

Background

1. The budget for FY2015-16, 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 £5,100.

	FY2015-16 £	FY2014-15 £	Variance £
Income			
Registration fees	2,685,000	2,568,000	117,000
Other income	119,250	65,400	53,850
Total	2,804,250	2,633,400	170,850
Expenditure			
Employment costs	1,266,031	1,172,476	93,555
Education and professional standards	121,850	140,650	(18,800)
Communications, research and development	217,136	245,734	(28,598)
Registration administration	77,633	57,990	19,643
IT infrastructure	69,000	66,800	2,200
Fitness to practise, including legal	580,000	480,000	100,000
Governance	182,250	163,500	18,750
Administration and establishment	285,250	290,250	(5,000)
Total	2,799,150	2,617,400	181,750
Surplus	5,100	16,000	(10,900)

3. Registration fees are forecast to be £2.685m which represents an increase against the 2014-15 budget of £117k. The increase has arisen because Council agreed in November 2014 that registration fees should be held at their current level in 2015-16.
4. Other income of £119k is primarily made up of bank interest (£66k), advertising income and leaflet sales (£25k) and the recharge of FORE secretariat time (£12k).

Categories of expenditure by department

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

Employment costs

	FY2015-16 £	FY2014-15 £	Variance £
Expenditure			
Staff salaries, incl. NI	1,123,012	1,043,301	79,711
Pension costs	103,969	96,275	7,694
Training and development	15,000	15,000	-
Recruitment	15,000	7,500	7,500
Other employment costs	9,050	10,400	(1,350)
Total	1,266,031	1,172,476	89,555

6. A provision allowing for an increase in staff salaries is offset by the prior year reconfiguration of the Registration and Resources team. The budget provision for training and development has been held constant while the budget for recruitment has been increased to £15k recognising potentially higher staff turnover.
7. Other employment costs include the premiums for health insurance and death in service cover which produce a saving of £1,350.

Education and professional standards

	FY2015-16 £	FY2014-15 £	Variance £
Expenditure			
Working groups	3,500	3,500	-
Quality assurance	68,000	112,000	(44,000)
Continuing fitness to practise framework	10,000	10,000	-
Health and disability guidance	15,000	-	15,000
Student fitness to practise/professionalism	10,000	6,000	4,000
Guidance for osteopathic pre-registration education	13,000	6,000	7,000
Publications and subscriptions	2,350	3,150	(800)
Total	121,850	140,650	(18,800)

8. The reduction in overall expenditure is mainly the result of the cyclical nature of the work around 'Quality Assurance', specifically the varying number of scheduled RQ visits. The cyclical nature of this work means expenditure also fluctuates and Council is moving to a period where expenditure may appear to be reducing between the three year period 2014-2017 before increasing again in financial years 2017-18 and 2018-19. Therefore, Council should continue to be prudent as the decrease in expenditure does not represent a sustainable long-term expenditure reduction.
9. There is increased expenditure around student fitness to practise/professionalism and guidance for osteopathic pre-registration education which reflects data analysis and consultation activities. There is a further provision of £15,000 for the development of health and disability guidance, which includes focus groups and consultation support.

Communications, research and development

	FY2015-16 £	FY2014-15 £	Variance £
Expenditure			
Publication production	75,887	79,523	(3,636)
Engagement activities	56,746	67,660	(10,914)
Website	16,953	19,051	(2,098)
Public and international affairs	1,750	9,200	(7,450)
Subscriptions and publications	300	300	-
<i>Research</i>			
NCOR infrastructure (net)	26,500	25,000	1,500
IJOM	39,000	45,000	(6,000)
Total	217,136	245,734	(28,598)

10. Total expenditure for Communications, research and development is scheduled to decrease by £29k in FY2015-16.
11. Publication production (£76k) primarily consists of expenditure for the production and distribution of the osteopath magazine, the bi-monthly journal (£63k), and for a re-order/re-print of GOsC publications including the osteopathic standards folder and GP consent forms (£8k). The balance of £7k is attributable to expenditure on the Welsh Language Scheme, the production of the Annual Report and Accounts, e-bulletins and one-off photography costs.
12. Engagement activity is scheduled to cost £57k. Included within the budget is £18k for a registrant's survey of which £10k is for project management, design and set up of an online survey and the analysis of results. In addition, £22k has been budgeted for focus groups on different topics including candour, public engagement in osteopathic education and the new CPD scheme – assuming c.12

participants per group. The patient engagement includes the cost of recruitment, refreshment and facilitation.

13. Website costs fall in the year by £2k as significant development work was undertaken in previous financial periods. Budgeted expenditure of £17k provides support and maintenance for the public and registrant websites.
14. Expenditure for public and international affairs has fallen by £7k which is because of the completion of the CEN project and a monitoring service being transferred in-house.
15. Turning to research, the cost of the International Journal of Osteopathic Medicine has fallen by almost around £6k which is offset by a small increase in the funding for the National Council for Osteopathic Research.

Registration administration

	FY2015-16 £	FY2014-15 £	Variance £
Expenditure			
Registration documentation	3,000	2,500	500
Renewal form printing and postage	15,000	15,000	-
Registration assessments	59,633	40,490	19,143
Total	77,633	57,990	19,643

16. Total expenditure for Registration assessments has increased by c£20k which reflects an increase in the number of assessments anticipated, particularly around overseas applications, an enhancement in the robustness of the registration assessment processes (£6.6k) as well as a contingency for registration appeals (£12.5k).

IT infrastructure

	FY2015-16 £	FY2014-15 £	Variance £
Expenditure			
IT infrastructure	40,650	36,300	4,350
CRM support	23,850	23,000	850
Disaster recovery facility	-	3,000	(3,000)
IT sundries and support	4,500	4,500	-
Total	69,000	66,800	(2,200)

17. Following the recent changes to the GOsC's IT infrastructure, financial year 2015-16 continues to represent a period of consolidation and stability. There is

an increase in the cost of the IT infrastructure to £40k which represents additional licences and the associated hosting fees.

18. The increase in IT infrastructure costs is offset by a reduction of £3k as the GOsC no longer needs a dedicated disaster recovery facility.

Fitness to practise, including legal

	FY2015-16	FY2014-15	Variance
	£	£	£
Expenditure			
Other legal costs	10,000	5,500	4,500
Statutory Committee costs			
- Investigating Committee	80,000	65,000	15,000
- Professional Conduct Committee	475,000	400,000	75,000
Section 32 cases	10,000	5,000	5,000
Law library subscription	5,000	4,500	500
Total	580,000	480,000	100,000

19. Council will be aware there have been additional resources required in FY2014-15 to support the delivery of this core regulatory function. To that end, the budget for 2015-16 reflects total forecast expenditure of £580k. 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.
- c. There will be up to nine Investigating Committee meetings.
- d. There will be up to 18 Professional Conduct Committee hearings (representing 90 days of hearing time)
- e. There will be up to three s32 prosecutions.

20. The cost of the Investigating Committee represents up to nine meetings consisting of 7 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).

21. The cost of the Professional Conduct Committee (£475k) represents up to 90 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.
22. Legal fees payable to solicitors/barristers presenting cases on behalf of GOsC represent the greatest level of expenditure in this area, and it was for this reason that a legal service procurement exercise commenced in the last business plan year with a view to (a) increasing the number of providers available to the Regulation team (b) driving up quality while (c) ensuring the firms kept costs controlled.
23. Other costs include provision for general advice (£10k) and a subscription to an online law library (£4.5k).

Governance

	FY2015-16	FY2014-15	Variance
	£	£	£
Expenditure			
Honorariums/responsibility allowances	117,000	117,000	-
Tax liability on Council expenses	7,750	8,000	(250)
Council costs including reappointment	25,000	21,000	4,000
Other committee costs	12,500	14,500	(2,000)
PSA Levy	17,000	-	17,000
Internal operations, including training	3,000	3,000	-
Total	182,250	163,500	18,750

24. Members' honorariums and responsibility allowances account for 64% of the Governance budget. The tax liability on Council expenses continues because HMRC consider Council members to be officeholders, although the tax liability has reduced marginally in comparison to the previous financial year.
25. Members will note that the budget for FY2015-16 includes provision for the PSA levy (£17k). We have been advised that the legislation, although unlikely to be in place before the General Election, will allow for the levy to be backdated meaning we should provide for a full year effect.
26. The Governance budget includes recruitment costs which are likely to be incurred in FY2015-16 ahead of any Council reconstitution to take effect in the following financial period.

Administration and establishment

	FY2015-16	FY2014-15	Variance
	£	£	£
Expenditure			
Premises	96,000	85,000	11,000
Office administration	70,500	67,500	3,000
Financial audit	21,000	20,000	1,000
Financing	16,000	16,000	-
Depreciation	80,000	100,000	(20,000)
Publications and subscriptions	1,750	1,750	-
Total	285,250	290,250	(5,000)

27. The total budget provision for FY2015-16 is down by £5k compared to the prior financial period, primarily because of a reduction in the annual depreciation charge. The overall budget has contained inflationary pressures within the budget forecast.
28. Expenditure on premises is budgeted to increase by £11k and reflects additional costs for cleaning and maintenance within Osteopathy House. The remaining budget provision has been held constant and reflects business rates (£45k) and service contracts and utilities (£40k).
29. 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%.
30. Office administration includes the cost of printing and postage (£37k) and telephone, fax and photocopying (£25k) with the budget line financing covering bank charges.

Capital expenditure

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

Expenditure from Reserves

32. 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.

33. The GOsC's long-standing 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.
34. As at 31 March 2014 three months average operating expenditure, looking back over a three year period, is c. £713k.

Calculation of reserves

35. 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

36. At 31 March 2014, the GOsC had non-current assets which are worth £2.36m. These are formed of fixed assets of £1.86m, 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.
37. The GOsC had current assets totalling approximately £1.20m which include cash at bank and debtors. Debtors equal £342k which is predominately money owed to the GOsC by registrants who are paying their fees by instalments using the direct debit system.
38. At 31 March 2014 cash at bank totalled £860k – greater than the target level set out in the reserves policy (paragraph 34 refers). The additional cash balance has arisen because of larger than forecast surpluses in previous financial periods.
39. Of the £860k, £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

40. 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, the mortgage outstanding on Osteopathy House, and the deferral of registration fees received which cannot be yet recognised in the Income and Expenditure account.
41. As at 31 March 2014 total liabilities of the GOsC equalled £984m.

Total reserves

42. As at 31 March 2014 total reserves of the GOsC totalled £2.57m. The GOsC is in a healthy financial position to meet future challenges meaning that it is able to withstand the accumulated deficit arising in the current financial year.

Designated funds – current

43. Of the £2.57m total reserves, £180k was set aside in previous years as designated funds of which only £80k had a clear and immediate purpose. A brief description of the designated funds is provided below:

Fund	Narrative	Value	Expected spend date
Governance arrangements	To cover future changes to the GOsC governance structure and appointments	£100,000	To be spent down in future financial years
Effectiveness of regulation research	To provide for independent research to assess the effectiveness of regulation	£80,000	Within 2014-15 financial year.

44. Council has previously agreed an approach to funding projects in relation to the development of the profession 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. Mentoring project – pilot stage	£20,000 (agreed in principle)
e. Leadership programme	£18,560

Total	£96,222
-------	---------

45. Looking ahead, it is not anticipated that expenditure on governance arrangements (i.e. appointments) will be required at anything like the levels previously anticipated. However, Council has previously considered that the start-up costs of a future CPD scheme should be funded from reserves and the Executive will bring proposals to this effect to a future meeting.