



**Council**  
**21 November 2018**  
**Budget strategy 2019-20**

<b>Classification</b>	Public
<b>Purpose</b>	For decision
<b>Issue</b>	The paper sets out the projected 2018-19 budget envelope including expenditure forecasts, cost reductions and the potential impact on the registration fee.
<b>Recommendations</b>	<ol style="list-style-type: none"><li>1. To consider the overall financial envelope for 2019-20.</li><li>2. To agree to hold the registration fees at their current level.</li></ol>
<b>Financial and resourcing implications</b>	These are set out in the paper.
<b>Equality and diversity implications</b>	None
<b>Communications implications</b>	None arising from this paper.
<b>Annexes</b>	None
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## Background

1. This paper sets out a 2019-20 forecast budget envelope including known cost reductions, headline expenditure levels and the impact on the registration fee. The strategy presented to Council is once again prepared against the backdrop of an ever-changing environment. This includes:

- a. Development of a new Corporate Strategy: the current Corporate Strategy ends on 31 March 2019 and development of a new Corporate Strategy is underway with Council considering this further at a seminar session at the November 2018 meeting. It is anticipated that the new Corporate Strategy will be set for a longer period – five years – but will provide flexibility by being based on a vision and a number of high-level principles.

It was noted during the strategy day that Council wished for the Executive to reconsider where resources are focussed and to look afresh at opportunities for rebalancing expenditure in order to drive innovation and improvement. The Executive has started this thinking and while the budget for 2019-20 might appear similar to previous years, future budgets are expected to see this rebalancing take effect, in partnership with a new Chief Executive and Registrar joining in 2019.

- b. Recruitment of a new Chief Executive and Registrar: a recruitment campaign to identify a new Chief Executive and Registrar has recently come to a conclusion. So that the decision making of a new Chief Executive and Registrar is not fettered, the budget for 2019-20 will be similar in style to previous iterations. This will allow space, during the next year, for the conversation around resource rebalancing.
- c. EU-exit and the economic impact: the lack of clarity around the terms of the deal, or no-deal, arising from UK's exit from the EU means the outlook for the UK economy remains uncertain. The likelihood of a no-deal scenario has increased and with it the warnings that a no-deal may pose to the UK economy in the short and medium term. Council needs to be prepared to manage any potential economic shockwaves and to be cautious and prudent in the management of its finances.
- d. Government expectations: during the Corporate Strategy period 2013-16, the headline registration fee was reduced by 24%, with other fee levels by c.14%. In the Corporate Plan period 2016-19, fees have been held steady.

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 and as the Executive, led by a new Chief Executive and Registrar, reflects on how its resources are used during 2019-20.

- e. 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.
  - f. Student number challenges: it has been widely reported that universities and colleges – across sectors, not just healthcare – are experiencing challenges in attracting and maintaining student numbers. The osteopathic educational institutions (OEIs) vary significantly in size and resources, and when estimating the number of future graduates, caution must be exercised as a failure of an OEI could have a serious impact on our income projections.
  - g. Regulatory reform: following the consultation '*Promoting Professionalism: Reforming Regulation*' the current thinking from the Department of Health appears to be not to consolidate the sector but to reform legislation around fitness to practise via Section 60 orders. While this would have the potential to offer reform and a more streamlined approach to this area, there will be significant staff resource implications as we prepare for, and implement, a new way of operating. Any resource implications from this work would need to be considered separately from the budget and may require one-off funding from reserves.
  - h. Ambition of GOsC: the GOsC has a well established reputation for setting ambitious programmes of activity despite being 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.
2. A detailed Business Plan and Budget for 2019-20, 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 2019.

### **Discussion**

3. Before setting out the forecast budget envelope for 2019-20, Council is asked to note the following:
- a. The reduction in registration fees set out in paragraph 1d 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. On-going operational work programmes or fee reductions should not be funded from reserves. Fee reductions should be based upon savings which can be secured and which are identifiable through more effective ways of working or the cessation of activity.

- c. Work will continue in 2019 to consider how the GOsC resources, both financial and human, are utilised.

#### *Cost reductions*

4. The budget strategy paper includes cost reductions, which will continue to be identified in advance of a final budget being presented in February 2019:
  - a. Osteopathic Practice Standards (OPS): the significant spend on the development of the new OPS was in the prior financial year, meaning that expenditure in FY18-19 is likely to be around £10-15k less in FY19-20.
  - b. Research projects: it is anticipated that expenditure on research projects in FY19-20 will be at a reduced scale when compared to prior periods by around £10-15k.
  - c. YouGov survey: a saving of £10k has been identified as the need to undertake a YouGov survey of patients is not required in FY19-20.
  - d. Registration assessment activity: the decision of Council earlier in 2018 to increase the fees paid by international applicants will result in a reduction in the budget. This is because the only costs to be accounted for are those associated with training for registration assessors, specifically around the introduction of the new OPS in September 2019. The budget saving is likely to be around £5k.

#### *Expenditure forecast*

5. Total expenditure in FY2018-19 was set at £2.90m.
6. Heads of departments have been advised that requests to increase the size of their FY2019-20 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.
7. The cost of our fitness to practise regime remains a significant expenditure area and is one which we continue to monitor closely as it is the most unpredictable due to the variability of complaint levels. While we remain cautious about the in-year expenditure, it should be noted that the department has maintained activity within the same level of budget – £580k – for the last four financial years.
8. The Director of Fitness to Practise 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. Up to 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. Up to 12 Interim Suspension Orders (relating to six cases: assume six IC hearing days and six PCC/HC hearing days).
  - h. Two Section 32 prosecutions.
9. Direct Employment costs (salary, national insurance and pensions) have been estimated at approximately £1.415m. The budget strategy paper incorporates the existing staff team and allows for an increase in salary (to be determined by the Remuneration and Appointments Committee).

Non-direct employment costs are approximately £43k including staff training and development, premiums for health insurance and death in service and the cost of recruiting staff vacancies. The budget strategy forecast also allows for a small increase to the training and development budget.

10. Total expenditure in FY2019-20 is forecast to be approximately £2.94m. Compared with FY2018-19 this represents an increase in net expenditure of £40k.
11. The FY2019-20 budget envelope incorporates:
- a. On-going activities to support the delivery of the Corporate Strategy, further details of which will be presented to Council at its February 2019 meeting.
  - b. An increase in governance expenditure to cover the cost of recruiting a new Chair and up to three new members of Council, and a new independent member of the remuneration and Appointments Committee.
  - c. Provision for IT security testing of the new cloud environment of c. £5k.
  - d. Provision for an external audit of fitness to practise initial stage decisions of c. £12.5k.

- e. An allowance for consultancy of c. £15-20k which can be used to support the thinking around how activities might be undertaken differently as GOsC develops a new long-term financial strategy rebalancing its resources across a new set of strategic objectives.
- f. Inflationary increases.

#### *Income assumptions*

12. Income from sources other than registration fees is forecast to reach c.£40k and includes:
  - a. Advertising in *The Osteopath* magazine and leaflet sales (£28k)
  - b. Bank and corporate bond interest (£10k).
13. For the purpose of the budget strategy any movement in the GOsC's stock market investment has been excluded.
14. Based on current registrant expectations, at the current fee levels, a prudent forecast is that registration fee income would total £2.91m in 2019-20. Combined with the other income stream, estimated total income would be c. £2.95m and would cover proposed expenditure.
15. 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 2019-20 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.
16. The Register has continued to generate net growth in recent years, albeit at a slower rate when compared to a decade ago. Even with the uncertainty around the current economic outlook for the UK, the Executive believes further, small net growth will occur across the next few years. However the smaller net growth in the Register does mean that the scope for funding new activities will not be from income generation but from the rebalancing of our other resources.
17. A conservative forecast of the number of new graduates joining the Register, taking into account closure of osteopathic education institutions in prior years, is set out in the table below:

<b>Year</b>	<b>Number forecast</b>
2019	215
2020	215

18. Council should note that the new course at St Mark and St John (Plymouth) will not generate graduates joining the Register until 2021.
19. The Executive, through the Director 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*

20. Given the background above set out and the expenditure requirements in FY2019-20, it would not be prudent for the GOsC to further reduce the level of registration fees for renewals from 1 May 2019.
21. Despite the pressures on expenditure, registration fee levels do not need to increase and should be held constant. A table of current registration fees are set out below.

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

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

#### *Budget stress-test*

23. As part of the budget setting process the Executive completes out a basic 'stress test' to consider what activities would be deliverable if we were to experience a sudden drop in resources (whether financial or personnel in the order of 10% - 15%).
24. It will come as little surprise to Council that the core statutory functions have to take priority over other activities which might be considered discretionary. By core statutory functions we mean the education quality assurance programme;

fitness to practise regime; registration assessment pathways and the governance structure. In addition, we would have ongoing running costs to maintain the IT infrastructure and Osteopathy House, as well as having employment cost commitments. However, in the event of a significant downturn in available resources, a rationalisation of the staffing structure would be required.

25. When taken as a total sum (employment costs included in full before any rationalisation), this equals c. £2.72m or 92% of the forecast expenditure budget. In addition to using its reserves, Council would need to slow the pace on, or bring to a conclusion, other activities, which would have to be classified as discretionary in the event of a significant drop in resources. The activity that might be classified as discretionary equates to c. £230k (excluding staff costs) within the current structure of the budget.

### *Conclusion*

26. 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.
27. The Executive will develop the Business Plan and Budget based on the assumption that total revenue and expenditure will be c. £2.95m. 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 2019-20.
2. To agree to hold the registration fees at their current level.