



Council
12 November 2015
Budget strategy 2016-17

Classification	Public
Purpose	For decision
Issue	This paper sets out the budget strategy for financial year 2016-17. The paper sets out the projected 2016-17 budget envelope including expenditure forecasts, cost reductions and the potential impact on the registration fee.
Recommendations	<ol style="list-style-type: none">1. To consider the overall financial envelope for 2016-17.2. To agree to hold the registration fees at their current level.
Financial and resourcing implications	These are set out in the paper.
Equality and diversity implications	None
Communications implications	None arising from this paper.
Annexes	None
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Background

1. The draft Corporate Plan 2016-19, being considered at agenda item 11, sets out a three year programme of activity under three strategic objectives:
 - a. To promote public and patient safety through proportionate, targeted and effective regulatory activity
 - b. To encourage and facilitate continuous improvement in the quality of osteopathic healthcare
 - c. To use our resources efficiently and effectively, while adapting and responding to change in the external environment.
2. The detailed Business Plan and Budget for 2016-17, to underpin the first year of the Corporate Plan, will be presented for approval by Council at its next meeting. This paper will provide an overview of what Council can expect to see in February 2016.
3. The Executive prepare the budget for 2016-17 against the backdrop of a challenging environment:
 - a. Government expectations: during the last Corporate Plan period, the headline registration fee was reduced by 24%, with other fee levels by c. 14%. While there is no current policy statement from the Government challenging regulators to reduce registration fees, it remains incumbent on the GOsC to ensure that it controls its costs and fee levels.
 - b. Registrant expectations: when the GOsC reduced the cost of the registration fee, it made it clear to registrants that while reductions may not be possible each year, the Council would continue to review fee levels. To that end, registrants can rightly expect Council members to scrutinise the budget which sets out expenditure and income levels.
 - c. Ambition of GOsC: the draft Corporate Plan 2016-19, if approved by Council, will set an ambitious programme of activity for a small organisation which has reduced its limited resources. Council will need to continue to be mindful about what the GOsC can achieve and it should be wary of any over-commitment undermining our ability to deliver our statutory remit.
 - d. Economic outlook: the outlook for the UK is one of continued austerity with measures likely across this Parliament as the Government aims to run a budget surplus by the end of 2018. While the economy is showing some improved signs of recovery, it is too early to rely upon these conditions as demonstrating a sustained return to sound long-term growth, particularly as households face challenges around cost of living expenses.
4. This paper sets out a 2016-17 forecast budget envelope including known cost reductions, headline expenditure levels and the impact on the registration fee.

Discussion

5. Before setting out the forecast budget envelope for 2016-17, Council is asked to note the following:
 - a. The reduction in registration fees set out in paragraph 3a above.
 - b. Council has previously reaffirmed its view that reserves should be used primarily to guard against one-off unforeseen events such as Section 29 appeals or judicial reviews. Fee reductions should be based upon cost reductions which can be secured and which are identifiable through more effective ways of working or the cessation of activity.
 - c. Financial year 2014-15 saw an increase in the workload around fitness to practise, leading to additional expenditure being incurred over the agreed budget forecasts. Council recognised this work is fundamental to patient protection and needed adequate resources both financially and from a staffing perspective, and in the following financial year approved a significant budget increase of £100k.

Cost reductions

6. Cost reductions continue to be identified. Headlines include:
 - a. Size of Council: the decrease in the size of Council from 14 to 10 members, while fixing the remuneration and expenses between 2016 and 2020, will lead to a cost reduction of £15k.
 - b. Consultancy: a range of activities, specifically around Professional Standards, will not continue into FY2016-17, leading to a cost reduction of around £10k-£15k.
 - c. Registrants' survey: there is no registrants' survey planned for FY2016-17 (£18k).
7. The Executive also plan to explore whether it would be possible to operate registration assessment on a different basis, which may lead to reduced costs. However, for the purpose of this budget strategy paper, no savings have yet been identified.
8. Council members should note that the Executive has not prepared the budget strategy paper on the basis that cost reductions/savings may materialise if the GOsC was to make a successful application for charitable status.

Expenditure forecast

9. Total net expenditure in FY2015-16 was set at £2.79m
10. Heads of department have been advised that requests to increase the size of their FY2016-17 budgets are unlikely to be sanctioned. The capping of

departmental budgets ensures resources are focused on only those activities essential to the delivery of the Corporate Plan.

11. The fitness to practise team received a large increase in resources in FY2015-16 and while we remain cautious about the in-year expenditure, there are no immediate plans to increase costs in this area of the business.
12. The additional workload meant that the Executive have factored into the FY2016-17 budget additional staff resources. These resources should now be seen in the context of an on-going cost. The Head of Regulation has forecast the expected level of activity and the headlines include:
 - a. Referred complaints and Interim Suspension Orders likely to increase, however, increased costs offset by reduction in case days through streamlined working;
 - b. Six Investigating Committee (IC) meetings scheduled. Executive to explore use of remote IC meetings incurring half day fees.
 - c. 25-30 substantive Professional Conduct Committee (PCC) hearings (90/100 hearing days) forecast, however, the move to electronic bundles from 2016 in all cases will require less reading time and so there will be shorter hearing lengths. Additionally, the Head of Regulation is keen to explore moving to a fixed external legal provider fee which will lower external legal costs;
 - d. Four PCC review hearings (four hearing days);
 - e. Three substantive Health Committee (HC) hearings (three hearing days);
 - f. Two HC review hearings (three hearing days);
 - g. 12 Interim Suspension Orders (relating to six cases: assume six IC hearing days and six PCC/HC hearing days);
 - h. Two Section 32 prosecutions.
13. Total net expenditure in FY2016-17 is forecast to be approximately £2.82m. Compared with FY2015-16 this represents an increase in net expenditure of £30k.
14. The FY2016-17 budget envelope incorporates:
 - a. Inflationary costs
 - b. The PSA levy as an on-going cost
 - c. The staff costs described at paragraph 11 as an on-going cost.
15. In addition to forecast net expenditure of £2.82m, Council will recall it agreed that specific activity could be funded from 'ring-fenced' amounts held in the

reserves. Looking ahead to FY2016-17, it is likely that there will be calls on ring-fenced funds to continue to support development projects and also to support the development of a revised CPD/continuing fitness to practise scheme.

Income assumptions

16. Income from sources other than registration fees is forecast to reach c£50k and includes:
 - a. Advertising in *The Osteopath* magazine and leaflet sales (£24k)
 - b. Bank interest (£10k)
 - c. Investment income (£5k-£10k).
17. Based on current registrant expectations, at the current fee levels, a prudent forecast is that registration fee income would total £2.78m in 2016-17.
18. This registration income forecast is based on assumptions which the Executive believe to be sound. Our assumptions in relation to income are:
 - a. In the coming financial year, new graduates joining the Register will remain at levels consistent with prior years. We recognise with course closures at Leeds Beckett University and Oxford Brookes University, that graduate numbers joining the Register in FY2017-18 and FY2018-19 will be slightly reduced.
 - b. The number of osteopaths receiving a reduced fee remains constant.
 - c. There is no significant increase in the number of osteopaths leaving the Register.
19. The Register has continued to generate net growth in recent years and even with the current economic outlook for the UK, the Executive believes further net growth will occur in across the next Corporate Plan period. The number of forecast new graduates joining the Register across the next Corporate Plan, taking into account the closure of the two Osteopathic Education Institutions is set out in the table below:

Year	Number forecast
2016	245
2017	230
2018	215

20. The Executive, through the Head of Registration and Resources, will continue to monitor registration statistics and the OEIs forecasts of numbers of graduates

against the assumptions set out above. Any variations and their impact will be reported to Council.

Registration fees

21. Given the background above set out in paragraph 3 and the expenditure requirements in FY2016-17, it would not be sensible for the GOsC to further reduce the level of registration fees for renewals from 1 May 2016.
22. Registration fee levels do not need to increase and should be held constant. A table of current registration fees are set out below.

Registration levels	Current fee levels
Year 1 (entry)	£320
Year 2 UK	£430
Year 2 reduced rate	£215
Year 3 UK	£570
Year 3 reduced rate	£320

23. The small additional fees charged for payment by instalments also remain unchanged.

Conclusion

24. Council is not being asked to determine the budget at this time. What it needs to consider is the financial envelope in which the organisation should operate. This is made up of a combination of expenditure from registration fees, other revenue streams and from reserves.
25. The Executive will develop the Business Plan and Budget based on the assumption that total revenue and expenditure will be c. £2.82m. Council is asked to consider whether it is content with the approach that has been outlined in this paper.

Recommendations:

1. To consider the overall financial envelope for 2016-17.
2. To agree to hold the registration fees at their current level.