



Council
2 November 2016
Budget strategy 2017-18

Classification	Public
Purpose	For decision
Issue	This paper sets out the budget strategy for financial year 2017-18. The paper sets out the projected 2017-18 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 2017-18.2. 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 Corporate Strategy 2016-19 set 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 2017-18, to underpin the second year of the Corporate Strategy, 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 2017.
3. Once again, the Executive prepares the budget for 2017-18 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 Corporate Strategy 2016-19 represents an ambitious programme of activity for a small organisation which has 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, both financial and human resources, which might undermine our ability to deliver our statutory remit.
 - d. Economic outlook: the outlook for the UK economy is unclear following the June referendum when the majority of voters backed a decision to leave the EU. The impact of this decision, and the uncertainty around what Brexit may mean in reality, suggests that for at least the coming year ahead there may well be economic shockwaves which will need to be absorbed.
4. This paper sets out a 2017-18 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 2017-18, 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.

Cost reductions

6. The budget strategy paper is presented to Council on the assumption that our application for charitable status will be approved. With this in mind headline cost reductions, which continue to be identified, include:
 - a. Business Rates: a successful charity application will result in a decrease in business rates payable leading to a saving of c£40k.
 - b. Consultancy: a range of activities will not continue into FY2017-18, leading to a cost reduction of around £10k-£15k. This because, for example data collection activities around the area of professionalism, will be conducted in-house.
7. The Executive also plans 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.

Expenditure forecast

8. Total net expenditure in FY2016-17 was set at £2.82m
9. Heads of departments have been advised that requests to increase the size of their FY2017-18 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.
10. 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.
11. The additional workload has been factored into subsequent budgets as an on-going cost, particularly around staff resources that were made available.
12. The Head of Regulation has forecast the expected level of activity and the headlines include:

- a. Referred complaints and Interim Suspension Orders likely to stay at the same volume.
 - b. Seven Investigating Committee (IC) meetings scheduled (excluding the IC annual training day). The Executive are exploring the use of remote IC meetings incurring half day fees in 2017 with a view to placing an exploratory paper on this to the Policy Advisory Committee in February 2017.
 - c. 23 substantive Professional Conduct Committee (PCC) hearings (90-100 hearing days) forecast. Whilst less substantive hearings have been forecast, we have seen a rise in complex multi-day hearings and adjournments generally. The Executive has actively looked at off setting costs by more accurately forecasting hearing length to prevent adjournments in cases through the introduction of a new listings protocol and exploring the implementation of standard case directions for all cases referred to a final hearing which will streamline how cases are listed; Additionally, the Head of Regulation has implemented fixed external legal provider fees in all final hearings which will lower external legal costs.
 - d. Four PCC review hearings (four hearing days).
 - e. Two substantive Health Committee (HC) hearings (four hearing days).
 - f. Two HC review hearings (two 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 FY2017-18 is forecast to be approximately £2.88m. Compared with FY2016-17 this represents an increase in net expenditure of £56k.
14. The FY2017-18 budget envelope incorporates:
- a. Inflationary costs
 - b. The PSA levy as an on-going cost
 - c. The staff costs described at paragraph 11 as ongoing
 - d. Provisional funding of £35k for two pieces of research activity on values (£15k) and professional boundaries (£20k).
15. In addition to forecast net expenditure of £2.86m, Council will recall it agreed that specific activity could be funded from 'ring-fenced' amounts held in the reserves. Looking ahead to FY2017-18, 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 scheme.

Income assumptions

16. Income from sources other than registration fees is forecast to reach c£40k and includes:
 - a. Advertising in *The Osteopath* magazine and leaflet sales (£24k)
 - b. Bank interest (£10k).
17. For the purpose of the Budget any movements in the GOsC's stock market investment has been excluded.
18. Based on current registrant expectations, at the current fee levels, a prudent forecast is that registration fee income would total £2.82m in 2017-18 and therefore total income of £2.86m which would match proposed expenditure.
19. 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 be at a lower level than in previous years due to the closure of the courses at Oxford Brookes University and Leeds Beckett University.
 - b. The number of osteopaths paying a reduced fee remains constant.
 - c. There is no significant increase in the number of osteopaths leaving the Register.
20. 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
2017	220
2018	215

21. 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

22. Given the background above set out in paragraph 3 and the expenditure requirements in FY2017-18, it would not be sensible for the GOsC to further reduce the level of registration fees for renewals from 1 May 2017.
23. 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

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

Conclusion

25. 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.
26. The Executive will develop the Business Plan and Budget based on the assumption that total revenue and expenditure will be c.£2.86m. 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 2017-18.
2. To agree to hold the registration fees at their current level.