



Council
6 November 2014
Budget and Business Plan strategy – FY2015-16

Classification	Public
Purpose	For decision
Issue	This paper sets out the budget and business plan strategy for financial year 2015-16. The paper sets out the projected 2015-16 budget envelope including expenditure forecasts, cost reductions and the potential impact on the registration fee.
Recommendations	<ol style="list-style-type: none">1. To consider the overall financial envelope for 2015-16.2. 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	None
Communications implications	None arising from this paper.
Annexes	None
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Background

1. The Corporate Plan 2013-2016 was agreed by Council in December 2012 and sets out a three year programme of activity under three strategic objectives:
 - a. To promote public and patient safety through proportionate, targeted and effective regulatory activity
 - b. To encourage and facilitate continuous improvement in the quality of osteopathic healthcare
 - c. To use our resources efficiently and effectively, while adapting and responding to change in the external environment.
2. The detailed Business Plan and Budget for 2015-16, to underpin the final year of the Corporate Plan, will be presented for approval by Council at its next meeting. This paper will provide an overview of the activities that Council will see in the draft Business Plan in February 2015.
3. The budget for 2015-2016 is again being prepared against the backdrop of a challenging environment:
 - a. Government expectations: the Government made clear its expectations of a more cost-effective model of regulation with lower fees to the individual and no expansion in the roles of regulators through its February 2011 policy statement *Enabling Excellence*. The challenge set in *Enabling Excellence* was for significant cost reductions over a three year period passed back to registrants via fee reductions. The GOsC was the only regulator to do so.
 - b. Registrant expectations: the GOsC has reduced its registration fee in each of the last three financial years. The headline registration fee, which once stood at £750, has reduced by 24% to £570. In addition, the GOsC has also reduced all other registration fees by approximately 14%. When initially reducing the registration fee, the GOsC was clear that it was the start of a three-year process with all expenditure and income levels being scrutinised. It is reasonable that registrants would continue to have an expectation that registration fee levels will remain under review by the Council beyond the three year review period.
 - c. Ambition of GOsC: the Corporate Plan 2013-16 remains an ambitious document for a small organisation which has reduced its already limited resources, and to that end, Council will need to continue to be mindful about what the GOsC can deliver. Year three of the Business Plan will concentrate on consolidating and implementing work streams which commenced in the first and second year business plans.
 - d. Economic outlook: the outlook for the UK is one of continued austerity measures likely until 2017. While the economy is showing improved signs of recovery, it is too early to rely upon these conditions as demonstrating a

sustained return to sound long-term growth, particularly as households face challenges around cost of living expenses.

4. This paper sets out a 2015-16 forecast budget envelope including known cost reductions, headline expenditure levels and the impact on the registration fee.

Discussion

5. Before setting out the forecast budget envelope for 2015-16, Council is asked to note the following:
 - a. The reduction in registration fees set out in paragraph 3b above.
 - b. Council reaffirmed its view that reserves should be used primarily to guard against one-off unforeseen events such as Section 29 appeals or judicial reviews. Fee reductions should be based upon cost reductions which can be secured and which are identifiable through more effective ways of working or the cessation of activity.
 - c. Financial year 2014-15 has seen an increase in the workload around fitness to practise, which has seen additional expenditure incurred over the agreed budget forecasts. Council recognises that this work is fundamental to patient protection and needs to be adequately resourced financially and from a staffing perspective.

Business Plan headlines

6. The Business Plan to underpin year 3 of the Corporate Plan will have a focus on consolidation and implementation. Headline activities from the plan are likely to include:
 - a. Quality assurance: conclude quality assurance tender process; agree contractual arrangement and monitor transition from one contract to next.
 - b. Student fitness to practise guidance/professionalism: consult on new guidance and consider results.
 - c. Osteopathic Practice Standards: work with partners to enhance methods of implementing the OPS in pre-registration osteopathic education.
 - d. Continuing Professional Development: undertake and publish analysis of consultation responses (consultation commences in FY2014-15).
 - e. Fitness to practise guidance/policy: implement (1) bank of conditions for Health Committee (2) new practice note on admission of character evidence (3) guidance on osteopaths with HIV.
 - f. Francis activities: continue with existing activities which have been identified as part of the GOSc's response to the Francis Report.

- g. Procured services: undertake review of pension provision in advance of auto-enrolment introduction (NB: staging date for auto-enrolment not until FY2016-17)

Cost reductions

7. Cost reductions have been identified across the full range of GOsC business. Headline cost reductions include:
- a. Employment costs: a provision for increasing employment costs in FY2015-16 is offset by a prior year reconfiguration of the Registration and Resources team (c£16k).
 - b. CEN standards: there is no further contribution from the GOsC required for the CEN project as the work stream concluded in FY2014-15 (c£4k)
 - c. Monitoring: the monitoring of all public affairs material is to become a task which will be managed in-house (c£4k)
 - d. IT infrastructure: the outsourced IT solution means that there is no longer a requirement for an external business continuity location (c£4k).
 - e. Mortgage interest: the small mortgage outstanding on Osteopathy House was repaid in full in July 2014 meaning the budget need not provide for the full year effect of interest payable (c£6k).

Expenditure forecast

8. Total net expenditure in FY2014-15 was set at £2.62m
9. Heads of department have been advised that requests to increase the size of their FY2014-15 budgets are unlikely to be sanctioned and that cost reductions need to be identified. The capping of departmental budgets ensures resources are focused on only those activities essential to the delivery of the Corporate Plan.
10. However, with the additional workload around fitness to practise it would be imprudent not to ensure this function has the financial and staff resources needed to meet its statutory requirements. The Head of Regulation has forecast the expected level of activity and the headlines include:
- a. Referred complaints remaining at around 30 cases per annum;
 - b. Nine Investigating Committee (IC) meetings;
 - c. 18 substantive Professional Conduct Committee (PCC) hearings (90 hearing days);
 - d. Two PCC review hearings (four hearing days);

- e. Three substantive Health Committee (HC) hearings (six hearing days);
 - f. Three HC review hearings (six hearing days);
 - g. 12 Interim Suspension Orders (relating to six cases: assume six IC hearing days and six HC hearing days).
11. Alongside an increase to the financial resources, during FY2014-15 additional staff resource was added to the team. The budget envelope for 2015-16 incorporates this as an on-going cost. Additionally, to ensure appropriate administrative and clerical arrangements are in place to support the fitness to practise function, the budget envelope provides for £24k including on-costs, which could represent an additional full or part-time member of the team.
 12. Total net expenditure in FY2014-15 is forecast to be approximately £2.82m. Compared with FY2014-15 this represents a current increase in net expenditure of £200k and which primarily reflects the need to ensure that the fitness to practise function is appropriately resourced with finance and staff.
 13. The FY2014-15 budget envelope incorporates:
 - a. Inflationary costs
 - a. Additional expenditure of £15k for the PSA levy which is due to take effect from 1 April 2015.
 14. In addition to forecast net expenditure of £2.82m, Council will recall it agreed that specific activity could be funded from 'ring-fenced' amounts held in the reserves. Looking ahead to FY2015-16, it is likely that there will be calls on ring-fenced funds to continue to support development projects and also to support the development of a revised CPD/continuing fitness to practise scheme.

Income assumptions

15. Income from sources other than registration fees is forecast to reach £138k. This is higher than in previous years and includes:
 - a. Advertising in *The Osteopath* magazine and leaflet sales (£24k)
 - b. Bank interest (£15k)
 - c. Recognition of interest from investment portfolio (£80k).

In addition some of the anticipated development costs for the continuing fitness to practise scheme in 2015-16 will be offset by the remaining tranche of Department of Health funds for revalidation.

16. Based on current registrant expectations, at the current fee levels, a prudent forecast is that registration fee income would total £2.68m in 2015-16.

17. This registration income forecast is based on assumptions which the Executive believe to be prudent. The assumptions also recognise that loss of income is considered a 'medium risk' on the high-level risk register. Our assumptions in relation to income are:
- a. In the short-term new graduates joining the Register remain at levels consistent with prior years
 - b. The number of osteopaths receiving a reduced fee remains constant
 - c. There is no significant increase in the number of osteopaths leaving the Register.
18. The Register has continued to generate net growth in recent years and even with the current economic outlook for the UK, the Executive believes further net growth will occur in 2015 and 2016.
19. The forecast number of new graduates up to 2015 has previously been reported to Council. The forecast, with which the Executive remains content, should reassure Council that the income projection is sound.
20. The Executive, through the Head 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

21. Given the background above set out in paragraph 3 and the additional expenditure requirements in FY2015-16, it would not be sensible for the GOsC to further reduce the level of registration fees for renewals from 1 May 2015.
22. 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

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

Conclusion

24. 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.
25. The Executive will develop the Business Plan and Budget based on the assumption that total revenue and expenditure will be c£2.82m. 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 2015-16.
2. To agree to hold the registration fees at their current level.