



Council
20 November 2019
Budget Strategy 2020-21

Classification	Public
Purpose	For decision
Issue	<p>The paper looks at the overall financial envelope for financial year 2020-21 and sets some parameters around forecast expenditure levels, registration fee income projections and the positioning of our investments.</p> <p>The paper also starts to consider how the balance of our expenditure might need to change in the future, what this means for Council decision-making and the possible impact on the level of our investments and reserves.</p>
Recommendations	<ol style="list-style-type: none">1. To consider the overall financial envelope for financial year 2020-21.2. To agree to hold the registration fees at their current level.3. To agree to invest the 120-day bond into the investment portfolio when the bond expires in December 2019.
Financial and resourcing implications	These are set out in the paper.
Equality and diversity implications	These are set out in the paper.
Communications implications	We will use our communication channels to report that Council has agreed to hold the registration fees at their current level and if the recommendation to transfer the 120-day bond into the portfolio investment is agreed, we will liaise with the investment manager at Brewin Dolphin.
Annex	None.
Author	Matthew Redford

Background

1. Council receives on an annual basis a budget strategy paper which sets out the forecast budget envelope for the year ahead which includes known cost reductions, headline expenditure levels and an explanation of how our work streams will be funded through registration fees paid by osteopaths.
2. While the budget strategy paper is always set against the backdrop of an ever-changing environment, Council should expect there to be a synergy between the budget strategy paper, the Strategic Plan 2019-24 and the development of the operational business plan which Council will receive at its January 2020 meeting.

Osteopaths Act 1993

3. The Osteopaths Act 1993 (as amended) sets out the purpose of the General Osteopathic Council:

The General Osteopathic Council and its committees

(2) It shall be the duty of the General Council to develop and regulate the profession of osteopathy.

(3) The General Council shall have other such functions as are conferred on it by the Act.

(3A) The overarching objective of the General Council in exercising its functions is the protection of the public.

4. Further detail about how the overarching objective be met is set out in the Osteopaths Act 1993, and which is included in our Strategic Plan 2019-24, when we describe the statutory context of our operation. Paragraph 6 (a-c) of this paper refers.

Strategic Plan 2019-24

5. The General Osteopathic Council (GOsC) Strategic Plan 2019-24 was published in September 2019 as an enabling document to provide the overarching approach that Council intends to follow. The Strategic Plan sets out the statutory context within which we operate, a vision statement and four goals for 2024. Further detail is provided below.
6. The statutory context of our operation is as follows:
 - a. To protect, promote and maintain the health, safety and well-being of the public
 - b. To promote and maintain public confidence in the profession of osteopathy
 - c. To promote and maintain proper professional standards and conduct for members of the profession.

7. The vision statement set out within the Strategic Plan is:

A partnership in professional standards that fulfils our statutory duty to protect the public and promote patient safety and well-being through modern regulation which supports and develops osteopaths.

8. Our four goals for 2024 are:

We will support the osteopathic profession to deliver high-quality care, which will protect patients and the public in the context of changes in the dynamic landscape of healthcare.	We will develop our assurance of osteopathic education to produce high-quality graduates who are ready to practise.
We will build closer relationships with the public and the profession based on trust and transparency.	We will be an exemplar in modern healthcare regulation – accessible, effective, innovative, agile, proportionate and reflective.

The changing environment

9. The budget strategy paper is once again prepared against the backdrop of an ever-changing environment. Further detail is set out below:

- a. Change in Chief Executive and Registrar leadership: the GOsC will be appointing a permanent Chief Executive and Registrar during the coming financial year 2020-21, which means the budget strategy paper is prepared against the uncertainty of knowing what direction the new Chief Executive and Registrar would wish to take.

The Executive note that Council has previously spoken about wanting to rebalance resources in order to drive innovation and improvement. While the recent change in Chief Executive and Registrar leadership has delayed our thinking in this area, this budget strategy paper represents the first step towards having those conversations with a newly formed Council in 2020-21. However, in the interim, the budget for FY2020-21 is likely to be presented to Council in a style and format which is consistent with previous years.

- b. Change in formation of Council: from 1 April 2020, there will be a newly formed Council which would have had a 30% change in membership. It is possible that a new Council would wish to satisfy itself that the strategic goals of the GOsC are robust and current, and while we consider that wholesale change to the strategic direction is unlikely, there is an uncertainty as we prepare the budget strategy.
- c. EU-exit and the economic impact: at the time of writing this paper there remains a lack of clarity around whether the UK's exit from the EU with or without a deal, although a no-deal scenario appears to have decreased in

probability. With the scheduling of a winter election, we might have some clarity about the UK's exit from the EU by the January 2020 Council meeting.

Regardless of how the UK leaves the EU (if indeed it does), we need to be alive to the possibility of there being some form of economic shockwave, although the degree to which the GOsC and the sector will be affected is unknown. However, it would be wise to remain cautious and prudent.

- d. Government expectations: Brexit has dominated the attention of Government although conversations continue around reforming regulation, specifically fitness to practise legislation and governance changes along with further discussion about registration requirements.

While there is no current policy intent from Government to reduce registration fees, it remains our responsibility to control costs and fee levels.

Having previously reduced the headline fee by 24% and other fee levels by c.14%, Council has held registration fees steady for the last five years, which represents a decrease in fees in real terms. Although the option of increasing registration fees is available to Council, it is not something which would likely be looked upon favourably by Government or indeed registrants.

- e. Registrant expectations: when fees were reduced it was made clear to the profession that reductions would not occur year-on-year; however, there remains an expectation from registrants that Council will scrutinise the budget approach to ensure the GOsC only raises the income it requires to fulfil its statutory responsibilities and this is consistent also with our charitable status.
- f. Regulatory reform: as mentioned above, there is ongoing dialogue between Government, through the Department of Health, and healthcare regulators over the possibility of regulatory reform. Following the consultation '*Promoting Professionalism: Reforming Regulation*' the current thinking from the Department of Health is not around sector consolidation, in the short term, but to focus on reform through legislation harmonising fitness to practise and governance, and in due course other areas, across all the healthcare regulators.

While fitness to practise reforms would offer a streamlined approach, there will be the need for staff and financial resource as we prepare for, and implement, a new way of operating. At the same time, governance changes may see the introduction of a unitary board model which would also require staff and financial resources to prepare for and implement this new model.

Any resource implications arising from this work would need to be considered separately from the budget and may require one-off funding from reserves, although it would be hoped that costs be recouped through the introduction of more streamlined ways of working. For example, the introduction of a unitary board model, i.e. one which contains Executives

and Non-Executives, could see a reduction in the overall number of remunerated Non-Executives, which could lead to a cost saving.

- g. Student number challenges: it is widely reported that universities and colleges – across all sectors, not just healthcare – are experiencing challenges in attracting and maintaining student numbers.

In addition, we have reported elsewhere that there is a challenge for our sector around how the different statutory responsibilities of the Office for Students (OfS) and GOsC interact efficiently and effectively from the perspective of some of our providers. This may have an impact on the sector and student numbers, and we will need to keep this under review.

The osteopathic education institutions (OEIs) vary significantly in size and resources, and when estimating the number of future graduates, caution must be exercised as a closure of an OEI might have a serious impact on our income projections. The pressure on the education sector is such that we must be alive to the possibility of this materialising and the sector being forced to seriously consider some form of consolidation.

- h. Ambition of GOsC: despite being a small regulator with limited resources, the GOsC has a well-established reputation for setting ambitious programmes of activity and for these activities to be impactful within our sector and the wider regulatory sector. Council will need to be mindful about what GOsC can achieve and it should ensure the Executive is challenged to demonstrate that it is not overcommitting resources, both financial and human, which might undermine our ability to deliver our statutory remit.

Discussion

Supporting the Strategic Plan 2019-24

10. Initial thinking from the Executive is that the Strategic Plan 2019-24, which as discussed earlier is an enabling document, can be best supported by a suite of more operational documents each setting out their own vision, purpose and activities to 2024.
11. A series of documents, all in early development, would support the Strategic Plan 2019-24. The table below sets out some of this early thinking around the areas that are covered by the suite of documents, the vision and purpose of each.

Area	Vision	Purpose/objectives
Professional Standards including development	Our commitment to protecting patients and the public by	1. to ensure the proportionate and effective quality assurance of osteopathic education.

Area	Vision	Purpose/objectives
	<ul style="list-style-type: none"> - working with osteopathic education stakeholders to produce high-quality graduates who are ready to practise and protect patients and the public. - Ensuring that osteopaths continue to demonstrate that they meet standards whilst on the Register. - Ensuring that osteopaths work in partnership with patients to deliver their healthcare needs. - Ensuring that osteopaths are an effective part of the health workforce. - Working with other organisations in the sector to fully develop their role and capacity and to support implementation of initiatives as the sector matures and develops 	<ol style="list-style-type: none"> 2. To ensure that osteopaths on the register continue to meet standards 3. To help facilitate the development of the profession
Registration	Our commitment to protecting patients and the public by maintaining the integrity of the Register through the operation of robust and proportionate processes.	<ol style="list-style-type: none"> 1. to protect the public through maintaining the integrity of the Statutory Register of Osteopaths by ensuring only those who should be on the Register, are on the Register. 2. to streamline and automate processes to enhance the customer

Area	Vision	Purpose/objectives
		journey for those interacting with registration processes.
Fitness to Practise	Our commitment to protecting patients and the public by the effective engagement with witnesses, registrants and other stakeholders involved in our fitness to practise processes.	<ol style="list-style-type: none"> 1. to ensure the fair, proportionate, effective and timely operation of fitness to practise procedures. 2. based on emerging Government proposals, to implement new fitness to practise legislation leading to enhanced efficiency and associated cost savings.
Governance	The continued improvement of the GOsC governance framework so to ensure appropriate scrutiny of all our activities maintaining and respecting the boundaries between Executive and Non-Executive roles.	<ol style="list-style-type: none"> 1. to ensure our governance processes reflect best practice with specific reference to the Seven Principles of Public Life (Nolan Principles). 2. to ensure our governance framework is inclusive in order to attract and retain a diverse range of quality candidates. 3. to ensure our governance framework provides sufficient and proportionate scrutiny adding value to the work of the GOsC.
Engagement	Our commitment to work in partnership with our stakeholders through proactive and meaningful engagement to gather intelligence to inform our work and policy developments and as a critical part of implementing key initiatives.	<ol style="list-style-type: none"> 1. to proactively engage with our stakeholders both face-to-face and using online technology in order to inform our policy development agenda. 2. to consult actively with our stakeholders on our policy development, delivery, evaluation and impact.
Data management including Equality,	Our commitment to maximising the use of our data in a cohesive and logical manner to identify trends which inform our	<ol style="list-style-type: none"> 1. to undertake a fundamental review of all data held by the GOsC and to identify areas of strength, weakness and opportunity.

Area	Vision	Purpose/objectives
Diversity and Inclusion	work and increase our knowledge and understanding about the environment within which we work. This includes our commitment to our obligations regarding Equality, Diversity and Inclusion.	<ol style="list-style-type: none"> 2. to identify, collect, analyse and report on data findings to support GOsC policy developments. 3. to ensure compliance with GDPR and the GOsC Information Governance Framework.
Technology and Digital	The continued improvement of GOsC business processes and systems through investment in technology and digital leading to enhanced business efficiency and effectiveness.	<ol style="list-style-type: none"> 1. to assess the fitness for purpose of the GOsC CRM system and to propose actions based on that assessment. 2. to undertake a fundamental review of the status, visibility and content of the GOsC websites and to propose actions based on the assessment. 3. to drive business efficiencies through the use of technology and digital including investment in new systems which add value to the business. 4. to assess and enhance the security of our technology and digital systems.
Asset management	Our commitment to ensuring the assets of the charity are utilised to their maximum for the benefit of both our charitable aims and the delivery and discharge of our core statutory responsibilities.	<ol style="list-style-type: none"> 1. to maintain expenditure, so that the cost of osteopathic regulation is as cost efficient as possible for a single-profession regulator. 2. to maximise the opportunities for the return on investment from the financial assets. 3. to assess whether the GOsC building asset is being utilised as efficiently as possible.

Area	Vision	Purpose/objectives
		4. to maximise opportunities for enhancing the return on investment from the building asset.
Corporate Social Responsibility	Our commitment, as a charity and a regulator, to consider how we can enhance the impact of our work on the local community, our wider stakeholder community and the environment.	<ol style="list-style-type: none"> 1. to be an organisation which recognises the importance of its Corporate Social Responsibilities and the impact this has on its local communities and the wider environment. 2. to be an environmentally aware organisation ensuring that our activities reflect this commitment.
People management	The desire to ensure our most important asset, our people, are recruited fairly, are trained, developed and encouraged to maximise their potential, within an inclusive and welcoming environment, as they fulfil their roles which discharge our statutory responsibilities.	<ol style="list-style-type: none"> 1. to be an employer which is recognised as providing an environment which is safe, secure and productive. 2. to be an employer which recognises, rewards, develops and retains high-quality and motivated people.

12. These documents, which will be inter-connected due to the nature of their content, cover work areas which fall clearly within our statutory context, which will fit within the vision as articulated within the Strategic Plan 2019-24 and which complement and support the four goals to 2024.
13. The development of these documents, which are embryonic in nature, has highlighted there are resource gaps (financial and people) within our business model which will need to be addressed over time through a rebalancing of resources to ensure that we continue to have a clear focus on our policy development agenda and work upstream regulation activity.
14. In the coming year, Council will need to engage with issues around the required level of investment to meet its expectations for data management, including equality, diversity and inclusion and what investment it wishes to make in technology and digital as a tool to drive business efficiencies which would be expected of a modern healthcare regulator. Every choice will need to be within the context of the Osteopaths Act 1993 which, as outlined at the beginning of

the paper, requires the General Council to develop and regulate the profession but Council should be aware that it will be faced with tensions about where it wishes to deploy its resources.

15. Some early examples of where Council will be asked to engage with decisions centre on IT business management improvement projects and how we can use IT to streamline our processes and maintain our public protection standards.
16. These will include Council receiving a business case for why investment is required in our customer management system (expected in May 2020) and options for delivery. This will also include other projects (expected in January 2020 as part of the budget discussions) such as introducing paperless committees from 1 April 2020; making the renewal of registration process online only including registration certificates only being available online and developing/implementing an online student application tool.
17. Options for funding for these areas would need to be considered as, for example, investment in the customer management system will be significant and if approved, likely to require six-figure investment. At the time of considering the business case, Council will be engaged with options around whether to use part of its investment portfolio, spend from reserves, take out a mortgage on Osteopathy House, as the headquarter building, or a combination of all the above.

Expenditure forecast, including cost reductions

18. Total expenditure in FY2019-20 was set at £2.94m, which was broadly the same level of actual expenditure incurred ten years earlier by the GOsC in FY2009-10, and which demonstrates how well costs have been maintained in that period.
19. Total expenditure in FY2020-21 is forecast to be approximately £2.96m, which currently would be a net expenditure increase of c. £20k-£30k.
20. Given the constraints of being a single-profession regulator which is not aiming to raise registration fees, any increases in departmental budgets are unlikely to be sanctioned. The capping of the departmental budgets ensures resources are focused on those activities which deliver the Strategic Plan 2019-24.
21. We anticipate there being cost reductions in the following areas:
 - a. Osteopathic Practice Standards (OPS): the budget for FY2019-20 was £21k and provided for work streams to support the implementation of the new OPS from September 2019. We anticipate the same level of investment will not be required in FY2020-21.
 - b. Appointment activities: FY2019-20 saw significant appointment activity which is not replicated in the coming financial year and will therefore lead to a cost saving for GOsC.

- c. Consultancy: the FY2019-20 budget included a provision for consultancy to support the Executive think about new ways of working. This was not utilised in the financial year and is being removed from the FY2020-21 budget strategy approach. The early draft documents, designed to support the Strategic Plan 2019-24, would suggest the Executive is starting to think through the relevant issues without the need for consultancy support.
22. The FY2020-21 budget envelope will include:
- a. On-going activity to support the delivery of the Strategic Plan 2019-24, further details of which will be presented to Council in January 2020.
 - b. Provision for IT penetration and security testing up to c.£20k.
 - c. Provision for assurance audits as commissioned by the Audit Committee c.£20k (c.£10k per audit), most likely on equality, diversity and inclusion and governance. We anticipate the equality, diversity and inclusion assurance audit will identify an action plan that will require appropriate resources.
 - d. Provision for salary increases and the associated on-costs.
 - e. Inflationary increases.
23. 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 also the most unpredictable due to the volatility and variability of complaint levels. We have capped the expenditure budget for fitness to practise at £580k for the last five financial years, and we are planning to do so again in FY2020-21.
24. Our forecast for fitness to practise activity across this period remains consistent with the previous year being:
- 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 will be implementing a paperless meeting model 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 are planning for 30 hearings. The Executive has actively looked at offsetting 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 streamline how cases are listed; and the introduction of 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.
25. Direct employment costs (salary, national insurance and pensions) have been estimated at approximately £1.44m. This calculation is based on the current staffing structure, plus one additional full-time resource with a focus on data analysis and engagement, and an allowance for an increase in salaries (to be determined by the Remuneration and Appointments Committee in March 2020).
26. Non-direct employment costs will be approximately £50k including staff training and development, premiums for health insurance and death in service and the cost of recruiting staff vacancies.
27. The table below represents for Council the average expenditure (£ and %) on employment costs per department (see NBs below) across the last six full financial years.

Department	Average £	Average %
Communications	280,212	21.27
Fitness to practise	279,574	21.09
Professional Standards	219,501	16.65
Administration	151,038	16.69
Registration	188,473	14.08
Governance	95,333	7.16
IT	40,722	3.06

NB1: Employment costs of Chief Executive and Registrar split across (Communications, Professional Standards, Administration, Registration and Governance).

NB2: Employment costs of Director of Registration and Resources split across (Administration, Registration and IT).

Income assumptions

28. Income from sources other than registration fees is forecast to reach c.£30k and would predominately be from advertisements in *The Osteopath* magazine. The income budget will not rely upon a return from the portfolio investment.
29. Based on current registration numbers and our predictions around future joiners to the Register, a prudent forecast is that registration fee income would total c.£2.9m in 2020-21. Combined with the other income stream, estimated total income would be c.£2.93m and while this is fractionally less than what is required to cover the forecast expenditure for the same period, we anticipate being able to bring expenditure back in line with income when presenting the budget to Council in January 2020.

30. The registration fee income forecast is based on assumptions which the Executive believe to be sound. Our assumptions include:
- New graduates joining the Register in 2020-21 will be at a slightly lower level than in previous years.
 - The number of osteopaths paying a reduced fee remains constant.
 - There is no significant increase in the number of osteopaths leaving the Register.
31. 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 in the short term.
32. A conservative forecast of the number of new graduates joining the Register, is set out in the table below:

Year	Number forecast
2020	215
2021	215

33. Council should note that the new course at Plymouth Marjon will not generate graduates joining the Register until 2021 although due to the uncertainty around the education sector we are not willing to overstate the number of new joiners to the Register and our forecasts are based on a very prudent and pragmatic approach.
34. The Executive 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

35. Given the background above set out and the expenditure requirements in FY2020-21, it would not be prudent for the GOsC to reduce the level of registration fees for renewals from 1 May 2020.
36. 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.

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

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

Budget stress-test

38. As part of the budget setting process the Executive completes 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%).
39. 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.
40. When taken as a total sum (employment costs included in full before any rationalisation), this is equal to c.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.

Investments

41. At the July 2019 Council meeting, it was agreed to withdraw from the 120-day bond with Secure Trust Bank due to the reducing level of interest. At that time, we were planning to identify an alternative bond to place the investment.
42. Noticed was served with Secure Trust Bank in the summer and the bond matures in December 2019. With the recent change in leadership at the GOsC, the identification of a new bond has not been prioritised and there is a keenness

to ensure the funds do not end up a low-interest deposit account through not having sufficient time to dedicate to this work.

43. It is therefore recommended that in order to ensure the best use of the funds, on maturity, the 120-day bond (£589,880) be transferred into the existing investment portfolio which is under the management of Brewin Dolphin.
44. As discussed earlier in the paper, it may be that a significant proportion of the 120-bond value be needed for investment in technology and digital and data management, including equality, diversity and inclusion and these discussions will be with Council during the coming year. If Council are in agreement to place the funds with Brewin Dolphin on maturity of the 120-bond, the investment manager will be made aware that we may need to access some of those funds for investment in our work programmes.

Recommendations:

1. To consider the overall financial envelope for financial year 2020-21.
2. To agree to hold the registration fees at their current level.
3. To agree to invest the 120-day bond into the investment portfolio when the bond expires in December 2019.