

Background

1. The budget for FY2014-15, 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 £14,000 which represents 0.55% of forecast registration fee income and allows a small margin for unplanned work.

	FY2014-15 £	FY2013-14 £	Variance £
Income			
Registration fees	2,568,000	2,670,000	(102,000)
Other income	65,400	58,500	6,900
Total	2,633,400	2,728,500	(95,100)
Expenditure			
Employment costs	1,172,476	1,200,506	(28,030)
Education and professional standards	142,650	168,669	(26,019)
Communications, research and development	245,734	234,754	10,980
Registration administration	57,990	30,700	27,290
IT infrastructure	66,800	72,376	(5,576)
Fitness to practise, including legal	480,000	530,000	(50,000)
Governance	163,500	173,000	(9,500)
Administration and establishment	290,250	303,250	(13,000)
Total	2,619,400	2,713,255	(97,855)
Surplus	14,000	15,245	(1,245)

3. Registration fees are forecast to be £2.568m which represents a reduction against the 2013-14 budget of £102k. Council approved the principle of redistributing cost reductions back to the profession via a fee reduction and the mechanism for doing so is covered elsewhere on the agenda.
4. Other income of £65k is primarily made up of advertising income and leaflet sales (£25k), bank interest (£15k) 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

	FY2014-15	FY2013-14	Variance
	£	£	£
Expenditure			
Staff salaries, incl. NI	1,043,301	1,069,948	(26,647)
Pension costs	96,275	97,158	(883)
Training and development	15,000	15,000	-
Recruitment	7,500	7,500	-
Other employment costs	10,400	10,900	(500)
Total	1,172,476	1,200,506	(28,030)

6. A provision allowing for an increase in staff salaries is offset by the prior year reconfiguration of the IT delivery which results in a recurring financial saving to GOsC. Overall budget provisions for 'training and development' and 'recruitment' have been held constant.
7. 'Other employment costs' include the premiums for health insurance and death in service cover which produce a small saving of £500.

Education and professional standards

	FY2014-15	FY2013-14	Variance
	£	£	£
Expenditure			
Working groups (OEI)	3,500	3,500	-
Quality assurance	112,000	138,119	(26,119)
Continuing fitness to practise framework	10,000	9,500	500
Osteopathic Practice Standards	-	10,000	(10,000)
Student fitness to practise/professionalism	8,000	1,000	7,000
Guidance for osteopathic pre-registration education	6,000	3,000	3,000
Publications and subscriptions	3,150	3,550	(400)
Total	142,650	168,669	(26,019)

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/professionanism and guidance for osteopathic pre-registration education which reflects data analysis and consultation activities. This increase in expenditure of £10k is offset by a reduction of £10k from the budget line 'Osteopathic Practice Standards'.

Communications, research and development

	FY2014-15	FY2013-14	Variance
	£	£	£
Expenditure			
Publication production	79,523	68,057	11,466
Engagement activities	67,660	21,335	46,325
Website	19,051	41,012	(21,961)
Promoting the Register	-	3,600	(3,600)
Public and international affairs	9,200	19,650	(10,450)
Subscriptions and publications	300	1,600	(1,300)
<i>Research</i>			
NCOR infrastructure (net)	25,000	25,000	-
IJOM	45,000	54,500	(9,500)
Total	245,734	234,754	10,980

10. Total expenditure for Communications, research and development is scheduled to increase by £11k in FY2014-15. The increase in expenditure is due to new activities taking place in the coming business year, offset by expenditure reductions identified by the team.
11. Publication production (£80k) 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 (£9k). 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. The most significant increase in expenditure within the function is £46k for Engagement activities. There are two new activities in FY2014-15 being (a) patient/public research (£34k) and (b) patient engagement via focus groups

(£9k). Patient/Public research is designed to test the knowledge and understanding of osteopathic regulation to help inform GOsC communication and guidance. It is planned that this will be undertaken by two surveys and by a day-long deliberative workshop. The patient engagement consists of three focus groups and includes the cost of recruitment, refreshment and facilitation.

13. Website costs fall in the year by £22k as significant development work was undertaken in FY2013-14. Budgeted expenditure of £20k provides support and maintenance for the public and registrant websites.
14. Public and international affairs falls by £10k which is primarily a reduction in the cost of the subscription to the Osteopathic International Alliance.
15. The cost of the *International Journal of Osteopathic Medicine* has fallen by almost £10k which represents the re-negotiated contract price.

Registration administration

	FY2014-15 £	FY2013-14 £	Variance £
Expenditure			
Registration documentation	2,500	2,500	-
Renewal form printing and postage	14,500	14,500	-
Registration assessments	40,490	15,700	24,790
Total	57,490	32,700	24,790

16. Total expenditure for Registration administration has increased by c£25k which reflects an enhancement in the robustness of the registration assessment processes previously reported to Council. The increased budget provides for training for assessors and for an appraisal scheme which is an important additional feature to underpin the quality of the registration assessor process.
17. Last year Council asked the Executive to ensure the budget line for Registration better reflected the cost of the activity. The budget line now includes the cost of procuring registration certificates, producing renewal forms in-house and the cost of postage associated with registration. The prior year budget has been amended to ensure consistency of reporting.

IT infrastructure

	FY2014-15 £	FY2013-14 £	Variance £
Expenditure			
IT infrastructure (cloud)	36,300	33,576	2,724

Annex B to 7

CRM support	20,000	28,000	(8,000)
Disaster recovery facility	3,000	4,800	(1,800)
IT sundries and support	7,500	6,000	1,500
Total	66,800	72,376	(5,576)

18. Following the recent changes to the GOsC's IT infrastructure, financial year 2014-15 represents a period of consolidation and stability. Moving the IT infrastructure to the cloud has been a success and the cost of maintaining the hosted environment is £36k. The cost of IT sundries and support has been increased by £1.5k and reflects a contingency for minimal ad-hoc assistance which may be required in-year.
19. The cost of the CRM support has been set at £20k representing a reduction of £8k. In the previous financial period £8k was spent on consultancy for a scoping exercise for the 'next generation' version of the CRM system. The current product used by the GOsC is now being supported for at least the next 3 years and therefore there is no requirement for additional expenditure in this area.
20. Members will note from the Business Plan that it includes work to assess the impact of changes made to IT infrastructure and to identify any further improvements in use of IT. This scoping work will ensure future IT challenges, and appropriate levels of infrastructure funding, are identified at an earlier stage.

Fitness to practise, including legal

	FY2013-14	FY2012-13	Variance
	£	£	£
Expenditure			
Other legal costs	5,500	5,500	-
Statutory Committee costs			
- Investigating Committee	65,000	75,000	(10,000)
- Professional Conduct Committee	400,000	440,000	(40,000)
Section 32 cases	5,000	5,000	-
Law library subscription	4,500	4,500	-
Total	480,000	530,000	(50,000)

21. The budget for 2014-15 anticipates a reduction in expenditure of £50k reflecting, among other things, changes in working practices. However, as previously reported to Council, 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 remains at around 30 cases a year;

- b. The high number of Interim Suspension Orders - which are being managed in the current budget - will not be repeated in 2014-15;
 - c. There will be up to nine Investigating Committee meetings;
 - d. There will be up to 17 Professional Conduct Committee hearings;
 - e. There will be up to 3 s32 prosecutions.
22. 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).
23. The cost of the Professional Conduct Committee (£415k) represents up to 84 days of hearing time. Panel member attendance fees (£306 per day) are estimated at up to £77k with the cost of the legal assessor (£720 per day) estimated at £61k.
24. 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.
25. Other costs include provision for general advice (£5.5k) and a subscription to an online law library (£4.5k).

Governance

	FY2014-15	FY2013-14	Variance
	£	£	£
Expenditure			
Honorariums/responsibility allowances	117,000	117,000	-
Tax liability on Council expenses	10,000	15,000	(5,000)
Council costs including reappointment	19,000	21,000	(2,000)
Other committee costs	14,500	14,500	-
Internal operations, including training	3,000	5,500	(2,500)
Total	163,500	173,000	(9,500)

26. Members' honorariums and responsibility allowances account for 72% 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 in comparison to the previous financial year.
27. Members will note that the budget for FY2014-15 does not include provision for the PSA levy. We have been advised that the Department of Health are still working towards implementation of a levy to fund the PSA and, as this is unlikely to take effect until April 2015 which puts it outside of this budget cycle, we have decided not to make a provision.
28. Should the introduction of the PSA levy fall into FY2014-15 – although the likelihood is low – we will report this to Council and make a recommendation on how to best fund the additional charge.

Administration and establishment

	FY2014-15	FY2013-14	Variance
	£	£	£
Expenditure			
Premises	85,000	85,000	-
Office administration	67,500	73,500	(6,000)
Financial audit	20,000	21,000	(1,000)
Financing	16,000	22,000	(6,000)
Depreciation	100,000	100,000	-
Publications and subscriptions	1,750	1,750	-
Total	290,250	303,250	(13,000)

29. Total expenditure has been reduced by £13k in FY2014-15, with inflationary pressures contained in the budget forecast. Expenditure on premises has been held constant and reflects business rates (£45k) and service contracts and utilities (£40k). Council will be aware from the paper on charitable status, which is covered elsewhere on the agenda, that becoming a charity would allow GOsC to reduce its 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 and loan interest. Loan interest has reduced by £6k as the mortgage on Osteopathy House will be repaid in July 2014 meaning a reduction on the interest payable in FY2014-15.
31. The cost of the financial audit has fallen by £1k following a tender exercise which was conducted in mid-late autumn, the results of which were reported to Council.

Capital expenditure

32. 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

33. In the discussions around budget strategy at the October meeting of Council, the Executive suggested that should new short-term projects arise in relation to the development of the profession then these would be suitable for funding from reserves. The Executive will bring more detail to Council as these opportunities arise.
34. In 2012-13 Council ring-fenced £80k for use on research projects. The 'effectiveness of regulation' research is now underway and this fund will be reduced during financial year 2014-15.