

GENERAL OPTICAL COUNCIL

Finance and Procedure Committee

Draft Financial Budget for 2009-10

Summary

The Finance and Procedure Committee recommend the draft Financial Budget for 2009-10 for approval by Council.

Draft Financial Budget 2009-10

1. A final budget for 2009 – 10 will be considered by the March 09 meeting of Council when the Business Plan for 2009 -10 has been finalised.
2. A draft financial budget for 2009 -10 has now been prepared for adoption by November Council. The purpose of the draft budget is two-fold:
 - [i] to determine the required level of expenditure required to meet the draft business plan of Council in 2009-10; and
 - [ii] for Council to consider the appropriate level of registrant fees to fund this level of work.
3. The draft budget summary is shown at **Appendix 1** of this paper, together with comparisons for the current year.

Process

4. The draft budget was put together by the Senior Management Team (SMT) based on the work programmes for the year as agreed by the Council's Committees. The budget includes the SMT's perspective of the resources required to undertake such work and also to develop the Council's infrastructure. The SMT adopted a zero budgeting approach. Having agreed the work which it was considered Council should aim to achieve in the next financial year, the SMT had then identified the resources which would be needed to achieve the Business Plan.
5. The draft budget was presented to the Coordinating Group (comprising the Chairmen of the Council's Committees plus the Chairman and Deputy Chairman of the Council) by the Management Team. The Coordinating Group agreed that the full work programmes underlying the budget needed to be undertaken but concluded that it was not their role to agree the budget in neither financial terms nor the

registrant fee to achieve it, but rather, that it was role of the F & P Committee to make such recommendations to the Council.

6. F&P Committee considered the draft budget at its meeting on 28 October. The Committee was concerned at the scale of the budgeted increase in expenditure and the resultant effect on the registrants' fee. As a result, Mr Alan Tinger (Advisor to the F&P Committee) was asked to review the underlying information and assumptions used in the compilation of the budget and to report back to the Committee on his findings. In reporting back to the Committee Mr Tinger confirmed that in his view, the assumptions used to form the budget, as further developed in his report, were well founded.
7. Working with the SMT, Mr Tinger has subsequently taken steps to identify from the original budget:
 - cost savings (£557,871);
 - deferment of activities subsequently agreed with Committee Chairmen (£103,720); and
 - costs which can be legitimately described as 'change management' to be charged against current year reserves (£282,767),

to form the basis of a revised draft budget and registration fee for 2009 -10.

8. A detailed report by Mr Tinger and associated budget was circulated by email to members of the F&P committee for comment. A small working group of the committee met on Monday November 10 to scrutinise the report and assess all the comments that had been received. Subsequently a further revised report and draft budget was considered by a formal meeting of the F&P committee convened by teleconference on Friday November 14 2008 and the Committee now recommend the attached draft budget to Council for adoption (**Appendix 1**).
9. In considering the estimated expenditure needed to resource the Business Plan the F&P Committee took the following points into account:

Fees and overheads in past four years

10. Registrant fees have not been increased over the past four years, but overheads have increased in each of these years by between £300K and £400K.

Change

11. The Council is currently in the middle of fundamental change with the retirement of its Chairman, the appointment of a new Chairman and the appointment of a new slimmed down appointed Council (replacing the current larger part appointed and part elected Council). At the same time, it is planning for the appointment of a new Chief Executive, following the retirement of the previous Chief Executive in July 2008 and more recently the resignations of the Registration Manager and then the Director of Corporate Resources.
12. In anticipation of the new slimmed down appointed Council that will be in place for 2009 / 10 and which will operate a more board like structure, the Council is aware that the SMT has been developed since the retirement of the previous Chief Executive into separate staffed functions each headed up by a Director. Whilst the current statutory committee structure is in place (until a further Section 60 Order in 2010) it is inevitable that the costs of both methods of operating are being incurred. This has contributed substantially to the increased costs for 2009/10.

Change Management

13. The provision of £282,767 recommended to be charged against current year reserves comprises recruitment and training costs for the new Council, management training and development costs, systemisation of manual processes, etc.

Economic Climate / Optical Market

14. Whilst the Council cannot afford to compromise its statutory duties, it needs to retain the overall goodwill and understanding of registrants and so has to be seen to be aware of the context in which registrants operate including being aware of the potential effects of economic and industry changes on opticians' practices.

Current Year

15. The budget consideration is compounded by the current year result which was forecast to be a deficit of £486,000. This is accounted for by the following:

Deficit for 2008-9 (agreed by July 08 Council)	371,000
Plus proposed charge against reserves for:	
Criminal Prosecutions	75,000
Increased FTP activity	20,000
Write off of Appointment Commission costs	<u>20,000</u>
Forecast Deficit 2008/9	<u>£486,000</u>

Reserves

16. For this current financial year the Council has adopted a risk assessment basis to measure the adequacy of reserves. At the request of the Acting Chief Executive / Registrar, the Director of Legal & Fitness to Practise has produced a reasoned argument that the legal reserve can be reduced from £1,500,000 to £750,000 and which reasoned argument, after due consideration, the Committee has accepted.
17. The Committee acknowledged that the validity of budgeted expenditure levels should be determined separately from the level of reserves to avoid costs building up for future years that cannot then be funded out of reserves. However, in terms of genuine one-off rather than potentially recurrent expenditure, the utilisation of reserves was a serious consideration.

The full Committee (other than for one member who was unable to participate in the meeting of 14 November because of illness) unanimously recommend the draft Financial Budget for 2009-10 for approval by Council.

APPENDIX 1

Draft Budget 2009-2010

£	2009/10 DRAFT BUDGET	2008/9 FORECAST OUTCOME
Income	£	£
Fees	4,225,623	3,344,165
Other Income	14,000	14,000
Interest	150,000	200,000
Total Income	4,389,623	3,558,165
Expenditure		
Staff Costs	1,893,986	1,672,216
Human Resources	79,400	209,517
Business Resources	1,155,961	968,301
Education	180,039	171,486
Legal Services	444,427	415,248
Standards	40,674	45,000
Communications	131,060	121,380
Hearings Panel	379,077	334,538
IT Services	46,000	26,626
Legislative Change Costs	6,000	33,600
Total Expenditure	4,356,624	3,997,912
Surplus/Deficit <u>pre-tax</u>	33,000	-439,747
Corporation Tax:	33,000	46,000
Surplus/Deficit <u>after</u> tax	0	-485,747
Transfer from legal costs contingency reserve	0	750,000
Change Management Provision	0	-282,767
Year End I&E Balance	0	-18,514
Reserves Position		
Retained Surplus at Start of Year	778,378	796,892
Surplus/Deficit for the year	0	-18,514
Retained Surplus Carried Forward	778,378	778,378