

Financial Report at end of Q3 2015-16

Background information

1. The General Osteopathic Council's current financial year commenced on 1 April 2015 and will conclude on 31 March 2016. In this report it will be described as FY2015-16.
2. The budget for FY2015-16 was approved by Council at its meeting of 4 February 2015 when it also approved the Business Plan activity for the same period.
3. Council receives a financial report at each meeting which presents the cumulative financial results for a given period. Where possible, the reports try to cover quarterly periods within the financial year.
4. In circumstances where the Council papers are being dispatched close to the end of a quarter, it may not always be possible for the financial report to cover the full period. In order to give Council more robust financial information, we may from time to time shorten the reporting period.
5. For the GOsC the financial quarters are as follows:

Quarter 1	1 April – 30 June
Quarter 2	1 July – 30 September
Quarter 3	1 October – 31 December
Quarter 4	1 January – 31 March
6. The third financial report of FY2015-16 covers up to the period ending 31 December 2015, which is nine months into the financial year.
7. The structure of this report is:
 - a. Summary of financial position – fuller income/expenditure narrative
 - b. Income and Expenditure Account (top-level department summary)
 - c. Income and Expenditure Account (detailed departmental summaries)
 - d. Balance Sheet
 - e. Explanatory notes to the Balance Sheet

Summary of financial position

1. This report covers the nine month period from 1 April 2015 to 31 December 2015.
2. The nine-month accounts show a surplus (before spending from reserves on development projects) of £138k against a budgeted forecast of £115k for the same period. The surplus has arisen, in part, because of slightly more income being received than planned, but mainly through expenditure being underspent against budget.

Income

3. The primary source of income is from registration fees paid by osteopaths. The GOsC does not have a single registration date meaning there are osteopaths renewing their registration each month. In accordance with financial rules we need to ensure that we account for, and report, only the proportion of the fee relevant to the financial period.
4. As at 31 December 2015, income totalled £2.125m, which was £1k ahead of the budget forecast. Registration Fees accounted for £2.100m, which was equal to 99% of the total income received.
5. Other income totals £25k which is fractionally ahead of the £24k budget forecast.

Expenditure

6. At the nine-month position we have recorded actual expenditure of £1.987m against a budgeted position of £2.009m meaning we are underspent against the budget forecast by £22k.
7. This main area of underspend is employment costs which has arisen because of three factors. First, the budget provided for a 3% rise in salary costs; however, this will not be used in full as the Remuneration Committee opted for a lower increase (2%) than budgeted. Second, as new employees join the GOsC they are not immediately eligible for employer pension contributions, although the budget provided for the full year contributions for each post. And third, the transition period between some staff leaving the GOsC and new staff joining has resulted in a reduction in the monthly payroll charge.
8. Although the Executive wishes to retain the possibility of using some of the unspent funds to support critical areas of the organisation with additional, temporary staff as the business year develops, the full year employment cost forecast has been amended to reflect the anticipated underspend.
9. The full year forecast has been adjusted and indicates an increased surplus position by 31 March 2016. The Executive wish to use some of these funds for

unplanned activity including an independent audit of the decisions made by the Professional Conduct Committee.

Income and Expenditure Account (top-level summary)

10. The Income and Expenditure Account is set out below:

	Year to Date 1 April 2015 – 31 December 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Income					
Registration fees	2,100,235	2,100,000	235	2,685,000	2,705,000
Other income	25,130	24,560	570	119,250	73,250
Total	2,125,365	2,124,560	805	2,804,250	2,778,250
Expenditure					
Employment costs	938,093	950,348	12,255	1,262,031	1,252,031
Education and professional standards	39,287	41,413	2,126	121,850	93,150
Communications, research and development	127,392	131,075	3,683	217,136	197,136
Registration administration	25,929	26,175	246	62,633	50,133
IT infrastructure	61,339	61,725	386	69,000	69,000
Fitness to practise, including legal	413,032	414,850	1,818	580,000	580,000
Governance	136,808	143,450	6,642	177,750	168,500
Administration and establishment	240,106	240,100	(6)	300,250	303,000
Total	1,981,986	2,009,136	27,150	2,790,650	2,712,950
Surplus	143,379	115,424	27,955	13,600	65,300

Income and Expenditure Account (detailed departmental summaries)

11. The individual departmental accounts are listed below with further narrative to support each business area.

Education and professional standards

	Year to Date 1 April 2015 – 31 December 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Working groups	135	150	15	3,500	150
Quality assurance	27,975	28,000	25	68,000	68,000
Continuing fitness to practise framework	9,620	10,000	380	10,000	10,000
Student fitness to practise	1,557	1,500	(57)	10,000	5,000
Osteopathic pre-registration education	0	0	0	13,000	5,000
Health and disability guidance	0	0	0	15,000	5,000
Publications and subscriptions	0	1,763	1,763	2,350	0
Total	39,287	41,413	2,126	121,850	93,150

12. The nine-month position reports expenditure of £39k has been incurred against a budget forecast of £41k. As previously reported to Council, staffing challenges mean there has been slippage in activity as we focus on ensuring our statutory duties are met.
13. As a consequence of the staffing challenges we faced, the work around student fitness to practise and health and disability guidance was delivered in a different way than initially planned, as we have used a single consultant to move this work forward.
14. Activity around quality assurance will meet the full year budget as we will incur expenditure around annual report analysis, training and appraisal, revisions to handbooks and guidance and management support costs before the year-end.
15. Although the nine-month expenditure represents only 32% of the total budget, expenditure has always tended to be back-loaded, i.e. more spent in the latter part of the financial year than the opening periods. However, the full year forecast has been adjusted to reflect the expected position by year-end.

Communications, research and development

	Year to Date 1 April 2015 – 31 December 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Publication production	48,738	50,586	1,848	75,887	75,887
Engagement activities	13,461	13,570	109	56,746	36,746
Website	15,562	15,819	257	16,953	16,953
Public and international affairs	1,816	1,750	(66)	1,750	1,750
Publications and subscriptions	0	225	225	300	300
<i>Research</i>					
NCOR infrastructure (net)	21,961	19,875	(2,086)	26,500	26,500
IJOM	25,854	29,250	3,396	39,000	39,000
Total	127,392	131,075	3,684	217,136	197,136

16. Expenditure of £127k is within budget by £3.7k. Communication with the profession through publications (£48k) includes *the osteopath* magazine and e-bulletins and additionally the procurement of leaflets for sale and distribution.
17. The budget forecast for engagement activities has been reduced in part due to fewer than planned stakeholder events but predominately through the postponement of a registrants' survey in favour of a data analysis project.
18. The total cost of research activities is £48k, which is made up of the GOsC contribution to NCOR (£22k) and the cost of subscribing to the *International Journal of Osteopathic Medicine* (£26k).

Registration administration

	Year to Date 1 April 2015 – 31 December 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Registration documentation	2,791	3,000	209	3,000	3,000
Registration assessments	23,138	23,175	37	59,633	47,133
Total	25,929	26,175	246	62,633	50,133

19. The nine-month position for Registration administration is within budget by just £246.
20. The forecast for the registration assessment budget line has been made to reflect the predicted spend on overseas assessment activity, assessor training and appraisal as well as reflecting no registration appeals being held in FY2015-16.

Fitness to practise, including legal

	Year to Date 1 April 2015 - 31 December 2015			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
Other legal costs	12,626	12,500	(126)	12,500	12,500
Statutory committee costs					
- Investigating Committee	57,329	57,650	321	75,000	75,000
- Professional Conduct Committee	295,944	297,350	1,406	420,000	420,000
- Health Committee	42,920	43,100	180	62,500	62,500
Section 32 cases	0	0	0	5,000	5,000
Law library subscription	4,213	4,250	37	5,000	5,000
Total	413,032	414,850	1,818	580,000	580,000

21. Statutory committee costs represent 96% of the department expenditure and reflect the work of the Investigating, Professional Conduct and Health Committees. Council members are aware that this area of business represents the most significant area of risk to the expenditure forecasts in terms of volatility.
22. When the budget was agreed by Council in February 2015, Council recognised the need for additional resources both in terms of staffing and also funds for the fitness to practise process. The budget, which had been modestly reduced in FY2014-15, was increased by £100k to its current £580k level.
23. Although there have been increased resources in this area, Council can take assurance the team continue to explore ways of streamlining activity to be as efficient and cost effective as possible. Since the new Head of Regulation joined the GOsC, plans have been affected to trial an online system of case bundles, which would reduce printing and postage costs while eliminating the risk that bundles are either lost in the post or in transit to Osteopathy House on the day of the meeting. Further, the team are exploring how the in-house database can be used to its fullest potential to streamline case management procedures.

24. Looking ahead, we have the following events for later in the year. The unknown factor is any interim suspension orders or additional days which may occur.

January 2016

- One, five day PCC case

February 2016

- One Investigating Committee meeting
- One, two day HC case
- One, one day PCC ISO case

March 2016

- One, five day PCC case
- Two, two day HC cases

25. Based on our understand of unit costs per day for IC, HC and PCC hearings, along with the associated legal costs, we are forecasting that by the year-end, the full year budget will have been used. We shall continue to keep a close eye on the costs related to this area in order to identify any potential overspend. While there is some ability to find efficiency savings within individual cases and hearings, higher costs may be incurred depending on the complexity of individual cases.

IT infrastructure

	Year to Date 1 April 2015 – 31 December 2015			FY Budget	FY Forecast
	Actual	Budget	Variance from budget		
Expenditure					
IT infrastructure (Cloud)	39,124	34,500	(4,624)	40,650	43,000
CRM support	22,000	23,850	1,850	23,850	25,500
IT sundries/consultancy	215	3,375	3,160	4,500	500
Total	61,339	61,725	386	69,000	69,000

26. Expenditure of £61k is under the budget forecast by £386. Expenditure incurred relates to spend on the IT cloud infrastructure (£39k) and CRM support and service contracts (£22k).

27. In the last financial year, Council will recall there was additional expenditure for IT support as we re-platformed our websites. This expenditure is not required in FY2015-16.

Governance

	Year to Date 1 April 2015 - 31 December 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Honorariums/responsibility allowances	85,955	87,750	1,795	117,000	115,000
Tax liability on council member expenses	9,562	7,750	(1,812)	7,750	9,562
Council costs including reappointments	20,552	20,450	(102)	22,500	22,500
Other committee costs	11,801	12,500	699	12,500	12,500
PSA levy	8,938	15,000	6,062	15,000	8,938
Internal operations, including training	0	0	0	3,000	0
Total	136,808	143,450	6,642	177,750	168,500

28. Honorarium and responsibility allowances of £86k represent 61% of the total expenditure for the opening nine-months. Overall expenditure of £142k is in line with the budget forecast.

29. As previously advised, we have now received confirmation that the PSA levy in FY2015-16 will be £8.9k. The Executive have adjusted the year-end forecast to reflect this known underspend against budget.

Administration and establishment

	Year to Date 1 April 2015 - 31 December 2015				
	Actual	Budget	Variance from budget	FY Budget	FY Forecast
Expenditure					
Premises	91,566	90,400	(1,166)	96,000	96,000
Office administration	71,483	72,950	1,467	85,500	85,500
Financial audit	0	0	0	21,000	21,000
Financing	15,000	15,000	0	16,000	18,000
Publications and subscriptions	2,057	1,750	(307)	1,750	2,500
Depreciation	60,000	60,000	0	80,000	80,000
Total	240,106	240,100	(6)	300,250	303,000

Annex B to 5

30. The two main areas of expenditure within Administration and establishment are the cost of premises – rates and service contracts – (£90k) – and office administration – insurance, postage, photocopying – (£71k). These areas represent 67% of the total expenditure at the six-month position.

31. Total expenditure in this area was £240k and is in line with the budget forecast.

Balance Sheet

32. The Balance Sheet for the nine-months to 31 December 2015 shows total reserves of £2.492m. The Balance Sheet position remains healthy and demonstrates that the GOsC continues to be well placed to meet its future obligations and the challenges ahead.

33. Cash held in hand and at bank totals £768k as at 31 December 2015 of which £500k is being held in a bond with Secure Trust Bank generating a greater level of interest for the GOsC (2% AER) than retaining it in a current account.

34. The Balance Sheet as at 31 December 2015 is:

	31 March 2015		31 December 2015	
	£	£	£	£
Non-current assets				
Fixed assets	1,803,739		1,745,226	
Investments	500,000		500,000	
		2,303,739		2,245,226
Current assets				
Debtors	421,183		810,897	
Cash in hand and at bank	693,667		767,916	
	1,114,850		1,578,813	
Liabilities				
Creditors – within one year	(1,030,873)		(1,331,689)	
	(1,030,873)		(1,331,689)	
Net Current Assets		83,977		247,124
Total assets less total liabilities		2,387,716		2,492,350
Reserves				
General reserve		2,287,716		2,392,350
Designated funds - Governance arrangements		100,000		100,000
Total Reserves		2,387,716		2,492,350

Balance Sheet explanatory notes

Debtors

35. At the 31 December 2015, the total of Debtors had increased to £811k from the year-end position of £421k. This is in line with expectations and should not be of concern for Council Members. The reason for the increase is because 'registration fee debtors' has spiked due to the large volume of the register that renew their registration in the opening nine months of the year.

Creditors

36. At the 31 December 2015, the total of Creditors has also increased to £1.332m from the year-end position of £1.031m. Again, this is in line with expectations. The reason for the increase is because of deferred income, which is the proportion of registration fees invoiced but not yet recognised in the accounts.