



**Council**  
**18 November 2020**  
**Budget Strategy 2021-22**

<b>Classification</b>	Public
<b>Purpose</b>	For decision
<b>Issue</b>	The paper looks at the overall financial envelope for financial year 2021-22 and sets some parameters around forecast expenditure levels and registration fee income projections.
<b>Recommendations</b>	<ol style="list-style-type: none"><li>1. To consider the overall financial envelope for financial year 2021-22.</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>	Equality and diversity activities will be funded within the budget for 2021-22.
<b>Communications implications</b>	If Council agrees to hold registration fees at their current level, we will communicate this to the profession through our normal communication channels.
<b>Annex</b>	Statutory and strategic context.
<b>Author</b>	Matthew Redford

### Key messages from the paper:

- There are a set core principles on which the budget forecasts are developed and which help guide us through an ever changing uncertain environment.
- Assuming all previous business activities continue, our budgeted expenditure for FY2021-22 is c.£3m.
- Our forecast total income for FY2021-22 is c.£2.925m.
- With further work still to be completed by the Executive before the Business Plan and Budget 2021-22 is presented to Council in February 2021, we have a forecast deficit budget of c.£75k-c.£100k for next year.
- It is proposed that registration fee levels are held constant. This would be for the seventh year in succession. Holding registration fees constant for the previous six years has meant GOsC has absorbed £250k of lost income; this represents our ongoing commitment to cost efficiency and effectiveness.
- Developing our collective thinking around our medium-term financial strategy will be important in the coming year. The paper sets out some headline options and seeks initial views from Council to inform future discussions.

### Background

1. Council receives on an annual basis a budget strategy paper which sets out the forecast budget envelope for the year ahead covering the headline expenditure levels, including known cost reductions, and an explanation of how our work streams will be funded through registration fees paid by osteopaths.

### Discussion

2. While the budget strategy paper is always set against the backdrop of an ever-changing environment, Council should expect 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 February 2021 meeting.
3. Information about our statutory and strategic context can be found at Annex A.

#### *Budget strategy principles*

4. The core principles upon which the budget is being developed are:

**Delivery of our core statutory functions:** we will ensure appropriate levels of funding are available so that our core statutory functions can be delivered.

**Ensure the patient voice is heard:** we will make sure resources are allocated so that the patient voice informs our current and future work.

**Look upstream:** we will ensure we identify and fund activities which support upstream regulation and which are relevant and appropriate for our context.

**Digital first:** our focus will be on developing a digital first approach to our operation in order to streamline activities we undertake.

**Continuous improvement:** we will use our resources to drive continuous improvement so that we can be better organisation tomorrow, than we are today.

**Cost efficiency and cost effectiveness:** we will ensure we are careful where our resources are deployed in order to be cost efficient and cost effective.

### *The changing environment*

5. Like never before, the budget strategy paper is prepared against a backdrop of great uncertainty. Further detail is set out below:
  - a. **COVID-19 pandemic:** we cannot underestimate the impact the global pandemic has had on the organisation, our registrants and on patients. In developing the budget strategy paper we remain cognisant of the challenges to registrants and patients, whilst keeping our focus on the business.

While the overall number of osteopaths on the Register has not, so far, changed significantly, this is due to the number of students joining the Register balancing the number of existing registrants leaving the Register. We know that there has been a reduction in income for FY2020-21 and this will impact on future financial periods too as our expected levels will not be as high as we had believed previously. This is because those joining the Register pay a lower registration fee for their opening two years in practise, whereas leavers from the Register tend to pay the higher registration fee.

Like many organisations, the pandemic has impacted on our how we operate financially, but in simple terms, we need to 'cut our cloth accordingly' and make the necessary business decisions to safeguard the organisation. This approach remains true to our core principles; we need to adopt a digital first approach to our operation to streamline the work we do, which in turn, leads to cost efficiency and effectiveness. This approach will also ensure we have protected the funding required to deliver on our core statutory functions.

- b. **EU-exit and the economic impact:** at the time of writing this paper there continues to be a lack of clarity around whether the UK's exit from the EU will be with, or without, a trade deal, although a no-deal scenario appears to have increased in probability. This uncertainty, combined with significant levels of increased borrowing to pay for the financial stimulus associated with the pandemic, means the economic future is unclear.

Regardless of how the UK leaves the EU, we need to be alive to the possibility of there being some form of economic shockwave, which from a

business perspective, may impact on the valuation of our investment portfolio. For our registrants, any economic shockwave may be challenging especially if it means the wider public reduce their discretionary spending. It would be wise to remain cautious and prudent.

- c. **Student number challenges:** the osteopathic education institutions (OEIs) vary significantly in size and resources and to a lesser extent geographical location, 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 in the medium term. The pressure on the education sector is such that we must be alive the possibility of this materialising and the sector being forced to seriously consider some form of consolidation beyond what has recently been announced with the merger of two educational institutions. Our recent information requests and reports to the Policy and Education Committee (PEC) show that the London based institutions are reporting a small reduction in student numbers this year whereas the institutions based outside of London are reporting increased or stable figures for recruitment.
- d. **Registrant expectations:** when fees were reduced in 2012, 2013 and 2014, it was made clear to the profession that reductions would not occur year-on-year into the future; 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. This is consistent also with our charitable status.

In the current environment, when registrants are responding to the effects of the pandemic, it would be particularly hard, at this time, for Council to consider the possibility of raising registration fees and this has not been included in the Executive's immediate thinking.

- e. **Government expectations:** 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 six years, which represents a decrease in fees in real terms. For context, during this time, fees have increased at three other healthcare regulators.
- f. **Regulatory reform:** following the consultation '*Promoting Professionalism: Reforming Regulation*' the current thinking from the Department of Health and Social Care (DHSC) is not around sector consolidation, in the short term, but to focus on reform through harmonising fitness to practise, governance, education and registration legislation, across all the healthcare regulators.

While we hoped the reform agenda would lead to our legislation changing around late 2021 or early 2022 (for fitness to practise and governance), this is not going to happen. Our understanding of the current approach from DHSC is that the policy intent will be consulted upon for all regulators, but

the implementation of reform would happen on a regulator by regulator basis, with the General Medical Council going first, most likely followed by the Nursing and Midwifery Council. The timetable for when the reforms will be rolled out for the other regulators is unknown.

This means that we will continue to operate with outdated legislation; however, in doing so, we will continue to be innovative and to undertake, where possible, upstream regulatory activities which might prevent more costly activities, such as fitness to practise cases.

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, although if this leads to smaller Councils there may be financial savings.

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. These will be considered in due course once the timetable for reform becomes clearer.

- g. **Rebalancing our resources:** in recent years Council has discussed how it might wish to rebalance resources in order to ensure there was a greater degree of focus on activities associated with upstream regulation, innovation and improvement. Linked to this is the development of our new Communications and Engagement Strategy. As this is finalised, we will have an opportunity to make new decisions about how we operate and to adjust the lens through which we view our activities, moving towards a fresher, more modern approach.

The rebalancing of resources is consistent with our budget principles, in particular making sure that the patient voice is heard and informs our current and future activity, as well as ensuring we have funds available for upstream regulation activities such as research and insight.

- h. **Ambition of GOsC:** despite being a small regulator with an even greater pressure now on its limited resources, the GOsC has a well-established reputation for setting ambitious programmes of activity and for these activities to be impactful within our community and the wider regulatory sector.

Council and the Executive will need to be mindful about what the GOsC can achieve so that we are not overcommitting resources, both financial and human, which might undermine our ability to deliver our statutory remit. However, we should be proud of our past record and not try to limit the scope of our own ability to achieve, simply because of the uncertainty within our operational environment.

*Expenditure forecast, including cost reductions*

6. Total budgeted expenditure in FY2020-21 was set at £2.97m, although clearly the impact of the global pandemic means that the actual results will be somewhat different as we have tightened our spending considerably to offset the reduction to registration fee income.
7. Given the constraints of being a single-profession regulator which is not aiming to raise registration fees, combined with pressure on income due to the pandemic, any increase in departmental budgets cannot be sanctioned, which means we need to continue to be innovative about how we use our human and financial resource. The capping of the departmental budgets ensures resources are focused on those activities which deliver the Strategic Plan 2019-24 in line with our budget principles.
8. Based on our current business model and current activities, total expenditure in FY2021-22 is forecast to be approximately £3m, which would be a net expenditure increase of c.£30k, (1%), against the prior year budget. This assumes that all activities we have undertaken in previous years continue into FY2021-22.
9. Based on our current understanding of income (from paragraph 19) this would represent a deficit budget position of c.£75k-£100k. Further work is required from the Executive to consider the planned activities and associated expenditure. This will be completed before February 2021 when Council will be asked to approve the Business Plan and Budget for FY2021-22.
10. We are anticipating there being cost reductions in the following areas:
  - a. **Appointment activities:** FY2020-21 saw appointment activity for a new member of the Remuneration and Appointments Committee and five fitness to practise panel members. In the coming year we will need to recruit a new Chair of the Audit Committee and one new fitness to practise panel member. This limited recruitment will lead to a cost reduction of c.£5k.
  - b. **Taxation on Council member expenses:** with the pandemic forcing meetings online there will be a saving of around £5k on the tax payable on Council member expenses through no travel costs/expenses being incurred in the current financial year. (NB: tax is paid a year in arrears hence the saving in FY2021-22).
  - c. **Printing, postage, photocopying:** the pandemic has demonstrated that we have been able to operate our business remotely without the need to incur printing, postage and photocopying costs. When we are able to return to some degree of office working in 2021, we do not need to return to our former ways of working, meaning that we can make cost reductions of around £35k.

11. The FY2021-22 budget envelope will include:
  - a. On-going activity to support the delivery of the Strategic Plan 2019-24 and our core statutory functions.
  - b. Provision for assurance audits as commissioned by the Audit Committee.
  - c. Provision for salary increases and the associated on-costs.
  - d. Inflationary increases.
12. 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 six financial years, and we are planning to do so again in FY2021-22.
13. Although we are looking to again cap the expenditure budget at £580k, there needs to be a closer review of our cost model in this area, as we adapt our approach to include blended hearings.
14. This will be a critical piece of work for when our new Head of Resources and Assurance is appointed, as updating the cost model will ensure that we budget correctly for new ways of working, and that we ensure we have the right level of resource available for this important statutory function. This work might identify that we can make sustained financial savings through a greater use of online meetings and blended hearings; however, it is too early to try and 'bank' any savings until a more detailed analysis has been undertaken.
15. 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 virtual Investigating Committee (IC) meetings scheduled (excluding the IC annual training day).
  - 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 offset costs through the 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. The blended hearing model will see a reduction in costs associated with travel, accommodation and incurred expenses.
  - d. Four PCC review hearings (four hearing days), which may be completed virtually.

- e. Two substantive Health Committee (HC) hearings (four hearing days), which may be completed virtually.
  - f. Two HC review hearings (two hearing days), which may be completed virtually.
  - g. Up to 12 Interim Suspension Orders (relating to six cases: assume six IC hearing days and six PCC/HC hearing days), which may be completed virtually.
  - h. Two Section 32 prosecutions.
16. Direct employment costs (salary, national insurance and pensions) have been estimated at approximately £1.5m. This calculation is based on the current staffing structure and an allowance for an increase in salaries (to be determined by the Remuneration and Appointments Committee in March 2021).
17. Non-direct employment costs will be approximately £50k including staff training and development, the death in service premium and the cost of recruiting staff vacancies.
18. The table below represents for Council the average expenditure (£ and %) on employment costs per department (see NBs below) across the last seven full financial years.

<b>Department</b>	<b>Average £</b>	<b>Average %</b>
Fitness to Practise	288,978	22.56
Communications	283,966	22.16
Professional Standards	225,650	17.61
Registration	204,428	15.72
Administration	146,596	11.44
Governance	91,902	7.17
IT	42,631	3.33

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*

19. Income from sources other than registration fees is forecast to reach c.£50k with around £25k-£30k from advertisements in *the Osteopath* magazine.
20. Based on current registration numbers as at October 2020, and our predictions around future joiners to the Register, a prudent forecast is that registration fee income would total c.£2.875m in 2021-22. We have assumed that there is no significant change in the size of the Register between now and the year-end and



no further impact caused by the pandemic; however, with new lockdown measures we will need to keep this under close review.

21. Estimated total income is c.£2.925m. This is currently lower than what is required to cover the forecast expenditure for the same period.
22. We have set out earlier in the paper that we will be revisiting expenditure in order to determine how we might balance the 2021-22 budget. Alongside this we will consider whether there are any other strategies for generating income other than considering inflationary increases in registration fees, for example, opportunities for rental income with an appropriate partner.
23. The registration fee income forecast is based on assumptions which the Executive believe to be sound. Our assumptions include:
  - a. New graduates joining the Register will be similar to previous year.
  - b. The number of osteopaths paying a reduced fee does not significantly increase.
  - c. There is no significant increase in the number of osteopaths leaving the Register.
24. A conservative forecast of the number of new graduates joining the Register, is set out in the table below:

<b>Year</b>	<b>Number forecast</b>
2021	215
2022	215

25. Council should note that Plymouth Marjon graduates joining the Register for the first time in 2021, although due to the uncertainty around the education sector and the wider job market, we are not willing to overstate the number of new joiners to the Register and our forecasts are based on a prudent and pragmatic approach.
26. 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*

27. The paper outlines there will be financial pressures on the GOsC in the coming year(s) ahead arising from the impact of the pandemic. In order to meet these challenges, we will need to reduce our expenditure so that it is within our income. Raising registration fees in the current environment is not a considered option in the short-term, and as such, registration fees should be, for now, held constant.

28. We should however recognise that by holding registration fees at a constant level since 2014, and not increasing fees in line with inflation, GOsC has absorbed approximately £250k of lost income across this period, which is a demonstration of the application of our core budget principle around cost efficiency and effectiveness. A question for Council to keep in mind over the coming year ahead is whether this remains a sustainable position.
29. 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

30. The small additional fee charged for payment by instalments also remain unchanged.

*Budget stress-test*

31. 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%).
32. 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.
33. 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.£250k (excluding staff costs) within the current structure of the budget.

*Looking-ahead*

34. In these uncertain times, we need to develop our collective thinking about our medium-term financial strategy. It would be helpful to understand Council initials views on options listed below which can inform discussions at future meetings:
- a. Exploring what role we might have around increasing registrant numbers in the future, through an expansion of osteopathic education provision in areas such as Scotland and Northern England.
  - b. Exploring the possibilities of reducing expenditure through outsourcing activities such as registration assessments; reducing our financial commitment to research (i.e. decreasing the provision of the IJOM Plus package<sup>1</sup>; making choices about how much engagement we undertake; and considering sharing services with another healthcare regulator.
  - c. Exploring the possibilities of increasing income through new sources, such as rental income with an appropriate partner.
  - d. Exploring the possibility of normalising registration fee increases such as the system undertaken by the General Medical Council.

**Recommendations:**

1. To consider the overall financial envelope for financial year 2021-22.
2. To agree to hold the registration fees at their current level.

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<sup>1</sup> International Journal of Osteopathic Medicine (IJOM) Plus – a corporate subscription paid by the GOsC to enable registered osteopaths access to a range of select research journals. Current contract concludes January 2022.

## Statutory and strategic context

1. The Osteopaths Act 1993 (as amended) sets out our statutory purpose which is to develop and regulate the profession of osteopathy. Our Strategic Plan 2019-24 acts 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.

2. 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.

3. 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.

4. 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.