



Council
1 November 2017
Budget strategy 2018-19

Classification	Public
Purpose	For decision
Issue	This paper sets out the budget strategy for financial year 2018-19. The paper sets out the projected 2018-19 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 2018-19.2. 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 2018-19, to underpin the third and final 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 January 2018.
3. Once again, the Executive prepares the budget for 2018-19 against the backdrop of a challenging environment:
 - a. Economic outlook: the outlook for the UK economy remains uncertain following the 2016 referendum decision to leave the EU. The continuing Brexit negotiations do not appear to have generated sufficient progress for trade discussions to commence and the prospect of a 'no deal Brexit' has increased. The potential economic shockwaves resulting from Brexit may well be seen in 2018-19 with the economy at risk of a recession in a worst-case scenario.
 - b. 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. This is particularly important if, as outlined above, the economy does suffer some setbacks.
 - c. 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.
 - d. 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.

4. This paper sets out a 2018-19 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 2018-19, Council is asked to note the following:
 - a. The reduction in registration fees set out in paragraph 3b 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 includes cost reductions, which continue to be identified:
 - a. Business Rates: the successful charity application has resulted in a decrease in business rates payable because of mandatory rate relief. Rates payable will be c.£20k compared with c.£70k.
 - b. Registration assessments: the budget strategy paper has been prepared on the basis that the cost of registration assessments for internationally qualified applicants (EU and non-EU) can be reclaimed from those individuals applying under a new charging structure. This cost recovery will result in potential savings of up to £15k.
 - c. Staffing: savings were made in areas of the staffing structure in 2017-18, but these have been offset by other staffing changes (see below).

Expenditure forecast

7. Total expenditure in FY2017-18 was set at £2.88m.
8. 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 Strategy.
9. The regulation 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.

10. The additional workload has been factored into subsequent budgets as an on-going cost, particularly around staff resources that were made available.
11. 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 looking to implement a paperless meeting model for the IC which will lead to enhanced efficiency and cost savings.
 - c. 30 substantive Professional Conduct Committee (PCC) hearings (100 hearing days) forecast. We have seen a rise in complex multi-day hearings and adjournments generally and are planning for 30 hearings. The Executive has actively looked at off setting costs through the continued use of fixed external legal provider fees in all final hearings; introducing standard case directions for all cases referred to a final hearing which will streamline how cases are listed; and introducing a streamlined Rule 8 process and procedure.
 - 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.
12. Employment costs (salary, national insurance and pensions) have been estimated at approximately £1.39m. A recent staff restructure has allowed the Executive to rebalance resources and ensure a greater emphasis on stakeholder engagement and in-house IT expertise. The budget strategy paper incorporates the existing staff team, allows for an increase in salary (to be determined by the Remuneration and Appointments Committee), and ensures the Regulation team have the on-going staff costs as described above at paragraph 10. Overall, this can be achieved at a small increase of £20k on the FY2017-18 budget estimate.
13. Total net expenditure in FY2018-19 is forecast to be approximately £2.92m. Compared with FY2017-18 this represents an increase in net expenditure of £50k.
14. The FY2018-19 budget envelope incorporates:

- a. Ongoing activities to support the delivery of the third year of the Corporate Strategy, further details of which will be presented to Council at its January 2018 meeting.
- b. Inflationary increases.

Income assumptions

- 15. Income from sources other than registration fees is forecast to reach c.£35k and includes:
 - a. Advertising in *The Osteopath* magazine and leaflet sales (£25k)
 - b. Bank interest (£10k).
- 16. For the purpose of the Budget any movements in the GOsC's stock market investment has been excluded.
- 17. Based on current registrant expectations, at the current fee levels, a prudent forecast is that registration fee income would total £2.88m in 2017-18. Combined with the other income stream, estimated total income would be c. £2.92m and would match proposed expenditure.
- 18. This registration income forecast is based on assumptions which the Executive believe to be sound. Our assumptions in relation to income are:
 - a. New graduates joining the Register in 2018-19 will be at a slightly lower level than in previous years.
 - 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.
- 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 few years. A conservative forecast of the number of new graduates joining the Register, taking into account recent closure of osteopathic education institutions, is set out in the table below:

Year	Number forecast
2018	215
2019	200

- 20. Council should note that the new course at St Mark and St John (Plymouth) will not generate graduates joining the Register until 2021.

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 FY2018-19, it would not be prudent for the GOsC to further reduce the level of registration fees for renewals from 1 May 2018.
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.£2.92m. 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 2018-19.
2. To agree to hold the registration fees at their current level.