

COUNCIL

Draft 2013-14 Budget and Fees

Meeting: 22 November 2012**Status:** for decision**Lead responsibility:** Josie Lloyd
Director of Resources**Contact details:** 020 7307 3450
jllloyd@optical.org**Purpose**

1. Council are asked to discuss and agree:
 - 1.1 The draft budget for **2013/14**;
 - 1.2 The Registration Fee Rules for **2013/14**; and
 - 1.3 The Registration Fees for **2013/14** as follows:

| | |
|----------------------------|------|
| Fully Qualified Registrant | £265 |
| Student | £20 |
| Bodies Corporate | £265 |
| Low Income | £163 |

- 1.4 An increase in Fitness to Practice (FTP) hearings;
- 1.5 The relocation of **10** FTP hearings per month to an external location;
- 1.6 The extension of FTP Panel members terms of office to **30 June 2015**;

Executive Summary

2. In line with the Executive's plan to align the fee setting, business plan and budget setting processes of the organisation, the draft budget for **2013-14** is presented for Council's approval at Annex 1.
3. Approval is sought for the draft budget and the fee assumptions contained in the budget. The detailed budget assumptions are included as Annex 2.
4. The budgeted surplus for the year is forecast at **£90,603** based on income of **£5,956,153** and expenditure of **£5,865,550**.

5. This budget does not include costs associated with strategic projects that have been earmarked against the strategic reserve.
6. The budget has provided for a potential CHRE levy of **£60,000**. The Executive is pressing the CHRE for an update on this issue in time for the Council meeting.
7. The income is forecast based on the assumption that the full registrant fees are subject to an inflationary increase from **£260 to £265** (increase of **1.9%**) based on the current level of CPI (**2.2%**). Student fees will remain unchanged at **£20** and the low income fee will be offered at a discount of **£102** off the full registrant fee. This will result in a low income fee of **£163** (**1.9%** increase).
8. The Registration Fees Rules will be amended to reflect the fee levels proposed in the draft budget.
9. The budget addresses 2 significant issues for the organisation; the need to increase Fitness to Practise (FTP) hearings in the light of CHRE concerns on the time taken to schedule hearings in their **2011/12** review, and the difficulty of accommodating this requirement within the existing premises.
10. The budget assumes hearings will increase to **165** per year, from a total of **95** in **2011/12** and a forecast total of **133** for **2012/13**.
11. Of these hearings it is assumed **10** per month for an **11** month period will be accommodated externally. **5** per month will be accommodated internally.

Strategic Objective

12. The strategic objective of the budget and fee setting is to support our staff, Council and committees to deliver our organisation aims.
13. It ensures that our systems and processes are efficient and cost effective.
14. The budget impacts on the level of the organisations reserves.

Background

15. In line with the Executives plan to align the fee setting, business plan and budget setting processes of the organisation, the draft budget for

2013-14 is presented for Council's approval and the setting of the fee for **2013-14**.

Analysis

16. The budget has been prepared on the basis of key assumptions. These assumptions are outlined in detail in **Annex 2** and the key assumptions are outlined in the body of this report.
17. It has been assumed the organisation will achieve Charitable Status before the start of the new financial year and as a consequence will be exempt from corporation tax and will achieve an **80%** reduction in rates cost. The budget allows for changes to stationery, electronic forms and further professional advice in this regard.
18. The budget has provided for a potential CHRE levy of **£60,000**. The Executive is pressing the CHRE for an update on this issue in time for the Council meeting.
19. The only **cost** currently included in the budget in relation to the premises project is the inclusion of a **£50,000** allowance for a planning application to consider change of use as approved by Council at its **24 October 2012** meeting.
20. The new structure of the Executive reflecting the resource requirements of the new Policy & Communications directorate is reflected in the budget.
21. A new Continuing Education Training (CET) cycle commences in **January 2013** and cost efficiencies on the new programme has led to cost reductions in the Education & Standards department's budget. Registration is significantly involved in the development of the CRM project and temporary staff cover has been included as part of the project cost of the CRM.
22. The budget addresses **2** significant issues for the organisation; the need to increase Fitness to Practise (FTP) hearings in the light of CHRE concerns on the time taken to schedule hearings in their **2011/12** review, and the difficulty of accommodating this requirement within the existing premises.
23. There will be an overall increase in the registers of **1.55%** based on projections modelled using historical data.

24. There will be a cost of living increase to the fully qualified registrant's fee that will increase from **£260** to **£265**. This represents a **1.9%** increase on the current fee and is based on the level of CPI (currently **2.2%**), rounded to a sensible figure. Student fees will remain unchanged at **£20** and the low income fee will be offered at a discount of **£102** off the full registrant fee. This will result in a low income fee of **£163 (1.9%** increase).
25. The registration income generated will be **£5,879,843**. The increase in fee will contribute **£97,000** to the organisation's income, and enable it to meet significant cost increases in key regulatory areas.
26. The Registration Fees Rules will be amended to reflect the fee levels proposed in the draft budget as detailed in Annex 3 & 4.
27. The only **cost** currently included in the budget in relation to the premises project is the inclusion of a **£50,000** allowance for a planning application to consider change of use as approved by Council at its **24 October 2012** meeting.
28. The new structure of the Executive reflecting the resource requirements of the new Policy & Communications directorate is reflected in the budget.
29. In the Regulation directorate budgeted costs reflect the current and forecast level of activity in dealing with FTP cases. The forecast for FTP investigations and Criminal Prosecutions for **2012/13** totals **£992,685** against a **2011/12** figure of **£898,889 (10.4% increase)**. For the budget year the total costs against these areas are forecast to be **£1,027,522 (3.5% increase on 2012/13 forecast)**.
30. The budget assumes FTP hearings will increase to **165** per year, from a total of **95** in **2011/12** and a forecast of **133** for **2012/13**. To accommodate this extra requirement and to relieve the pressure on 41 Harley Street, it is assumed 10 per month (excluding August) will be held externally, and 5 per month will be accommodated internally at the GOC. Due to the considerable cost of external venue hire it is considered appropriate to locate 10 per month externally and not the full level of hearings.
31. The cost of holding **110** hearings externally is forecast at **£156,420** and is based on current hire rates at RIBA assuming a **10%** discount for the volume of business placed. Although it is considered prudent to include this potential level of cost in the budget it must be emphasised that every

attempt would be made to ensure the most economical price to secure fit for purpose and convenient premises in which to hold these hearings.

32. Against the increased cost is the reality of the unsuitability of the current premises to accommodate a significant volume of hearings, and the forecast costs of **£70,000** for **2013/14** of external venue hire that would be required to accommodate the normal business of the GOC if all hearings were to be held internally. This has become particularly pressing in relation to the increased meeting room requirements for the Customer Relationship Management (CRM) project.
33. Costs included in the budget relating to the increase in volume of hearings from its current level total **£115,000** that includes member fees, travel & subsistence, and accommodation.
34. The costs for external hearings are based on the level of activity. If the extra number of hearing days is not required, additional costs will not be incurred.
35. Two full days of training for FTP and Investigation Committee (IC) panellists has been included in the budget. The cost of this training including all attendance fees and expenses is forecast at **£43,340**.
36. FTP Reform Programme - GOC members have agreed new reforms that will underpin the GOC's FTP proceedings. These reforms will be enshrined in Rules. These Rules will require formal Council approval. The Rules are then sent to the Department of Health and laid before the Privy Council for approval. However the timetable for these reforms is unclear due to a restructuring exercise at the Department of Health.
37. Given this delay and uncertainty regarding the progression of these rules and the view that it is highly unlikely to be resolved for the budget year, costs relating to this issue have not been included in the draft budget. This includes the training and recruitment of case examiners and case examiner fees.
38. In the light of this uncertainty on FTP reform and given the costs of recruitment and training involved in panel recruitment it is appropriate to consider the tenure of the current FTP panel. On **1 July 2005** the Panel was appointed for a five year period. On **8 January 2010** the FTP Panel terms of office were extended to **31 December 2013**. At that time there were plans for the Panel to transfer to OHPA in **September 2012**.

39. The FTP Panel tenure could be extended for a further **18** months. Therefore the date to which the Panel could serve under the existing terms and conditions (i.e. **18** further months) would be **30 June 2015**.
40. In order to allow the team to focus on FTP reform and delivering increased hearings activity, it is recommended to Council that the current FTP Panel terms of office are extended to **30 June 2015**. Council are asked to confirm this desire to extend the tenure of the FTP Committee, subject to plans for enhanced appraisal.
41. The Remuneration Committee would need to review the level of panel member fees. No increase in fees has been assumed in this budget.
42. Identify any implications decisions by Council may have on:
- 42.1 GOC's reserves – detailed in the body of the report
 - 42.2 GOC budget – detailed in the body of the report
 - 42.3 Legislation – none known
 - 42.4 Resources – detailed in the body of the report
 - 42.5 Equality and Diversity – no specific impact
 - 42.6 Human Rights Act – no specific impact
43. The budget proposed addresses a key issue identified in the CHRE **2011/12** report regarding the time taken to schedule FTP hearings.

Devolved Nations

44. There is no impact in relation to any devolved nation. This report does not need to be published in Welsh.

Communications

45. The setting of the annual fee is reported in the Public Council Meeting preceding the Strictly Confidential session.

Risks

46. The main risk inherent in the budget and fee setting process is the Council is unable to deliver its strategic aim of delivering effective, proportionate and fair public protection due to financial circumstances.

Recommendations

47. Council are asked to approve the draft 2013/14 budget

48. Council are asked to approve the recommended fees for **2013/14** and the associated Registration Fee Rules (see Annex 4).as follows:

| | |
|----------------------------|------|
| Fully Qualified Registrant | £265 |
| Student | £20 |
| Bodies Corporate | £265 |
| Low Income | £163 |

49. The Executive recommend that Council approves the assumptions contained in the budget, specifically:
- The move to increased hearings
 - The relocating of 10 hearings a month externally
 - The extension of FTP panel members terms of office.

Timeline for future work

50. The budget presented is a draft, and as such all of the assumptions will be reviewed in the light of any change in circumstances and developments over the remainder of the financial year.
51. The final budget for **2013/14** will be presented to Council at their **February 2013** meeting.

Attachments

- Annex 1: Budget **2013/14**
 Annex 2: **2013-14** Budget Assumptions
 Annex 3: Fees proposal for **2013/14**: Low income reduced fee
 Annex 4: The Registration Fee Rules **2013-14**

Screening:

| | |
|---|------------|
| Are there any implications for the GOC's reserves | YES |
| Are there any other financial implications – i.e, a change to budget | YES |
| Are there any legal implications | NO |
| Are there any resource implications | YES |
| Are there any equality and diversity implications | NO |
| Will the report need to be published in Welsh | NO |
| Are there any Human Rights Act implications | NO |

ANNEX 1

Income & Expenditure Budget 2013-14

| Description | 2013-14 BUDGET | 2012-13 FORECAST | 2012-13 VAR £ | 2012-13 BUDGET | 2011-12 ACTUAL |
|--|-------------------|---------------------|------------------|-------------------|-------------------|
| Income | | | | | |
| Registration | 5,879,843 | 5,669,817 | 210,026 | 5,669,817 | 5,638,102 |
| Investment Income | 47,000 | 40,750 | 6,250 | - | 52,616 |
| Rent | 18,010 | 18,010 | 0 | 8,000 | 18,010 |
| Regulation - FTP | 8,300 | 40,000 | (31,700) | - | - |
| Other - Database sales | 3,000 | 3,000 | - | - | 8,904 |
| Total Income | 5,956,153 | 5,771,577 | 184,576 | 5,677,817 | 5,717,632 |
| Expenditure | | | | | |
| <u>Chief Executive</u> | | | | | |
| Chief Executive Office | 165,991 | 291,117 | 125,126 | 251,967 | 209,275 |
| <u>Policy & Communications</u> | | | | | |
| Director of Policy & Communications | 136,691 | - | - | - | - |
| Council Secretary | 388,769 | 378,582 | (10,187) | 376,779 | 338,507 |
| Policy | 120,082 | 143,926 | 23,844 | 123,076 | 139,285 |
| Communications | 167,929 | 164,632 | (3,297) | 166,255 | 172,724 |
| Total Policy & Communications | 813,470 | 687,140 | (126,331) | 666,110 | 650,516 |
| <u>Regulation</u> | | | | | |
| Director of Regulation | 171,105 | 184,736 | 13,631 | 177,776 | 201,670 |
| FtP - Investigations | 929,619 | 880,049 | (49,570) | 685,153 | 898,889 |
| Education & Standards | 668,278 | 811,112 | 142,834 | 793,179 | 659,343 |
| Registration | 425,344 | 388,006 | (37,338) | 361,302 | 353,667 |
| Criminal Prosecutions | 97,903 | 112,636 | 14,733 | 132,326 | 0 |
| FtP Hearings | 936,654 | 548,847 | (387,808) | 578,480 | 417,248 |
| Total Regulation | 3,228,902 | 2,925,386 | (303,517) | 2,728,215 | 2,530,817 |
| <u>Resources</u> | | | | | |
| Director of Resources | 169,348 | 204,656 | 35,308 | 255,017 | 153,722 |
| Facilities | 291,052 | 341,556 | 50,504 | 321,124 | 402,704 |
| Human Resources | 271,478 | 440,516 | 169,038 | 232,861 | 316,037 |
| Finance | 365,076 | 378,065 | 12,989 | 329,285 | 424,871 |
| IT | 428,082 | 363,643 | (64,439) | 368,225 | 306,700 |
| Total Resources | 1,525,036 | 1,728,436 | 203,400 | 1,506,512 | 1,604,034 |
| Amortisation & Depreciation | 72,150 | 144,008 | 71,858 | - | 214,523 |
| CHRE Levy | 60,000 | - | (60,000) | - | - |
| Total Expenditure | 5,865,550 | 5,776,087 | (89,464) | 5,152,804 | 5,209,165 |
| SURPLUS BEFORE TAXATION | 90,603 | (4,510) | 95,112 | 525,013 | 508,467 |
| TAXATION | - | 10,000 | - | 10,250 | 11,489 |
| SURPLUS AFTER TAXATION | 90,603 | (14,510) | 95,112 | 514,763 | 496,978 |

2013-14 Budget Assumptions

1. Charitable status is achieved and as a consequence;
 - rates cost reduced to 20%
 - corporation tax is zero
2. Change of premises – the only cost presently in the budget is £50,000 for consultation on a ‘change of use’ planning application.
3. The fee for fully qualified registrants and bodies corporate will increase by £5 to £265.
4. The fee for students will remain at £20 and the discount for low income registrants will increase by £3 to £163.
5. No expenditure is included for items currently identified as projects earmarked against the strategic reserve.
6. Inflation has been applied to costs in the budget using the following rates:

| | |
|--------------|-------|
| Salaries | 0.0% |
| Energy Costs | 10.0% |
| Travel | 5.0% |
| General | 3.0% |

7. Interest on fixed deposits calculated at 1.25% for 3 months and 1.60% on 6 month deposits.
8. No case examiners will be recruited.
9. 15 FTP hearings per month for 11 months.
10. 10 FTP hearings per month (excluding August) to be held externally.
11. 2 days training for all FTP and IC panel members.
12. No recruitment of FTP panel.
13. Recruitment cost is based on a % of staff turnover.
14. Depreciation and amortisation cost is centralised.
15. OCCS renewal at 2.5% increase is included. This is to be negotiated.
16. No salary increase is included in budget. The cost of 1%, 1.5%, 2% increases are outlined in the body of the budget paper.
17. All staff forecast to be included in the pension scheme.
18. CHRE potential levy included at £60,000.



REGISTRATION COMMITTEE

Fees proposal for 2013/14: Low income reduced fee

Meeting: 22 November 2012

Status: for discussion

Lead responsibility: Philip Hallam
Head of Registration

Contact details: 020 7307 3459
phallam@optical.org

Executive Summary

1. This paper seeks the Committee's views on the continuation of the option of a reduced registration and retention fee for individual fully qualified GOC registrants who earn a lower income.
2. In addition, the Committee are invited to comment on whether to alter the earnings threshold for the application of the low income fee, and also whether to alter the fee level.

Background

Low income fee 2012-2013

3. At its meeting on **25 November 2010**, Council agreed to make available the option of a low income fee for fully qualified registrants who earned less than **£12,000** in the registration year **2011-12**. The low income fee was made available to registrants in January 2011. On **24 November 2011** the Council agreed to continue to make available the option of a low income fee. The fee structure remains the same until **31 March 2013**.
4. Since the fee was made available, a total of **1398** registrants have applied for and been granted the low income fee. The breakdown of applications for the years **2011-12** and **2012-13** (to **22 October 2012**) is as follows:

| Application type | Number of applications | | Value (£) | |
|---|------------------------|------------|-----------------|-----------------|
| | 2011-12 | 2012-13 | 2011-12 | 2012-13 |
| Retention: Optometrist | 326 | 312 | £55,420 | £49,920 |
| Retention: Dispensing Optician | 329 | 341 | £55,930 | £54,560 |
| Registration and Restoration: Optometrist | 30 | 8 | £4,105 | £1,240 |
| Registration and Restoration: Dispensing Optician | 29 | 23 | £4,230 | £3,680 |
| Total: | 714 | 684 | £119,685 | £109,400 |

*Registration fees throughout the registration year reduce quarterly from April. Consequently, the low income fee is also reduced in the same manner.

5. It was predicted when the low income fee was introduced that no more than five per cent of eligible registrants would apply for the low income fee. For the year **2011-12**, the actual figure was **4.2** per cent. For the period **1 April-22 October 2012**, the figure was **3.5** per cent.
6. As at **22 October 2012**, **13** applicants have subsequently informed the GOC that they no longer meet the low income criteria, and have paid the balance of the fee. This has amounted to **£1,300** of additional income.
7. The low income reduced fee is subject to an inflationary increase from **£160 to £163** (increase of **1.9%**). This is in line with the increase applied to the full registrant fee from **£260 to £265**. The increase is based on the current level of CPI (**2.2%**).

Recommendations

8. Registration Committee are invited to consider this paper and provide their views on continued approval of the proposal that the low income fee is continued for the registration year **2013-14**, with the following key criteria:
 - 8.1 The low income reduced fee will be set at a level of **£163, £102** below the proposed full registration and retention fees of **£265**.
 - 8.2 The low income reduced fee will continue to be available to individual registered optometrists and dispensing opticians who will earn less than **£12,000** from all sources in the following retention year.
 - 8.3 Registrants wishing to pay the low income fee will continue to be required to declare that their income in the upcoming retention year will be lower than the specified threshold, to provide evidence

of income on request, and to pay the balance of the full. fee if they are later assessed as being ineligible for the lower fee.

Attachments

9. There are no attachments with this paper.

THE REGISTRATION FEES RULES 2013-2014

Each application falling within a category set out in the table below shall be accompanied by the fee shown:

| Applications for registration | Fee |
|---|------------|
| Application for registration in the register of optometrists or the register of dispensing opticians for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 | £265 |
| Application for registration in the register of optometrists or the register of dispensing opticians for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 – low income earners | £163 |
| Application for registration in the register of student optometrists or the register of student dispensing opticians for all or part of the year commencing on 1 September 2013 and ending on 31 August 2014 | £20 |
| Application for registration in the register of bodies corporate carrying on business as an optometrist or dispensing optician or both for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 | £265 |
| Application for entry of a specialty in the register of optometrists or the register of dispensing opticians | £30 |
| Non-EEA qualified practitioners: Application for registration in the register of student optometrists or the register of student dispensing opticians, for the purpose of sitting the UK qualification exam | £20 |

| Applications for retention of registration | Fee |
|--|------------|
| Application for retention in the register of optometrists or the register of dispensing opticians for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 received on or before 15 March 2013 | £265 |
| Application for retention in the register of optometrists or the register of dispensing opticians for all or part of the year commencing on 1st April 2013 and ending on 31 March 2014 received on or before 15 March 2014 – low income earners | £163 |
| Application for retention in the register of student optometrists or the register of student dispensing opticians for all or part of the year commencing on 1 September 2013 and ending on 31 August 2014 received on or before 15 July 2013 | £20 |
| Application for retention in the register of bodies corporate carrying on business as an optometrist or dispensing optician or both for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 received on or before 15 March 2014 | £265 |

| Late applications for retention of registration | Fee |
|---|------------|
| Application for retention in the register of optometrists or the register of dispensing opticians for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 received after 15 March 2013 up to and | £285 |

| | |
|--|------|
| including 31 March 2014 | |
| Application for retention in the register of optometrists or the register of dispensing opticians for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 received after 15 March 2013 up to and including 31 March 2014 – low income earners | £185 |
| Application for retention in the register of student optometrists or the register of student dispensing opticians for all or part of the year commencing on 1 September 2013 and ending on 31 August 2014 received after 15 July 2013 up to and including 31 August 2014 | £30 |
| Application for retention in the register of bodies corporate carrying on business as an optometrist or dispensing optician or both for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 received after 15 March 2013 and before 31 March 2014 | £285 |

| Applications for transfer of registration | Fee |
|---|---------------------|
| Application for transfer between full registers for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 | £70 |
| Application for transfer from the register of student optometrists to the register of optometrists or from the register of student dispensing opticians to the register of dispensing opticians for each period of three whole calendar months on the full register commencing 1 April 2013 and ending 31 March 2014 | £66.25 per 3 months |
| Application for transfer from the register of student optometrists to the register of optometrists or from the register of student dispensing opticians to the register of dispensing opticians for each period of three whole calendar months on the full register commencing 1 April 2013 and ending 31 March 2014 – low income earners | £40.75 per 3 months |

| Applications for restoration of registration | Fee |
|--|------------|
| Application for restoration to the register of optometrists or the register of dispensing opticians following removal or erasure from the registers for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 | £335 |
| Application for restoration to the register of optometrists or the register of dispensing opticians following removal or erasure from the registers for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 – low income earners | £233 |
| Application for restoration to the register of student optometrists or the register of student dispensing opticians following removal or erasure from the registers for all or part of the year commencing on 1 September 2013 and ending on 31 August 2014 | £40 |
| Application for restoration to the register of bodies corporate carrying on business as an optometrist or dispensing optician or both following removal or erasure from the registers for all or part of the year commencing on 1 April 2013 and ending on 31 March 2014 | £335 |

Brian Coulter
Chair of Council

Samantha Peters
Registrar