



Council
25 November 2021
Budget Strategy 2022-23

Classification	Public
Purpose	For decision
Issue	The paper looks at the overall financial envelope for financial year 2022-23 and sets some parameters around forecast expenditure levels and registration fee income projections to inform the business plan and budget cycle.
Recommendations	<ol style="list-style-type: none">1. To consider the overall financial envelope for financial year 2022-232. 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	Equality and diversity activities will be funded within the budget for 2022-23.
Communications implications	If Council agrees to hold registration fees at their current level, we will communicate this to the profession through our normal communication channels.
Annex	None.
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Key messages from the paper:

- There are set core principles on which the budget forecasts are developed, and which help guide us through an ever changing uncertain environment.
- Assuming all business activities continue, our budgeted expenditure for FY2022-23 is expected to be similar to the previous financial year.
- Our forecast total income for FY2022-23 is c.£2.93m and should be sufficient to cover our expenditure.
- It is proposed that registration fee levels are held constant. This would be for the eighth year in succession and would help the profession with the challenge of rising cost of living expenditure.
- Holding registration fees constant for the previous seven years has meant GOsC has absorbed +£250k of lost income; this represents our ongoing commitment to cost efficiency and effectiveness.

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. This paper informs the development of the business plan and budget.
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 business plan which Council will receive at its February 2022 meeting.

3. Discussion

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 and osteopathic care.

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. The budget strategy paper is prepared against a backdrop of great uncertainty: indeed, change is the only constant. Further detail is set out below:

- a. **COVID-19 pandemic:** we are acutely aware of 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.

Our continued approach will be to make the necessary business decisions to safeguard the organisation making sure we have funds allocated to deliver our statutory responsibilities. This approach remains true to our core budget principles.

- b. **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 aware 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. We are also aware of downward pressure on student numbers for some OEIs.
- c. **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.

Having previously reduced the headline fee by 24% and other fee levels by c.14%, Council has held registration fees steady for the last seven years, which represents a decrease in fees in real terms. For context, during this time, fees have increased at three other healthcare regulators.

The effects of the pandemic are still working through the wider economy and we are currently seeing a developing cost of living crisis with rising

household bills. Council will need to factor this into its thinking when considering what level, the registration fee should be for 2022-23.

- d. **Regulatory reform:** since the budget strategy paper last year, the thinking from the Department of Health and Social Care (DHSC) moved to once again considering whether there might be benefit from consolidating the sector and reducing the number of regulators. It is unclear what the future direction of travel might be in this regard and how this may impact on how we use our resources.

While we had hoped that the reform agenda would lead to our legislation changing around late 2021 or early 2022, this is not going to happen and the timetable for future reforms is significantly delayed. This means that we will continue to operate with our existing 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.

- e. **Ambition of GOsC to protect patients and regulate and develop the profession:** despite being a small regulator, 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.

We will need to be mindful about what the GOsC can achieve so that we are not overcommitting resources. However, we should not limit the scope of our own ability to deliver our remit, simply because of the uncertainty within the operational environment.

Expenditure forecast, including cost reductions

6. Total budgeted expenditure in FY2021-22 was set at £2.886m. We are likely to have a higher year-end surplus as the continuation of virtual meetings/hearings reduces expenditure. Council will also note that we took a very prudent approach to the registration fee income projection, following the impact of the global pandemic on the profession in the previous financial year.
7. Given the constraints of being a single-profession regulator which is susceptible to movements in its Register, and which is not aiming to raise registration fees unless truly necessary, any significant increase in departmental budgets will not be sanctioned. This means we need to continue to be innovative about how we use our human and financial resources in order to deliver the Strategic Plan 2019-24 in line with our budget principles.
8. While we recognise that we could not sanction significant increases in departmental budgets, there is an ongoing review of the GOsC performance led by the Audit Committee which will be reporting its findings in early 2022. It is possible that this report may identify the need for investment in some areas of

the GOsC business and this will be reported to Council as part of the business plan and budget discussions in February 2022.

9. Based on our business model and current activities, budgeted expenditure in FY2021-22 was set at £2.886m. We expect our expenditure to be in a similar space for FY2022-23 subject to further work looking at how we will operate, i.e. with hybrid working, meetings/hearings. However, we do not currently expect our operational expenditure requirements to be in excess of our income forecast.
10. We are anticipating the budget for FY2022-23 may contain activities which could incur lower costs, including:
 - a. **Appointment activities:** FY2022-23 is likely to have limited non-executive appointment activities and therefore will incur limited costs.
 - b. **Registration assessments:** we are exploring how we might deliver the registration assessment process at a reduced cost to the GOsC.
 - c. **Financial audit:** we hope to explore the possibility of a group audit tender with some of our fellow healthcare regulators which may have the benefit of reducing expenditure, although we are mindful that the quality of the audit should not be compromised.
11. The FY2022-23 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, including the increase in National Insurance contributions as announced by the Government in September 2021.
 - 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.
13. In the previous seven years we have capped the expenditure budget for fitness to practise at £580k. For the purpose of setting parameters for this budget strategy paper we have assumed that will be the case again in FY2022-23; however, we are actively reviewing the cost model in this area as we adapt to new ways of working including virtual hearings. Therefore, we may decide to reduce the budget required for FY2022-23 and this will be reported to Council as part of the business plan and budget paper presented in February 2022.
14. Our current 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.
 - 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.
15. 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 2022).
16. 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.

Income assumptions

17. Income from sources other than registration fees is forecast to reach c.£20k representing growth in the investment portfolio. We remain alert to identifying strategies for generating income other than considering inflationary increases in registration fees, for example, opportunities for rental income with an appropriate partner. Any opportunities identified will be closely scrutinised and reported to Council.
18. Based on current registration numbers as at October 2021, and our predictions around future joiners to the Register, a prudent forecast is that registration fee income would total c.£2.91m in 2022-23 rising towards c.£2.93m in 2023-24. We have assumed that there is no significant change in the size of the Register between now and the year-end and no future impact caused by the pandemic.

19. Estimated total income is c.£2.93m in 2022-23 and c.£2.95m in 2023-24. This forecast would be sufficient to cover our expenditure requirements based on our current expectations.
20. 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.
21. A conservative forecast of the number of new graduates joining the Register, is set out in the table below:

Year	Number forecast
2022	215
2023	215

22. 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

23. While the operational environment within which we work is ever-changing and presents challenges that we need to keep under review, the budget strategy for 2022-23 can be developed from a more stable position as we believe we have seen the worst financial effects of the pandemic.
24. The GOsC is in a good financial position to meet any future challenges and we have, through our prudent financial approach, always managed our expenditure so that we are living within our means.
25. As reported earlier in the paper, there is currently a developing cost of living crisis which is seeing household and other bills rise. This will impact on all sectors, but for the osteopathic profession, where the majority of practitioners are self-employed, there is a risk that a reduction in disposal incomes may see patients choose not to visit their healthcare practitioner.
26. Therefore, the Executive suggest that raising registration fees in the current environment is not an option in the short-term, and as such, registration fees should continue to be, for now, held constant.
27. We should recognise that by holding registration fees at a constant level since 2014, and not increasing fees in line with inflation, GOsC has absorbed +£250k

of lost income across this period, which is a demonstration of the application of our core budget principle around cost efficiency and effectiveness.

28. 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

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

Budget stress-test

30. 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%).
31. 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.
32. 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.

Recommendations:

1. To consider the overall financial envelope for financial year 2022-23.
2. To agree to hold the registration fees at their current level.