£</b>	<b>Variance</b> <b>£</b>
<b>Expenditure</b>			
Other legal costs	15,000	15,000	-
Statutory Committee costs			
- Investigating Committee	80,000	80,000	-
- Professional Conduct Committee, incl. Health Committee	475,000	475,000	-
Section 32 cases	10,000	10,000	-
<b>Total</b>	<b>580,000</b>	<b>580,000</b>	<b>-</b>

20. While there is no change to the overall budget, it is worth reminding Council of the journey over recent years to reach this position.
21. In FY2014-15, the fitness to practise area of the business required additional resources, in year, to support the delivery of this core regulatory function. To that end, the budget for FY2015-16 provided increased staff resources and an increase to the expenditure budget of £100k to its total value of £580k.
22. Earlier in this report, Council was advised that the additional staff resources for this team have been retained for a further six months. In terms of the expenditure budget, no increase is proposed. However, it is important to be conservative in this area as the potential for varying work loads represents the

most risk in terms of expenditure forecasts. For this reason, the headline assumptions include:

- a. The number of complaints referred will be around 30 cases a year.
  - b. The high number of Interim Suspension Orders – which are being managed in the current budget – is likely to continue. It is anticipated there may be 12 Interim Suspension Order hearings related to six cases, resulting in six IC hearing days and six PCC and/or HC hearing days.
  - c. There will be up to six Investigating Committee meetings, with the Executive exploring the capacity for remote IC meetings.
  - d. There will be up to 25-30 Professional Conduct Committee hearings (representing 90/100 days of hearing time).
  - e. There will be up to two s32 prosecutions.
23. The cost of the Investigating Committee represents up to six meetings, and some remotely held meetings, consisting of seven members and a legal assessor. The headline costs are for committee members who receive an attendance fee and reading allowance (£306/£75 per day – £24k in total) and the legal assessor who receives an attendance fee only (£720 per day – £6.5k in total). The Executive is exploring the possibility of remote IC meetings which will incur a reduced attendance fee and which may be more flexible and efficient.
24. The cost of the Professional Conduct Committee (£475k) represents up to 90/100 days of hearing time. Panel member attendance fees (£306 per day) are estimated at up to £83k with the cost of the legal assessor (£720 per day) estimated at £65k. The Executive is exploring the move to electronic bundles during 2016 in all cases, which will require less reading time at hearings shortening the hearing lengths. Additionally, the Executive remains committed to exploring a move to fixed external legal provider fees which we anticipate will lower external legal fees. Council is asked to note however, that the Executive team has prudently chosen not to rely on any savings as part of the budget exercise for this year.
25. Other costs include provision for general legal advice (£15k).

## Governance

	<b>FY2016-17</b>	<b>FY2015-16</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expenditure</b>			
Honorariums/responsibility allowances	99,750	117,000	(17,250)
Tax liability on Council expenses	9,000	7,750	1,250
Council costs including reappointment	22,500	22,500	-
Other committee costs	12,500	12,500	-
PSA Levy	14,000	15,000	(1,000)
Internal operations, including training	3,000	3,000	-
<b>Total</b>	<b>160,750</b>	<b>177,750</b>	<b>(17,000)</b>

26. Members' fees and responsibility allowances account for 62% of the Governance budget. The tax liability on Council expenses continues because HMRC consider Council members to be officeholders.
27. Members will note that the budget includes provision for the PSA levy (£14k), which is the full year-effect.
28. The Governance budget includes recruitment costs which are likely to be incurred in FY2016-17 as further Council and committee recruitment is anticipated in 2016-17.

## Administration and establishment

	<b>FY2016-17</b>	<b>FY2015-16</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expenditure</b>			
Premises	99,000	96,000	3,000
Office administration	72,500	70,500	2,000
Financial audit	21,500	21,000	500
Financing	16,000	16,000	-
Depreciation	60,000	80,000	(20,000)
Publications and subscriptions	1,750	1,750	-
<b>Total</b>	<b>270,750</b>	<b>285,250</b>	<b>(14,500)</b>

29. The total budget provision for FY2016-17 is lower when compared to the prior financial period, primarily because of a reduction in the annual depreciation charge.

30. Expenditure on premises is budgeted to increase by £3k and reflects inflationary pressures. Council will be aware from previous discussions that the Executive are continuing to consider the issue of charitable status, which if the GOsC were to become a charity, would see a reduction in the business rate bill by at least 80%.
31. Office administration includes the cost of printing and postage and telephone, fax and photocopying with the budget line 'financing' covering bank charges.

### Capital expenditure

32. Capital expenditure (i.e. the purchase of fixed assets) of £5k is budgeted primarily for some IT equipment which may be required during the year. Capital expenditure is a Balance Sheet item.

### Reserves

33. The GOsC reserve policy is built upon the premise that GOsC should hold reserves to mitigate the risk of an unforeseen event materialising. The high-level risks facing the GOsC are set out in the Risk Register which is reviewed by the Audit Committee at each meeting.
34. The GOsC's longstanding reserves policy is that three months average operating expenditure, looking back over a three year period, should be held in reserve. What is implied – although not explicitly stated – is that this should be in cash form.
35. As at 31 March 2015 three months average operating expenditure, looking back over a three year period, is c.£696k.

### *Calculation of reserves*

36. The calculation of total reserves is the balance between the total assets of the business less its total liabilities. This figure is in accounting terms, the 'net worth' of the business, however it is important to recognise that this figure does not represent available funds which can be spent. A description of the assets and liabilities which form the total reserves is provided below:

### *Total assets*

37. At 31 March 2015, the GOsC had non-current assets which are worth £2.30m. These are formed of fixed assets of £1.80m, i.e. Osteopathy House, which clearly is not in cash form and cannot be spent, and the equity investment portfolio held with Standard Life Wealth worth £500k.
38. The GOsC had current assets totalling approximately £1.11m which include cash at bank and debtors. Debtors equal £421k which is predominately money owed



to the GOsC by registrants who are paying their fees by instalments using the direct debit system.

39. At 31 March 2015 cash at bank totalled £694k – exactly in line with the reserve policy, paragraph 34 refers.
40. Of the £694k, £500k is held in a 120-day bond with Secure Trust Bank earning interest of 2.00% AER. The balance is held with the Royal Bank of Scotland split between a current and deposit account.

### *Total liabilities*

41. For accounting purposes liabilities are split into sums due within one year and those due over one year. Included within liabilities are sums owed to suppliers, and the deferral of registration fees received which cannot be yet recognised in the Income and Expenditure account.
42. As at 31 March 2015 total liabilities of the GOsC equalled £1.03m.

### *Total reserves*

43. As at 31 March 2015 total reserves of the GOsC totalled £2.39m. The GOsC is in a healthy financial position to meet future challenges meaning that it was able to withstand the deficit which arose in FY2014-15.

### *Designated funds – current*

44. As at 31 March 2015 within total reserves, £100k had been set aside previously (in March 2007) as a designated fund to cover the costs of future governance changes.

<b>Fund</b>	<b>Narrative</b>	<b>Value</b>	<b>Expected spend date</b>
Governance arrangements	To cover future changes to the GOsC governance structure and appointments	£100,000	No planned activity for this fund.

45. The designated fund of £100k, initially described as 'White Paper challenges', was previously set aside when Council was required to use the Appointments Commission for any committee appointments and for the reconstitution of Council. However, this is no longer the case and the designated fund, in its current state, is not required. Council recruitment and appointment costs have always been contained within the expenditure budget without the need for reserve funding.

46. Council has previously agreed an approach to funding development projects (July 2014) using some reserves. To date, Council has approved the following sums be spent from reserves:

a. Adverse events reporting	£7,200
b. Advanced clinical practice	£38,200
c. Mentoring project	£12,262
d. Leadership programme	£18,560
 Total	 £76,222

47. To date, c.£42k has been spent from reserves on development projects, leaving a balance of £34k outstanding. Looking ahead, there was agreement in principle that a further £20k be allocated for the mentoring project pilot, however, more detailed proposals would need to be presented to Council before any funds are released.

48. Council will be able to take comfort that the reserves, which have been built up over time through large surpluses (see table below) are being used appropriately and still ensure that Council has sufficient back-up funds for those unforeseen and one-off events.

Financial year	2011-12	2012-13	2013-14	2014-15	2015-16**
Surplus/ (deficit)*	£142k	£413k	£8k	(£89k)	£63k

\* Before designated fund spending

\*\* Forecast year-end position

49. The Executive proposes that the £100k governance arrangement fund be re-designated and used to support the development and implementation of the new CPD scheme. Council has previously been comfortable with this approach and the Executive consider that now is the right time to implement this change. It is anticipated that a small proportion of the funds would be used in this year for IT development and also for the development of new CPD learning resources.
50. In addition, the Executive is aware that the GOsC may receive a new application for recognised qualification status from a new educational institution in 2016-17, which would result in unscheduled quality assurance activity. In light of this, and the anticipated surplus in 2015-16, the Executive proposes designating £20k as a provision for this work from reserves.