



Council
16 November 2022
Budget Strategy 2023-24

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 2023-242. 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 2023-24.
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.
- Our budgeted expenditure for FY2023-24 is expected to be marginally lower than the previous financial year, with the expectation that a balance is struck between cost constraints and planning activity over appropriate timeframes.
- Our forecast total income for FY2023-24 is c.£2.84m and is sufficient to cover our planned expenditure.
- It is proposed that registration fee levels are held constant. This would be for the ninth year in succession and would help the profession with the challenge of rising cost of living expenditure.
- Holding registration fees constant for the previous eight years has meant GOsC has absorbed +£350k 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 set against the backdrop of an ever-changing environment, Council should expect an underlying 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 2023 meeting.

Discussion

Budget strategy principles

3. 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 a 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

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

- a. **Cost of living crisis:** we are acutely aware of the impact the cost of living crisis is having 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 the recent 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 eight years, which represents a decrease in fees in real terms. For context, during this time, fees have increased at three other healthcare regulators and are planned to increase for at least one other regulator in the coming year.

The aftereffects of the pandemic continue to work through the wider economy and has arguably contributed to the 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 2023-24.

- d. **Regulatory reform:** thinking from the Department of Health and Social Care (DHSC) continues around 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.

Though significantly delayed, the possibility of regulatory reform cannot be ignored as we think about our environmental context. This means we will 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 consider carefully what the GOsC can achieve so that we are not overcommitting resources.

Expenditure forecast

5. Total budgeted expenditure in FY2022-23 was set at c.£2.87m.
6. 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.
7. The budgeted expenditure in FY2022-23 was based on our business model and current activities. We expect our expenditure to be lower for FY2023-24 subject to further work looking at how we will operate, i.e., with hybrid working, meetings/hearings. We do not currently expect our operational expenditure requirements to be in excess of our income forecast.
8. The FY2023-24 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.
9. 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. For the purpose of setting parameters for this budget strategy paper we have assumed that will be the case again in FY2023-24; however, we are actively reviewing the cost model in this area, as we did last year, to take into consideration cost efficiencies with adapting to new ways of working including virtual hearings. This will be reported to Council as part of the business plan and budget paper presented in February 2023.
10. 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. One 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. One 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. One Section 32 prosecution.
11. Direct employment costs (salary, national insurance and pensions) have been estimated at approximately £1.56m. This calculation is based on the current staffing structure and an allowance for an increase in salaries (to be determined by the People Committee in March 2023). As part of this work we will be carefully considering the impact of the cost of living on our staff team, which remains the organisations greatest asset.

12. 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

13. Income from sources other than registration fees is forecast to reach c.£22k representing growth in the investment portfolio, although this is a cautious prediction, reliant on market recovery. 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.
14. Based on current registration numbers as at October 2022, and our predictions around future joiners to the Register, a prudent forecast is that registration fee income would total c.£2.84m 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 economy.
15. The forecast for the estimated total income over the next financial year would be sufficient to cover our expenditure requirements based on our current expectations.
16. The registration fee income forecast is based on assumptions which the Executive believe to be sound. Our assumptions include:
- New graduates joining the Register will be similar to previous year.
 - There is no significant increase in the number of osteopaths leaving the Register.
17. A conservative forecast of the number of new graduates joining the Register, is set out in the table below:

Year	Number forecast
2023	215
2024	215

18. 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

19. The operational environment within which we work is ever-changing and presents challenges that we need to keep under review, the budget strategy for 2023-24 is developed from a volatile position as we believe financial effects of current economy remains unpredictable.

20. The GOsC is in a stable financial position to meet future challenges and we have, through our prudent financial approach, managed our expenditure so that we have a healthy reserve to support the market volatility of recent years.
21. As reported earlier in the paper, there is a 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.
22. 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, for now, be held constant as we continue to monitor the impact of maintaining the discounted fee levels.
23. We suggest that modelling be undertaken over the year ahead so that Council can consider its options around registration fee levels and what this might mean for total GOsC income. For example, options can include holding registration fee levels constant; increasing registration fees in line with inflation through to eliminating the discounted fee levels for those joining the register. NB: any changes to fee levels will need a full public consultation and commitment from the Department of Health and Social Care to change the GOsC (Application for Registration and Fees) Rules and exploring the options does not commit Council to a particular path.
24. 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 +£350k of lost income across this period, which is a demonstration of the application of our core budget principle around cost efficiency and effectiveness.
25. 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

The small additional fee charged, as contribution to the administration costs relating to payment by instalments, also remain unchanged.

Budget stress-test

26. 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%).

27. 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.
28. 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 2023-24.
2. To agree to hold the registration fees at their current level.