

COUNCIL

**C(03)09
02.04.09
PUBLIC**

Budget 2009/10

For consideration

Issue:

Attached is the Budget for 2009/10, together with supporting narrative, which has been commended to the new Council by the meeting of the GOC held 26 March 2009. The Budget supports the delivery of the business plan.

Recommendation:

Council is asked to consider the 2009/10 Budget.

Annexes:

The following annex is attached to this paper:

Annex 1: Budget 2009/10

Further information:

If you would like further information about this paper please contact:

Dian Taylor
020 7307 3458
dtaylor@optical.org

**Summary of the 2009/10 Budget to support the delivery of
the General Optical Council 2009/10 agreed Business Plan**

£	2009/10 DRAFT BUDGET	2008/9 LATEST BUDGET	2007/8 ACTUAL
Income	£	£	
Fees	4,425,750	3,335,133	3,282,119
Other Income	18,832	25,953	26,932
Interest	80,000	156,056	223,071
Total Income	4,524,582	3,517,142	3,532,122
Expenditure			
Staff Costs	1,893,986	1,644,087	1,240,769
HR costs	273,500	270,421	180,287
Business Resources	1,124,589	935,840	1,046,867
Registrar costs	5,000	4,000	10,060
Education	182,411	138,690	173,606
Legal Services	483,426	415,365	321,499
FTP	379,077	321,688	212,538
IT Services	79,000	44,314	41,109
Communications	171,726	123,586	104,773
Standards	32,209	42,786	65,301
Legislative Change Costs	14,465	30,902	57,559
Total Expenditure	4,639,389	3,971,679	3,454,368

£	2009-10 DRAFT BUDGET	2008/9 LATEST BUDGET	2007/8 ACTUAL
	£	£	£
Surplus/Deficit pre-tax	-114,807	-454,537	77,754
Corporation Tax	16,000	31,211	51,371
Surplus/Deficit <u>after</u> Tax	-130,807	-485,748	26,383
Reduce Legal Reserve	0	750,000	
Change Management Provision 2009-10	282,766	282,766	
Retained Surplus/Deficit	151,959*	-18,514	26,383
Retained Surplus Start Year	778,378	796,892	770,509
Retained Surplus/Deficit Carried Forward	930,337	778,378	796,892

* This surplus is due to the revised increase in the number of registrants used to calculate the income.

Budget 2009/10 Supporting Narrative

A) Income Estimate 2009/10

1. Total income of £4.524m is estimated for the financial year.
2. Of this total, fee income represents £4.426m, or 98%.
3. Investment income of £80,000 is estimated to reflect the current deposit rates available from institutional lenders. Risk is being diversified by holding deposit accounts with as many different providers as possible. New accounts have been set up with Barclays, HSBC and RBS and the opening of a further account with Nationwide Building Society is in progress.

B) Expenditure Estimates 2009/10

a) Staff Costs

4. Staff Cost are expected to increase to £1.894m in 2009/10 from £1.644m in 2008/9, this is an increase of +£250K or 15%. Increases are expected as a result of the following:

New Posts

5. Resignations in key posts in 2008 (Director of Corporate Resources, Registration/IT Manager) allowed an organisational restructuring in Registration, Communications, IT and HR/OD.
6. The single post of Registration/IT Manager was split.
7. An IT officer was appointed internally during the current year (2008/09).
8. It was agreed that recruitment for a Registration Manager would be delayed until the 2009/10 financial year.
9. This allowed the Council to make cost savings and to promote an existing temporary member of the registration team to Registration Supervisor, with the proviso that a management post would be filled post April 2009
10. Wherever possible internal promotion of the existing staff will take place to fill the new organisational structure. This is seen as a cost effective move, but one which provides a career structure for valued members of the GOC team. In some cases promotions have been delayed to take effect from 1 April 2009.
11. An internal promotion of the existing Communications Officer will take effect from 1 April 2009. A further communications officer will be recruited to fill the vacancy this promotion has left as outlined in 12 below.
12. An Information/Project Manager responsible for Integra (registrants' database) and reporting to the Director of Communications and Information will be appointed in the early summer of 2009.
13. Three part time regional managers to be recruited to work for the GOC in Northern Ireland, Scotland and Wales. It is not expected that these roles will be recruited until the latter half of 2009.

14. Discussion at the Finance & Procedure Committee recommended that further support be recruited for the GOC's finance function. It has been identified that a part time person is required for the finance department to assist with increased volume of work on the purchase ledger and to assist the Financial Controller to meet the information requirements of budget holders. The Senior Management Team recommend the appointment of an external consultant to provide mentoring for the Financial Controller. It is envisaged that this will be a fixed term contract for one year

Reappointment to posts left vacant in 2008/09

15. The recruitment of an Education Officer to replace the former incumbent who transferred to HR this year.

16. The recruitment of a PA to support the wider role of the Director of Human Resources & OD to replace the former incumbent who has transferred to IT this year

17. The recruitment of a Communications Officer to replace the incumbent who will be promoted from 1 April 2009, to Communications Manager

Normalisation of current salary scale

18. Following a review of the existing salary scales, it was outlined to the Remuneration Committee that discrepancies existed between each incremental point, with a variance range of 2-9%.

19. The normalisation of the salary scales was instigated by the Remuneration Committee for all current staff from April 2009.

Cost of Living Increase

20. The cost of living increase was calculated after [a] analysis of four other healthcare regulators recommendation, taking the average from all, but also considering [b] The Consumer Prices Index (CPI) and [c] Retail Price Index. The percentage increase to salaries across the board from 2009 is 3%

Merit Awards

21. Merit awards from April 09 have been limited to a 2% increase for members of staff whose achievements and performance exceed the job requirements and 4% for those members of staff whose achievements and performance are considered outstanding.

b) Human Resources

22. Expenditure has increased from £270K in 2008-9 to £274K in 2009/10. This represents an increase of £4K or 2%.

Non-recurrent costs

23. Non-recurrent costs in 2008/9 such as the Recruitment of the CEO and Council Members are to be off-set against the non-recurrent costs to be incurred in 2009/10 from the following activities:

- i. new Council training and development
- ii. Job Evaluation exercise
- iii. Organisational Development (continue change management initiatives – 1 day training for all staff members including SMT).
- iv. SMT training and development

Staff Training

24. Staff training budget was a casualty of the cost savings made in 2008/9.

25. The Executive consider that previous training investment has paid off, with a number of staff being promoted from within. In the forthcoming year, further monitoring of training will be undertaken, ensuring that training needs not only fulfil the individual's requirement but are appropriate to the GOC's business objectives.

c) Business Services

26. Expenditure in this area is expected to be £1.124m in 2009-10 an increase of £189k from 2008/9 expenditure of £936K. The main increases occur in

- i New project work in the Registration Department
- ii Increased activity in the final year of the current CET Cycle
- iii A more realistic Legal Advice budget to enable the Executive to get legal advice in the following areas: Public law, contract, tort, property and procurement
- iv Office Costs and Overheads to redress lack of investment in previous years
- v Council Members and Meeting Costs increase due to:
 - Remuneration of 11 council members as opposed to the attendance fee and expenses of 28 members
 - Meeting costs related to frequency of meetings this has been increased from 4 to 10

27. A reduction on current year expenditure is anticipated in Members Fees and Expenses largely due to Finance and Procedure Committee ceasing to exist and the 15% cut in costs applied to all committee costs across the Council.

e) Education Department

28. Expenditure in 2009/10 is expected to total £182k, up from £139k in 2008/9, an increase of £43k. Increases are expected as a direct result of the following:

- i) full panel visits to all dispensing courses and additional visits that have to be made for new programmes and to IP courses in 2009/10.
- ii) Continuation of existing working groups including CET Policy

29. Savings on current year expenditure is anticipated in Members fees and expenses. This saving will be achieved by holding more than 1 meeting per day, advance bookings for travel and accommodation and negotiation with suppliers on better rates.

f) Fitness to Practise

30. Despite initiatives to reduce costs in this area, expenditure is expected to increase to £483k in 2009/10 compared to £415k in 2008/9, an increase of £68k or 16%

31. FTP costs have increased substantially over the past 12-18 months as a result of:

- (i) an increasing number of allegations received against registrants;
- (ii) larger and more complex complaints;
- (iii) increasing use of health and performance assessments by the Investigation Committee; and
- (iv) increasing use of conditional orders by the Fitness to Practise Panel when hearing both substantive hearings and interim orders.

32. The Investigations process will continue to be managed in-house. Post referral legal work is now undertaken by the Assistant Director of Fitness to Practise (in post since August 2008) and external solicitors. Our external solicitors continue to conduct advocacy in all Fitness to Practise cases. Currently, an annualised contract is being negotiated with the external solicitors. The contract with the external solicitors has been extended to 31st March 2009.

33. Increases are expected in: Project Work: reviewing the approach to allegations of poor clinical practice (new activity); Tender process for legal services (one-off activity); Assessment fees; Criminal prosecution costs.

g) FTP Hearings:

34. Costs in this area bear a direct relationship to the number of FTP allegations referred by Investigation Committee which is increasing year by year. Expenditure in 2009/10 is expected to total £379k, up from £322k in 2008/9, an increase of £57k or 18%. Increases are expected in Venue costs; Members fees and expenses (5 panel members: includes tax/NI).

35. Savings in expenditure will be achieved by arranging a day's training internally at the GOC and reducing members' expenses by scheduling start times for 10 am so there are no overnight stays.

36. A reduction in expenditure is also planned in Transcribers costs. These savings are to be achieved by either, re-negotiating the current rate with existing suppliers, or having a

full-time member of staff whose primary responsibility would be to assist the Hearings manager, but who would allocate their free time to other functions in the organisation as required.

h) Information Technology

37. Increased from £44K in 2008/9 to £79K in 2009/10, an increase of £35K or 80%.
38. This is an area where there has been a lack of investment in the past, and in an age where technology is key to effective communications, the need to modernise is now critical. The increase outlined above is due to a number of reasons:
- i. Prior to 2008, the Council has waited for equipment to break down beyond repair before replacing. An IT audit has now been carried out and there is a need to replace 17 PC's in the forthcoming year, as well as write off bubble jet printers, that are cheap to buy but expensive on peripherals. This coupled with new staff, and the need to buy more equipment, has led to an increase in costs.
 - ii. The cost of buying IT licenses to ensure compliance with licensing laws is considerable and has added to the overall budgetary requirements in this area. In addition, there is the need to buy upgrade packages in a number of areas, such as Integra (database for registration) and to move to windows 2007.
 - iii. Additional computer points are required to address the overburdening of the system due to increased staff numbers and to ensure compliance with health and safety regulations.
 - iv. The GOC's phone system requires replacement; the hardware is no longer available and there are problems with the software

i) Communications Department

39. As part of the cost saving initiative in the current year it was agreed by the Executive that one edition of Bulletin be deferred until 2009/10, deferring a total of £10k. As a result, the forecast year end position as at 31 March 2009 has been revised to £124k (this includes the deferred expenditure of £10k plus savings of an additional £1k). Expenditure has risen by £27k or 20% against budgeted expenditure in the Business Plan for 2008/9. Although, due to the deferred expenditure, the actual increase is £48k (from £124k to £172k). Increases are expected in:
- i. Project work including public awareness (new activity)
 - ii. Stakeholder engagement (enhanced activity)
 - iii. Public affairs work (new activity)
 - iv. European work (new activity)
 - v. Delayed expenditure from 2008/9 (Bulletin)

j) Standards department/Legislative Change has decreased from £79k in 2008/9 to £47k in 2009/10 (reduction of £32K.)

40. To summarise the main developments in this budgetary area in 2008/9:

- i. Revalidation: the pace of the work in this area was much slower than anticipated and the majority of the work did not have to be carried out in the current financial year. The underspend in 2008/09 has been re-allocated in 2009/10 to complete this work.
- ii. Legislative change: £100,000 was budgeted for in the 2008/9 Business Plan. The presentation of this has since been split into various sub-headings and not grouped as a single item. When the Executive reviewed this budget it was acknowledged this had been over-estimated and £37,300 would be a more realistic budget. This is now in line with the forecasted year end position at 31 March 2009. These were costs relating to the set up of the new Council and therefore will not recur.
- iii. A further contingency budget of £11,000 was not used. No contingencies have been built into the 2009/10 draft budget.

41. In 2009/10 some projects have been deferred: Sale of Optical Appliances; Contact Lens Supply; Regulation of Dispensing Opticians.

42. These items have been highlighted in the legacy document for the new Council, and could form part of next year's workplan and be reflected in the Council's 2010/11 business plan for the Council to approve.

Recommendation

Council is asked to approve a budget for 2009/10 with an estimated retained surplus of £151,959.